The Pension Boards
United Church of Christ, Inc.

Partners in Ministry Since 1914

2011 Annual Report

The Pension Boards
administers comprehensive employee
benefits programs for the
United Church of Christ,
providing the highest standards of
service, access and options
to active and retired
UCC clergy and lay employees.

2011
Annual Report

Report of the Chairman and President/CEO

Partners in Ministry Since 1914

"The future has a way of arriving unannounced."

– George Will

The Board of Trustees began 2011 with a three-day planning retreat facilitated by Melanie Lockwood Herman, Esq., President and Chief Executive Officer of the Nonprofit Risk Management Center, and the Rev. Stephen L. Sterner, former Executive Minister of the United Church of Christ's Local Church Ministries. The result of the retreat was the development of a Strategic Roadmap with a Vision and Defined Aspirations to 2016 – bridging the first century of the Pension Boards' service to the Church. Specific annual themes and operational details were identified, all built upon a foundation of core values:

- Act Ethically
- Build Trust
- Communicate Transparently
- Demonstrate Excellence

The Board carefully considered the importance of driving forces (factors), and what scenarios (alternative futures) should be considered, while being nimble and seeking constructive partnerships.

For 2011, the operational theme was to build organizational momentum. Many contextual factors have been considered as the Board and staff work to position (reposition) the Pension Boards to take advantage of future opportunities. The following are a few of these contextual factors:

- According to David T. Olson's **The American Church in Crisis**, regardless of how one defines worship attendance, the average worship attendance in all Christian churches between 1990 and 2010 remained flat at 51 million worshipers, although the U.S. population grew by 91 million during these two decades.

- The number of UCC local churches has declined by 37% since the denomination was formed. Between 2000 and 2010, the number of UCC local churches declined 12.11%, membership declined 24.65% and church school attendance declined 41.11% – the worst decade among 25 reporting Protestant denominations. And, according to findings reported by C. Kirk Hadaway in **FACTs on Growth: 2010**, the rate of decline is accelerating.

- Of the 5,227 local churches reported in the 2011 UCC Yearbook, 2,091 have total budgets of less than $100,000, the amount considered as a bare minimum for sustaining full-time ministerial leadership and the minimum necessary for mission and ministry.

- On a potentially positive note, the proposed Unified Governance of the United Church of Christ, set to go into effect in 2013, will provide unique opportunities for coalitions and collaborations among the various settings of the Church.

- Further, driven by similar demographic changes, the legislative landscape, and rigorous regulatory scrutiny and compliance, all denominational church plans will look for consolidation and collaboration opportunities to obtain necessary economies of scale.

The following is a summary of year-end data related to 2011 corporate goals:

Maintain the Pension Boards' organizational momentum by fulfilling all charters and mandates with no slippage in growth, service, compliance, performance and risk metrics.

- Total membership at December 31, 2002: 20,669
- Total membership at December 31, 2010: 21,725
- Total membership at December 31, 2011: 21,829
    - Actives decreased by 173: 5,488
    - Inactives increased by 27: 6,469
    - Retirees increased by 250 (an increase of 603 retirees, minus 353 deaths): 9,872
- Medicare Supplement Health Plan participants increased by 16: 2,515
- Non-Medicare Health Plan participants decreased by 167: 2,955
- Vision Plan participants decreased by 42: 2,379
- Dental Plan participants decreased by 43: 4,829
- Life Insurance and Disability Income (LIDI) Benefit Plan participants decreased by 70: 5,033

(Declines due to reduction in active members and decline in church operating budgets)

In addition to employer contributions to member retirement accounts, the following contributions by individuals exceeded those made in 2010:

- Tax-Sheltered Annuity (TSA) additions: $7,553,187
- Retirement Savings Account (RSA) additions: $7,415,896
- Flexible Spending Account (FSA) deposits: $957,514

As measured by weekly Member Services surveys, service improved over 2010 measurements as follows:
"*My call was answered promptly*": 3.69; "*The Benefit Representative was courteous and polite*": 3.87; "*My questions were answered clearly and accurately*": 3.74; "*I received the information I requested*": 3.79
Overall rating: 3.77 (on a scale of 1 to 4).

In addition, the 2011 Annual Pension Boards' Member Survey received 3,056 responses, representing 16% of total membership, using a new web-based survey developed by the Nonprofit Risk Management Center to better assess year-over-year performance. The summary report shows no deterioration in performance from the 2010 survey.

Ministerial Assistance provided support to more than 1,600 clergy and lay workers in the form of Pension supplementation, Health Plan supplementation, Christmas "Thank You" Gift Checks, emergency grants, disability grants, energy grants, and new church pastor grants. The Christmas Fund Offering for the Veterans of the Cross and the Emergency Fund received $1,536,459.59 – up $43,747.48 over 2010. Ninety-two cents of every dollar received by the Christmas Fund are sent to those in need in the form of subsidies and grants. Development efforts, begun in 2011, produced more than $1 million in gifts, designated gifts and planned gifts. The Next Generation Leadership Initiative: Target 2030 Program held its second training event, which was attended by 30 young clergy in the Classes of 2021 and 2022. This is an extraordinary group of young clergy and the Program is already generating significant enthusiasm and excitement across the Church.

Claims experience for 2011 for the Health, Dental and Vision Plans came in as expected. These results included several changes to the Plans to conform with the Patient Protection and Affordable Care Act (PPACA), and a nearly $3 million premium credit to eligible Non-Medicare participants. Health Plan rate increases for 2012 are about one-half trend for the tenth consecutive year.

Although investment performance for all Funds finished below our benchmarks for 2011, Pension Boards' Funds finished the fourth quarter on an up note, and, at the time of this writing, are roaring ahead during the first quarter of 2012. The recently approved alternative investment lineup is fully funded, and the Investment Committee is critiquing the role and results of our investment consultant for this asset class. Corporate Social Responsibility focused on promoting the ecological and governance sustainability of the corporations in which the Pension Boards is invested.

Implementation of policies, procedures and practices needed to conform with the Health Insurance Portability and Accountability Act (HIPAA), the Sarbanes-Oxley Act, PPACA, the Dodd-Frank Act and 403(b) legislation is continuous, and completed with minimal year-over-year budget impact. The Board again received clean external and internal audits for 2011. We are compliant with all policies, regulations and agreements in investment operations, and compliant with increased requirements related to alternative investments and increased adherence to Required Minimum Distributions (RMDs) in Non-Qualified Church Controlled Organizations (Non-QCCOs). The Board formed an Enterprise Risk Management (ERM) Standing Committee and developed a Committee Charter. Staff began implementing the ERM Plan. Staff and the Board completed a review of the Employee Handbook and Exempt/Non-Exempt Policies. All staff received training on applicable changes to the Employee Handbook.

To prepare for new opportunities, evaluate all benefit plans and programs including a review of charters and mandates, cost benefit analysis, risk reward analysis, compliance best practices, demographics of clergy/lay members, evaluation of IT platforms and assessment of contextual driving forces.

An outside consultant led a complete evaluation of IT platforms. The report and recommendations were presented to the Executive Committee and adopted by the Board. A new Director of Information Technology began work on October 5 and implementation of the report's recommendations is under way. The assessment of contextual driving forces is complete. A thorough review of all benefit Plans and programs, including the review of charters and mandates, is complete. Further analysis of the demographics of lay and clergy members, and cost benefit/risk reward analyses of benefit Plans and programs will be completed during 2012.

Assure retention of the most competent staff available to accomplish the mission and strategic goals by implementing a career development program that includes a skills/interest inventory, targeted training/education, cross-training, staff rotation testing and a fully implemented compensation, benefits and incentive program.

Openings in staff positions are filled with the most qualified applicants available. Staff turnover is less than 10%. Implementation of a career development program (CDP) is under way. Targeted training and education programs available to all staff have been in place for 10 years. A skills interest inventory will be completed during 2012.

Cross-training and staff rotation testing will be implemented during 2012 as well. A fully-integrated compensation benefits and incentive program was implemented.

The Pension Boards is a founding member of the Church Benefits Association (CBA), which has been meeting since 1915 to serve those who serve the faith community. The CBA includes organizations that represent more than half of all U.S. ministers, priests and rabbis in more than 160,000 local churches and synagogues. The Church Alliance, which represents the CEOs of 52 CBA church plans, is working with our Washington, D.C.-based legislative counsel, K&L Gates, to effect better outcomes from the Patient Protection and Affordable Care Act and the low-income subsidy available through state exchanges. During 2011, the Alliance was successful in obtaining an accommodation for our respective qualified churches to receive the Small Employer Tax Credit. Although the Alliance was also successful in defending a recent challenge to the clergy housing exemption, a new challenge was filed in Madison, Wisconsin.

Multi-year contracts among Church Benefit Association members and vendor partners continue – saving the greater Church hundreds of millions of dollars. Exploration of additional collaborations is under way. Pension Boards' staff serve in various roles on committees and working groups of the Church Benefits Association and Church Alliance. Three Trustees attended the annual meeting of the Church Benefits Association in Baltimore, November 30-December 2, 2011.

All of the above was accomplished during a time of transition in the senior staff positions of Chief Operating Officer, Chief Investment Officer, and Director of Member Services/Member Education.

The Pension Boards finished the year ranked 415 out of the top 1,000 U.S. retirement plans in terms of assets under management. As evidenced in this report, the mission and mandates given to the Pension Boards are accomplished in a timely manner with competency, care, and within budget, by an extraordinary staff that is assisted by exceptional Trustees and Directors.

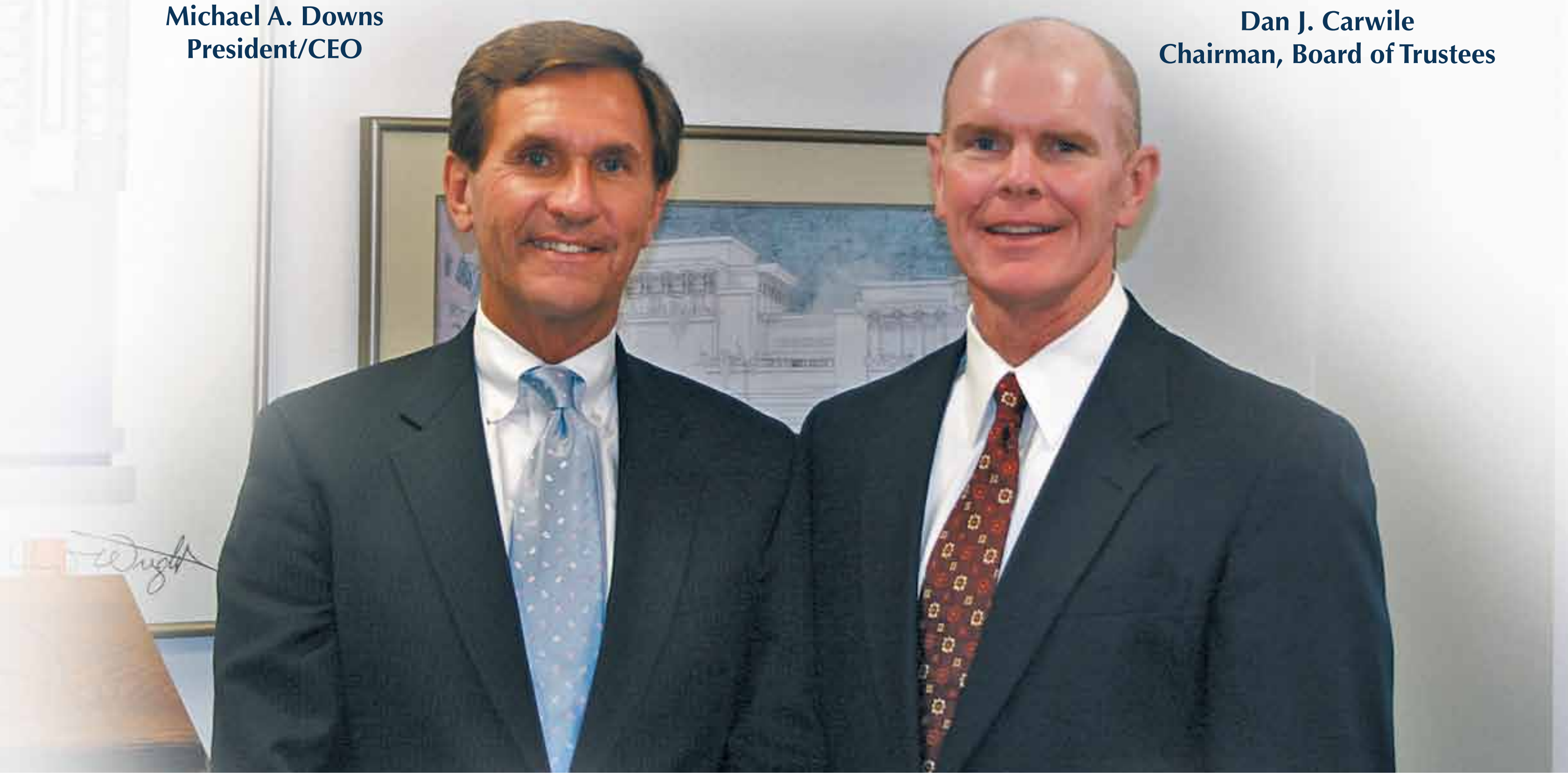
Faithfully,

Michael A. Downs

Michael A. Downs
President/CEO

Dan J. Carwile

Dan J. Carwile
Chairman, Board of Trustees



Report of the Chief Investment Officer

Market Review

Big questions about economic growth around the world were the primary drivers for investment returns in 2011. Equally important, though, headlines about policymakers' attempts to address the important sovereign debt issues in the Eurozone (but also in the U.S. around the super-committee's failures) moved markets dramatically in both directions. Because of the uncertainty, markets bounced back and forth between optimism (risk-on) and pessimism (risk-off). This continued a trend of the last few years that can make investing maddeningly frustrating for many of us used to focusing more on fundamentals than headlines.

In this environment, there were a limited number of big beneficiaries for 2011 and one was clearly U.S. Treasury Bonds. The Barclays Capital U.S. Government/Credit Index generated a positive return during the quarter and returned 8.74% for the full year as investors flocked to the relative safety of bonds, and particularly U.S. Treasuries, which are currently enjoying safe haven status in contrast to most sovereign bond markets in Europe. The exceptions in Europe were a few other safe havens, such as German Bunds (their equivalent of treasuries; up 10% for 2011!), which we do not own.

Balanced Funds also benefitted from exposure to bonds but were held back somewhat by equity holdings. While equity markets in the U.S. had a dramatic rebound off of the September 30, 2011 lows, the Standard & Poor's (S&P) 500 Index finished the year barely positive, and smaller stocks fared worse. International equities took the brunt of the damage, with the MSCI All-Country World Index Ex-U.S. down 9.4%.

As mentioned, market benchmark performances were impacted by the sea changes occurring in Europe. Fiscal concerns in Greece spread through the year to Italy, Spain, France, Belgium and the Netherlands. The late December 2011 European "Summit" resulted in a promise to pursue greater fiscal integration, to relax terms and collateral requirements for banks to receive liquidity from the European Central Bank (ECB), a pledge by the European Union (EU) to loan the International Monetary Fund (IMF) $268 billion, and, most significantly, a pledge by the ECB to extend loans to banks for three years. Market participants were somewhat satisfied, but were hoping for more direct ECB intervention in sovereign debt markets.

There were positive developments, especially here in the U.S. where it is clear we can avoid recession for now, despite a dramatic slowdown in Europe. Final fourth quarter (Q4) Gross Domestic Product (GDP) came in right around 3%. Here in the U.S., economic fundamentals have improved, but with some important caveats. New unemployment claims have fallen recently and the unemployment rate dropped to 8.5% (although part of the improvement is being caused by a lowering of participation rates). Auto and holiday sales were consistent with 3% growth in Q4, but the personal savings rate has declined from 5.2% in early 2011 to 3.5% in October, raising questions about whether these personal consumption expenditure increases are sustainable. Business spending has been improving, buffered by record corporate profitability and margins. All in all, there's reason to be optimistic, but not overly so. High government and consumer debt and continued political gridlock persist as hindrances.

Market Outlook

For 2012, real GDP is likely to be moderate – in a range from 2.0% to 3.0% – while inflation is generally expected to be in the 2-2.5% range. The Federal Reserve is likely to keep its benchmark interest rate at zero to ¼ percent for an extended period while it considers other forms of monetary easing to help re-ignite the economy. Risks include a more severe slowdown in Europe than is currently expected and slower economic growth in other parts of the world, including China. It is important to mention, however, that policymakers around the world have started to cut interest rates, and there is much room to lower rates further as global inflation expectations moderate.

As for equities, valuations remain at attractive levels at year-end, with the S&P 500 Index trading at just over 12 times the next 12 months' earnings forecasts. Corporate balance sheets remain strong, supported by record levels ($2 trillion) of cash. The rampant pessimism among market participants means that any positive resolution out of Europe may result in large-scale allocation toward equities from bonds. Within equities, we like high-quality issues in the U.S. but also increasingly favor emerging markets equities, where valuations, dividend yields and home country fiscal situations are markedly better than those in many developed nations.

Bonds remain a safe haven in this difficult period of uncertainty and volatility, but the favorable recent performance of U.S. Treasuries, in particular, make it hard to imagine that the upcoming decade can be as strong versus equities. In this light, we are continuing to look for opportunities to tilt the balanced portfolios (those that own both stocks and bonds) toward equities.

David A. Klassen
Chief Investment Officer

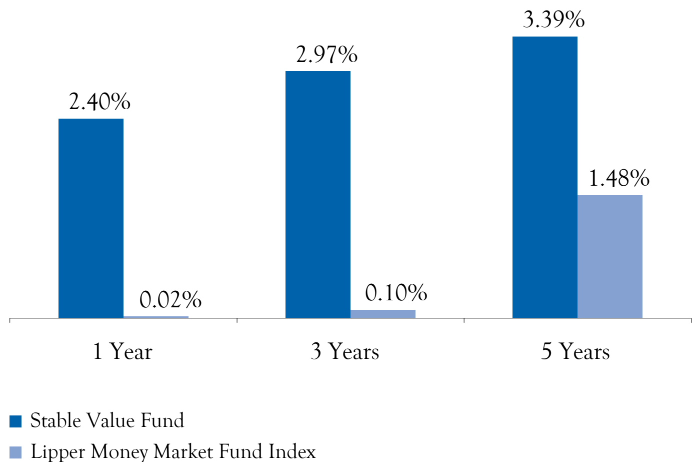
Accumulation Fund Performance

The following are comments on and charts illustrating fund performance for various periods as of December 31, 2011. Asset allocation at year-end is shown as well. Fund performance, as shown, is net of all expenses.

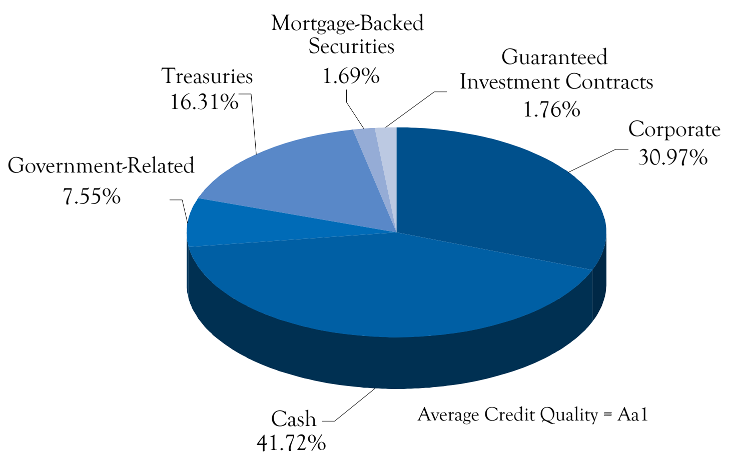
Stable Value Fund

In 2011, the Stable Value Fund had a total return of 2.40% versus 0.02% for the Lipper Money Market Fund Index. The Stable Value Fund has continued to maintain a higher yield than the Lipper Money Market Fund Index, as money market yields remained low throughout 2011. The Fund seeks a principal preservation strategy that expects to maintain a stable unit value of $1.00 per unit while earning a level of income that is consistent with short- and intermediate-term bonds.

Fund Performance



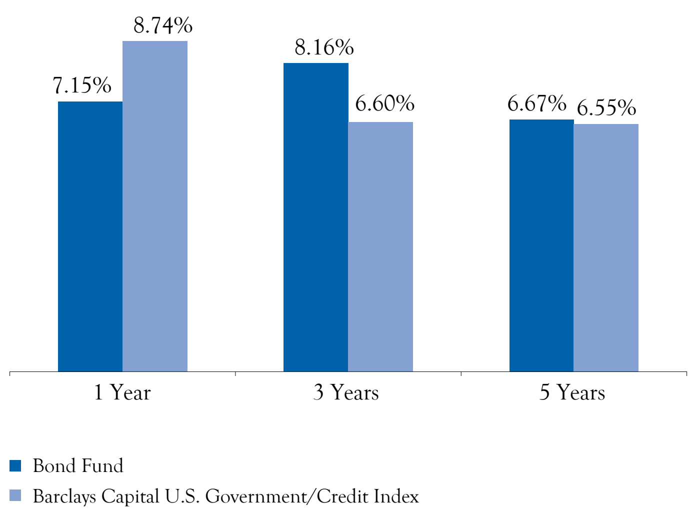
Asset Allocation



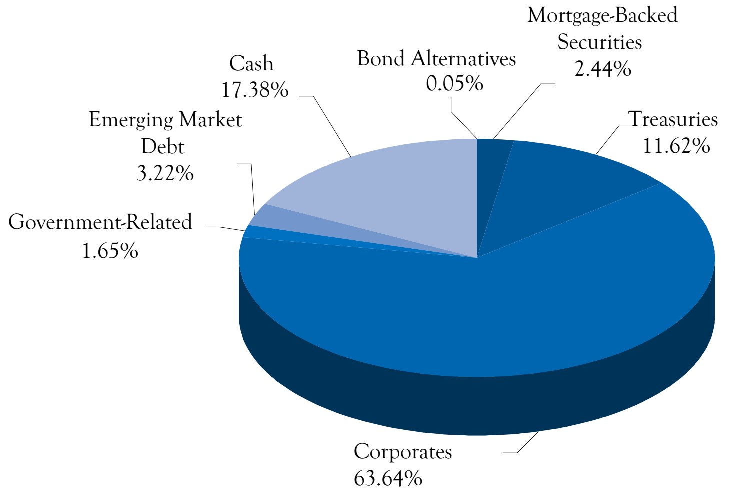
Bond Fund

In 2011, the Bond Fund had a total return of 7.15% versus 8.74% for the Barclays Capital U.S. Government/Credit Index. Although the Fund trailed the benchmark, it produced a very competitive return for the year. Returns versus the benchmark over the past three years are quite strong. The Fund had a modestly lower duration than the Index, which impacted its relative return for 2011. Economic uncertainty in the second half of the year led to interest rates declining dramatically, with the 10-Year Treasury Bond yield falling to as low as 1.71% – a level not seen since the 1940s. The Fund remains overweighted in corporate bonds where relative valuations are attractive.

Fund Performance



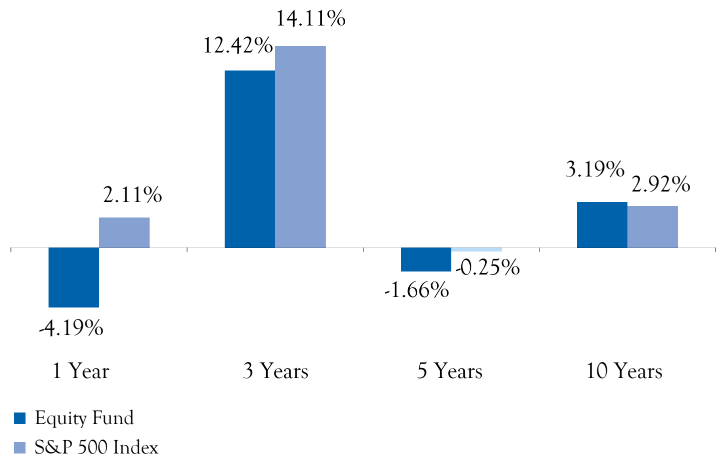
Asset Allocation



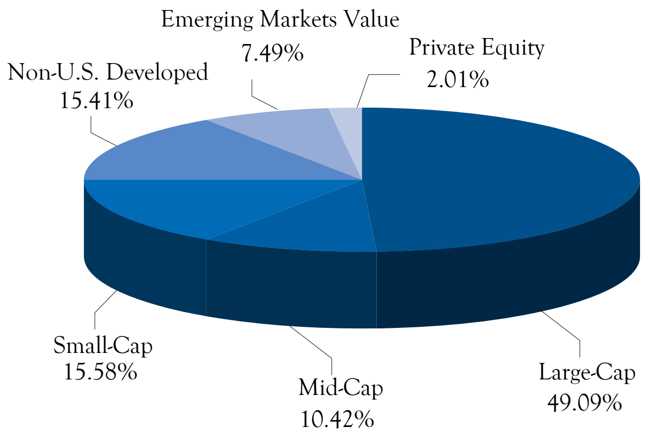
Equity Fund

In 2011, the Equity Fund had a total return of -4.19% versus 2.11% for the S&P 500 Index. The Equity Fund is diversified to include small, medium, and large U.S. stocks, developed market and emerging market international stocks, and alternative investments. As such, the Equity Fund may not correlate with the S&P 500 Index during certain periods. In 2011, the Fund was held back by allocations to emerging markets and U.S. small capitalization stocks. International markets, overall, lagged the U.S. markets. The MSCI ACWI (All-Country World Index), a well-established benchmark that captures the performance of global stocks (including U.S. stocks), had a total return of -6.86% for 2011, and 12.6% for the trailing three years. As the allocation chart illustrates, the Fund is well diversified by geography, market capitalization and style (value and growth).

Fund Performance



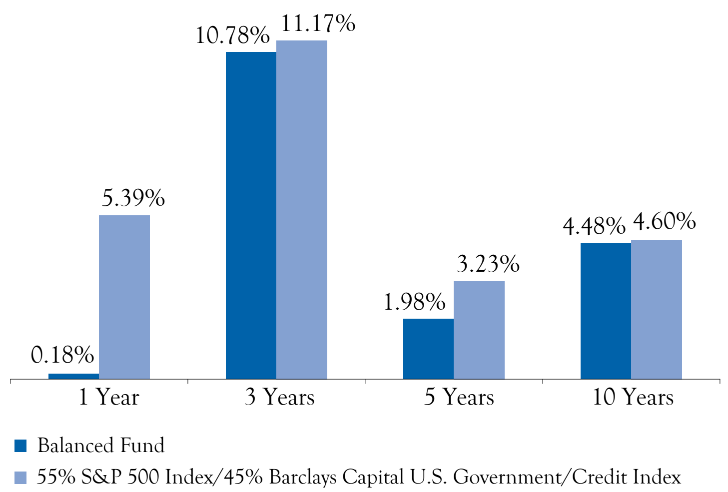
Asset Allocation



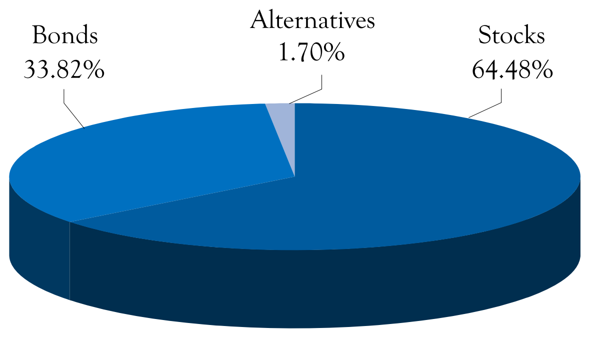
Balanced Fund

In 2011, the Balanced Fund had a total return of 0.18% versus 5.39% for the policy benchmark (55% S&P 500 Index/45% Barclays Capital U.S. Government/Credit Index). The Balanced Fund invests in the Equity and Bond Funds. The Fund had a lower return than the benchmark return, as both the underlying Equity Fund and Bond Fund lagged the benchmarks during this period. Heading into 2012, we are more positive on equities than bonds, and have positioned the Fund accordingly.

Fund Performance

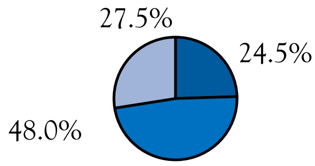
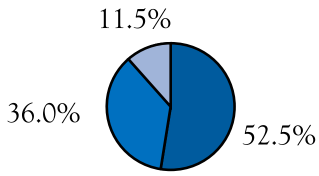
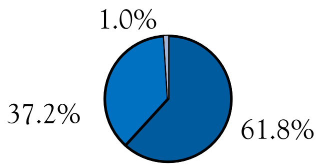
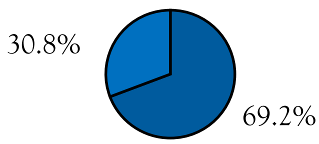


Asset Allocation



Target Annuitization Date Funds

The Target Annuitization Date (TAD) Funds are invested in the Equity, Bond and Stable Value Funds according to predetermined asset allocation glide paths that become more conservative as the annuitization date approaches. As the target date approaches, a higher allocation is given to the Bond and Stable Value Funds and less to the Equity Fund, which is more volatile than the other two Funds. Asset allocation is adjusted twice a year to conform to the established allocations. The performance of the TAD Funds reflects the underlying performance of the Funds in which they are invested. In a difficult year, we believe the TAD Funds did what they were supposed to do.

Target Annuitization Date Fund	Target Asset Allocation	Total Return 1 Year	Total Return 3 Years
2015		3.51%	9.14%
2020		1.21%	10.73%
2025		0.40%	11.35%
2030		-0.51%	11.61%

Equity Fund   Bond Fund   Stable Value Fund

Fees

Expenses (or expense ratios) are reported as the percentage of total expenses for the management and administration of the funds divided by the total average assets of the fund. Expenses in 2011 for the Equity Fund were 0.67% compared to an average expense ratio of 1.52% as reported by Morningstar for equity funds with global securities similar to the types of securities in our Fund. Expenses for the Bond Fund were 0.42% compared to the Morningstar average of 0.94% for similar funds. The Balanced Fund had expenses of 0.61% compared to the Morningstar average of 1.34% for similar funds. Expenses for the Stable Value Fund in 2011 were 0.52%. Expenses for the TAD 2015, 2020, 2025, and 2030 Funds were 0.44%, 0.54%, 0.58%, and 0.61%, respectively.

Annuities

Members have a choice of two annuities – the Participating Annuity and the Basic Annuity – which were introduced on April 1, 2006. Benefit payment adjustments for these Annuities, if any, are made annually at the beginning of each year. January 1, 2007 was the first adjustment date for these Annuities.

Annuitants who retired prior to April 1, 2006 and who chose to remain in the Equity Benefit and Balanced Benefit Annuities continue to receive payments as they have in the past, with payment adjustments effective April 1 and October 1.

Participating Annuity

The assets supporting this Annuity are invested in a balanced portfolio of stocks and bonds (targeted with a 60% allocation to stocks and 40% allocation to bonds). Over longer periods of time, this Annuity should produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits and should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. Of course, if investment and mortality experience result in decreased assets that no longer support the benefit levels, then monthly benefit payments may be reduced. Benefit payments increased 3.5% and 6.0% on January 1, 2007 and 2008, respectively, and were unchanged on January 1, 2009, 2010 and 2011.

Basic Annuity

The assets supporting this Annuity are invested entirely in fixed-income securities that overall have high-quality ratings. Given that most of these securities pay a fixed amount of interest, it is expected that these securities will produce an average investment return that is close to the 4% return assumption built into the base level annuity benefits. For this reason, it is not expected that the benefit will be adjusted to increase or decrease in the near-term future. However, if interest rates rise or fall significantly above or below the 4% earnings assumptions, there is always a possibility that the benefit could change. Benefit payments have remained the same since inception of the Annuity on April 1, 2006.

Equity Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this Annuity are supported 100% by equity securities and fluctuate with the movement in equities, with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1, and incorporate the 4% annual growth assumption that is built into the levels of a member's initial annuity payment. On April 1, 2011, the Annuity increased 22.01%, reflecting the market rebound over the last six months of 2010. On October 1, 2011, the Annuity increased 3.98%, reflecting the increase in stocks over the first six months of 2011. Stock returns in the second half of 2011 were weak, resulting in an 11.03% decrease effective April 1, 2012.

Balanced Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this Annuity are supported by investments in fixed-income and equity securities and fluctuate with movements in equity and fixed-income markets, with a three-month lag. Payments are adjusted twice a year, effective on April 1 and October 1, and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. On April 1, 2011, the Annuity increased 12.18%, reflecting the market rebound over the last six months of 2010. On October 1, 2011, the Annuity increased 2.57%, reflecting the increase in stocks in the first six months of 2011. Stock returns in the second half of 2011 were weak, resulting in a 5.87% decrease effective April 1, 2012.

Selected Data

The table below highlights important aspects of The Pension Boards–United Church of Christ's stewardship obligations.
For comparison purposes, data has been provided for the years ending December 31, 2011, 2010 and 2001.

Dollar amounts in thousands except for member counts and average compensation	2011	2010	2001	Percent Change 2011-2010	Percent Change 2011-2001
Total Assets	$ 2,864,545	$ 3,139,556	$ 2,341,236	-8.8%	22.4%
Net Assets	$ 2,854,803	$ 2,878,569	$ 2,325,106	-0.8%	22.8%
Retiree Data					
Net Assets of Annuitants	$ 1,461,953	$ 1,425,275	$ 1,085,860	2.6%	34.6%
Benefits Paid	$ 112,295	$ 107,079	$ 95,189	4.9%	18.0%
Number of Annuitants	9,872	9,622	7,883	2.6%	25.2%
Pre-Retiree Data					
Net Assets of Accumulation Members	$ 1,183,990	$ 1,245,638	$ 1,142,425	-4.9%	3.6%
Number of Active Members	5,488	5,661	6,918	-3.1%	-20.7%
Number of Inactive Members	6,469	6,442	5,717	0.4%	13.2%
Ministerial Assistance and Supplementation Data					
Emergency and Regular Grants	$ 1,061	$ 688	$ 615	54.2%	72.5%
Christmas Gift Checks	$ 182	$ 196	$ 171	-7.1%	6.4%
Supplementation of Small Annuity Grants	$ 1,298	$ 1,288	$ 1,160	0.8%	11.9%
Health Supplementation Grants	$ 631	$ 650	$ 391	-2.9%	61.4%
Benefit Services Data					
Health Benefits:					
Health Benefits Paid to Non-Medicare Members	$ 24,455	$ 29,267	$ 24,779	-16.4%	-1.3%
Health Benefits Paid to Medicare Members	$ 4,238	$ 4,122	$ 3,490	2.8%	21.4%
Pharmacy Benefits Paid	$ 13,189	$ 13,269	$ 7,852	-0.6%	68.0%
Number of Non-Medicare Members	2,955	3,122	3,628	-5.3%	-18.6%
Number of Medicare Members	2,515	2,499	2,555	0.6%	-1.6%
Number of Claims	158,431	164,806	*Note 1	-3.9%	N/A
Dental Benefits:					
Dental Benefits Paid	$ 2,585	$ 2,787	$ 2,400	-7.2%	7.7%
Number of Dental Members	4,829	4,872	5,108	-0.9%	-5.5%
Number of Claims	18,561	22,153	*Note 1	-16.2%	N/A
Life Insurance Plan:					
Total Insurance Coverage	$ 148,960	$ 153,238	$ 168,000	-2.8%	-11.3%
Life Insurance Benefits Paid	$ 1,301	$ 716	$ 244	81.7%	433.2%
Number of Plan Members	5,033	5,103	5,666	-1.4%	-11.2%
Long-Term Disability:					
Benefits Paid	$ 299	$ 485	$ 1,204	-38.4%	-75.2%
Members receiving benefits	40	44	56	-9.1%	-28.6%
Short-Term Disability:					
Benefits Paid	$ 102	$ 155	*Note 1	-34.2%	N/A
Members receiving benefits	20	28	*Note 1	-28.6%	N/A
Clergy Compensation					
Average Annual Compensation of Male Clergy	$ 57,612	$ 57,049	*Note 1	1.0%	N/A
Average Annual Compensation of Female Clergy	$ 49,638	$ 48,877	*Note 1	1.6%	N/A
Percentage of Male Clergy Receiving Dues at 14% of Salary Basis	84.7%	84.5%	*Note 1	0.2%	N/A
Percentage of Female Clergy Receiving Dues at 14% of Salary Basis	86.6%	87.0%	*Note 1	-0.5%	N/A

Note 1: Not Available

2011 Gifts and Legacies

$150,000 and Over

Vera Phillippi Bequest

$50,000 - $150,000

Reverend Joseph E. Roy Memorial Fund

$20,000 - $50,000

John A. Beard Trust
Edith H. Fobes Charitable Trust
Ferneda Spencer Bequest

$5,000 - $25,000

The Adams Square Congregational Church

Up to $5,000

Anonymous Donors (6)
Helen J. Busiel Trust
The Reverend Dr. George A. Ehrgood & Sue M. Griffith Ehrgood Charitable Trust
Reverend A. Karl Phillippi Bequest
James Eastman in Honor of Reverend Mitsuwo J. Takayanagi
Rhode Island Conference of the United Church of Christ
Reverend Donald I. Kaufman
The Pittsburgh Foundation Grant from C.H. Snyder Fund
Betty & Sanford Souers
Gilman L. Parker Trust
Reverend Dr. Christine Skelton Bequest

The Pension Boards–United Church of Christ, Inc.

The Pension Boards
United Church of Christ, Inc.

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Report of Management

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report resides with the management of The Pension Boards-United Church of Christ, Inc. (the "Pension Boards"). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

The 19-member Board of Trustees, all of whom are independent of the Pension Boards' internal management, oversees the financial statements through its Audit Committee. The Audit Committee is responsible for recommending to the Board of Trustees the appointment of independent public accountants and for approving their compensation.

The Pension Boards' financial statements have been audited by Ernst & Young LLP, independent auditors, whose report appears on Page 14. The independent auditors, engaged to express an opinion on the financial statements, meet periodically with, and have been given free access to the Audit Committee, without management present, to discuss internal controls, auditing and financial reporting matters.

The Pension Boards' system of internal control plays an important role in meeting its responsibilities for reliable financial statements. It is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. The control environment is enhanced by the selection and training of competent personnel; the retention of an independent, internal auditor; maintaining and reinforcing the highest standards of conduct by employees in carrying out the Pension Boards' affairs (including providing employees with the ability to anonymously report concerns under a Whistleblower Policy); organizational arrangements that provide for segregation of duties and delegation of authority; and, the communication of accounting and operating policies and procedures to employees.

In the event of unforeseen irregularities or errors, management believes the Pension Boards' internal accounting control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

Michael A. Downs
President/Chief Executive Officer

Maxine Seifert, CPA
Chief Financial Officer/Treasurer

March 24, 2012

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New York, NY 10036-6530

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Report of Independent Auditors

To the Board of Trustees of The Pension Boards-United Church of Christ, Inc.

We have audited the accompanying combined statements of net assets of The Pension Boards-United Church of Christ, Inc. (the "Pension Boards") as of December 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Pension Boards' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Pension Boards' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Boards' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets of the Pension Boards as of December 31, 2011 and 2010, and the combined changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 24, 2012

THE PENSION BOARDS - UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF NET ASSETS
(Dollars in Thousands)

	December 31, 2011	December 31, 2010
ASSETS		
Cash	$ 1,235	$ 937
Investments	2,845,869	2,875,046
Securities lending collateral	-	247,774
Accrued investment income receivable	11,120	12,725
Due from brokers for securities sales	3,313	231
Other assets	3,008	2,843
Total assets	2,864,545	3,139,556
LIABILITIES		
Cash overdraft	186	409
Payables under securities lending agreements	-	247,774
Due to brokers for securities purchases	1,054	2,156
Health benefits payable	2,843	4,832
Deferred income	3,360	3,472
Other liabilities	2,299	2,344
Total liabilities	9,742	260,987
NET ASSETS	$ 2,854,803	$ 2,878,569
NET ASSETS BY FUND		
UNRESTRICTED NET ASSETS		
Annuitant fund	$ 1,461,953	$ 1,425,275
Accumulation fund	1,183,990	1,245,638
Benefit services fund	104,185	98,819
Ministerial assistance fund	50,872	45,382
Operating fund	5,943	12,005
Total unrestricted net assets	2,806,943	2,827,119
TEMPORARILY RESTRICTED NET ASSETS		
Ministerial assistance fund	3,269	3,528
Operating fund	551	580
Total temporarily restricted net assets	3,820	4,108
PERMANENTLY RESTRICTED NET ASSETS		
Ministerial assistance fund endowments	4,744	4,697
Operating fund endowments	39,296	42,645
Total permanently restricted net assets	44,040	47,342
TOTAL NET ASSETS	$ 2,854,803	$ 2,878,569

See notes to Combined Financial Statements.

THE PENSION BOARDS - UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF ACTIVITIES
(Dollars in Thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010
ADDITIONS		
Realized and unrealized (losses) gains	$ (5,890)	$ 206,888
Investment income	82,965	85,794
Health services premiums	55,105	57,422
Employer pension contributions	33,096	33,226
Member pension contributions	8,675	7,421
Christmas Fund appeal	1,536	1,493
Our Church's Wider Mission	448	510
Donations and legacies	354	670
Other	612	655
Total additions	176,901	394,079
DEDUCTIONS		
Pension payments to annuitants	112,295	107,079
Partial withdrawals and lump-sum payments	14,746	15,144
Health services claims	46,881	51,458
Health services costs	5,113	5,629
Retirement benefits administration and investment costs	16,955	16,610
Ministerial assistance grants	3,172	2,822
Ministerial assistance programs and administration costs	1,505	1,283
Total deductions	200,667	200,025
(DECREASE) INCREASE IN NET ASSETS	$ (23,766)	$ 194,054
COMPOSITION OF CHANGE IN NET ASSETS		
(Decrease) Increase in unrestricted net assets	(20,176)	190,956
(Decrease) Increase in temporarily restricted net assets	(288)	674
(Decrease) Increase in permanently restricted net assets	(3,302)	2,424
(DECREASE) INCREASE IN NET ASSETS	$ (23,766)	$ 194,054

See notes to Combined Financial Statements.

THE PENSION BOARDS - UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Dollars in Thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and employers for pension plan	$ 41,634	$ 40,766
Cash received from members and employers for health services premiums	54,963	56,999
Cash received from Our Church's Wider Mission	448	510
Cash received from Christmas Fund appeal	1,538	1,493
Cash received from contributors	354	670
Cash received from income on investments	71,856	72,470
Miscellaneous receipts	624	648
Payments made to annuitants, members and beneficiaries from the pension plan	(127,783)	(122,216)
Payments made to participants and providers from the health services claims and costs	(48,879)	(50,533)
Cash paid to employees, suppliers and providers of services	(22,061)	(22,043)
Grants disbursed	(2,579)	(2,822)
Net cash used in operating activities	(29,885)	(24,058)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,003,708	2,029,934
Purchase of investments	(1,973,221)	(2,007,141)
Purchase of equipment	(81)	(48)
Net cash provided by investing activities	30,406	22,745
NET INCREASE (DECREASE) IN CASH	521	(1,313)
NET CASH, BEGINNING OF YEAR	528	1,841
NET CASH, END OF YEAR	$ 1,049	$ 528
COMPOSITION OF NET CASH, END OF YEAR		
Cash	$ 1,235	$ 937
Cash overdraft	(186)	(409)
NET CASH, END OF YEAR	$ 1,049	$ 528

See notes to Combined Financial Statements.

Continued

THE PENSION BOARDS - UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Dollars in Thousands)
(Continued)

	2011	2010
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
(Decrease) Increase in net assets	$ (23,766)	$ 194,054
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	232	269
Realized and unrealized losses (gains)	5,890	(206,888)
Accretion of discount on investments	(11,445)	(12,151)
Decrease in accrued investment income receivable	1,605	367
(Increase) Decrease in other assets	(255)	202
(Decrease) Increase in health benefits payable	(1,989)	907
(Decrease) in deferred income	(112)	(624)
(Decrease) in other liabilities	(45)	(194)
Net cash used in operating activities	$ (29,885)	$ (24,058)

See notes to Combined Financial Statements.

1. ORGANIZATION

The Pension Boards-United Church of Christ, Inc. (the "Pension Boards"), an Affiliated Ministry of the United Church of Christ ("UCC"), provides retirement, disability, life insurance, medical, dental and vision benefits for clergy and lay employees of the UCC, its predecessor religious denominations and UCC-related organizations, through the administration of retirement and other benefit plans. As an Affiliated Ministry of the UCC, the Pension Boards is able to serve all other ministries of the UCC. The Pension Boards also acts as the investment-holding corporation and manages investments in commingled pools of common investment types.

United Church Board for Ministerial Assistance, Inc. ("Ministerial Assistance") holds, manages and distributes funds for the assistance and relief of ministers of the UCC, Congregational Christian ministers who have not elected to become ministers of the UCC, and the families of any such ministers. Ministerial Assistance maintains The Christmas Fund for the Veterans of the Cross and the Emergency Fund to receive contributions from an annual church-wide appeal. These contributions help provide pension and health premium supplementation to lower-income retired church workers, emergency assistance to clergy families in need and Christmas checks to lower-income annuitants.

2. RETIREMENT PLAN

The Pension Boards is the plan sponsor of the Annuity Plan for the UCC, as amended, (the "Annuity Plan"), which is a defined contribution plan and is a tax-exempt retirement income account program described in section 403(b)(9) of the Internal Revenue Code of 1986, as amended ("Code"). The Annuity Plan is a Church Plan within the meaning of Code section 414(e) and is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Pension Boards is the Trustee of the Annuity Fund Trust (the "Trust"), which was established to hold in trust money and other property of the Annuity Plan on behalf of and for the benefit of members and beneficiaries of the Annuity Plan.

Accumulation Fund

The Pension Boards maintains a separate account or accounts for each member. Member and employer contributions are credited to members' accounts and are invested according to instructions received from members. Contributions may be allocated by members, in five percent increments, among any or all of the following investment funds: the Pension Boards Stable Value Fund, the Pension Boards Bond Fund, the Pension Boards Equity Fund, the Pension Boards Balanced Fund and four Pension Boards Target Annuitization Date Funds. Investment results are credited or charged to members' accounts in accordance with provisions of the Annuity Plan. With prior written notice, members may change their allocation of current account balances and future contributions effective the first day of the following month. The accounts of active and inactive members who are not yet retired are included in the Accumulation Fund.

Annuitant Fund

Reserves for Annuitants, which contain funds designated to provide for annuity payments to annuitant members, are included in the Annuitant Fund. Upon retirement, all or a portion of the value of a member's individual accumulation account in the Annuity Plan is transferred to Reserves for Annuitants and is used to fund actuarially determined monthly benefit payments of a variable amount. Members may choose among various annuity options, all of which provide a lifetime income for members and all but one of which make provision for beneficiaries named by the members. Monthly retirement income is determined based upon the age of the member (and that of a Joint Annuitant, if applicable), the amount of assets in a member's accumulation account and the form in which the benefit will be paid (for example, Single Life Annuity, or Joint and Survivor Annuity), using an assumed investment rate of return of 4% per year. Retirees may elect to receive either a Basic or Participating Annuity. The Basic Annuity has supporting investments in fixed-income securities. The Participating Annuity has supporting investments comprised of both fixed-income and equity securities with a target allocation of 60% to equities and 40% to fixed-income securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting
The accounts of the Pension Boards are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified into funds according to their nature and purpose. In addition to the Accumulation and Annuitant Funds described in Note 2, the financial statements include Benefit Services, Ministerial Assistance and Operating Funds. The Benefit Services Fund includes net assets and activities relating to medical, dental, vision, disability and life insurance plans. Self-insured short-term disability, medical, dental and vision plans are administered by third-party administrators. The Pension Boards also offers members a life insurance and long-term disability income benefit plan, which is underwritten by an independent commercial insurance carrier. The Operating Fund includes net asset and activities relating to the administrative functions of the Pension Boards.

Basis of Accounting
The accompanying combined, accrual basis, comparative financial statements include the assets, liabilities, activities and cash flows of the Pension Boards and Ministerial Assistance as if they were legally combined into one entity. All inter-corporate balances have been eliminated in the combination.

Reclassification
Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

Management Estimates
The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The fair values of investments represent the most significant estimates and assumptions. Actual results could differ from those estimates and assumptions.

New Accounting Pronouncements
The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"), which is effective for nonpublic entities for annual periods beginning after December 15, 2011. ASU 2011-04 seeks to ensure that fair value has the same meaning in U.S. GAAP and in IFRS, clarifies and amends how certain principles in FASB Accounting Standards Codification ("ASC") Topic No. 820, Fair Value Measurement should be applied and further expands disclosures about fair value measurement. Although the fair value measurement guidance in U.S. GAAP and IFRS will be substantially converged upon the adoption of IFRS 13, some differences between U.S. GAAP and IFRS 13 will continue to exist. Adoption of this guidance is not expected to have a material impact on the financial statements.

Investments
Investments under management are commingled and held by the Pension Boards' custodial bank pursuant to a Master Custody Agreement. The Investment Committee of the Board of Trustees is responsible for supervising the Pension Boards' investment program.

The Statement of Investment Policy of the Pension Boards establishes guidelines relating to permissible investments and to diversification, liquidity, duration, concentration and quality of investments. The policy permits the purchase and sale of S&P 500 Index futures contracts by an external investment manager to equitize cash in the management of the S&P 500 index strategy. Pension Boards staff continues to monitor adherence to the policy and guidelines by investment managers.

Investments are reported at fair value in accordance with ASC Topic No. 820, Fair Value Measurement. Securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each year presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Footnote 6 provides additional information concerning fair value measurement including valuations of non-marketable securities.

Investment transactions are accounted for on the date the securities are purchased or sold, which is the trade date. A corresponding payable to or receivable from the transaction counterparty is recorded until cash and securities are exchanged on the settlement date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gain or loss represents the difference between the proceeds received on a sale of a security and its historical cost. Unrealized appreciation or depreciation is the difference between the fair value of a security and its historical cost.

Investments denominated in non-U.S. dollar currencies are translated at the exchange rates in effect at each financial statement date. Gains and losses from the sale of such investments are translated at the exchange rates in effect at the transaction date.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Combined Statements of Net Assets.

Cash Overdraft

The Pension Boards maintains a zero balance checking account. As checks are written, they are recorded as disbursements in the financial statements. Checks are funded as presented to the bank for payment.

Revenue Recognition

Employer and member retirement contributions and benefit services premiums are recorded when received. Benefit Services premiums that are paid prior to the insured period are shown as deferred income on the accompanying Combined Statements of Net Assets.

Donations are recognized as revenue in the year in which the unconditional promise to give is received.

Income Taxes

The Pension Boards, a New Jersey nonprofit corporation, and Ministerial Assistance, a Connecticut nonstock (nonprofit) corporation, are private organizations exempt from federal income tax under Section 501(c)(3) of the Code. ASC Topic No. 740, Income Taxes, requires management to evaluate tax positions taken by the Pension Boards and to recognize a tax liability (or asset) if the Pension Boards has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The definition of "tax position" includes an entity's status as a tax-exempt nonprofit entity. While exempt from federal income tax under Section 501(c)(3) of the Code, the Pension Boards is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. Management believes there are no material uncertain positions that require recognition in the accompanying financial statements. Since no tax returns have been filed by the Pension Boards, there is no statute of limitations on exposure to taxes for all tax years.

Subsequent events

The Pension Boards has evaluated events and transactions occurring between January 1, 2012 and March 24, 2012, which is the date the financial statements were available to be issued, for disclosure and recognition in the financial statements.

4. NET ASSETS

Net Assets are classified as unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets and changes herein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. Unrestricted net assets of the Annuitant Fund and the Accumulation Fund are funds associated with providing retirement benefits for present annuitants and active and inactive members who are not retired, respectively. Unrestricted net assets of Ministerial Assistance are Board-designated funds functioning as endowments of $37.9 million, Board-designated funds for the Target 2030 Program of $6.5 million and the Fund for supplementing small annuities of $6.4 million. Unrestricted net assets of the Operating Fund as of December 31, 2011 include the following: Board-designated funds functioning as endowments of $3.6 million, Funds designated for long-term capital expenditures of $1.8 million and other funds of $.5 million.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets

Net assets that are subject to permanent, donor-imposed restrictions.

5. INVESTMENTS

At December 31, 2011 and 2010 investments were as follows:
(Dollars in Thousands)

	2011	2010
STABLE VALUE FUND INVESTMENTS		
Institutional Money Market Fund shares	$ 89,724	$ 64,924
Fixed maturity synthetic guaranteed investment contracts:		
Mortgage-backed and asset-backed securities	3,692	13,187
Constant duration synthetic guaranteed investment contracts:		
Corporate Bonds	67,177	73,044
U.S. Government Notes & Bonds	49,307	44,410
Commercial Mortgage-backed securities	4,448	4,807
TOTAL STABLE FUND VALUE INVESTMENTS	214,348	200,372
SHORT-TERM INVESTMENTS		
Institutional Money Market Fund shares	199,238	79,325
TOTAL SHORT-TERM INVESTMENTS	199,238	79,325
FIXED-INCOME INVESTMENTS		
Corporate Bonds	595,468	697,893
U.S. Government Notes & Bonds	403,332	390,292
U.S. Government Agency and Commercial Mortgage-backed securities	22,514	26,172
Emerging Markets Local Currency Debt Fund	29,737	-
TOTAL FIXED-INCOME INVESTMENTS	1,051,051	1,114,357
EQUITY INVESTMENTS		
Common Stock:		
U.S. Large-Cap Equity	654,227	701,938
U.S. Mid-Cap Equity	134,542	147,983
Non-U.S. Developed Markets	123,681	137,826
U.S. Small-Cap Equity	114,271	123,164
Equity mutual funds:		
Emerging Markets	102,547	91,329
U.S. Small-Cap Equity	95,948	121,160
Non-U.S. Developed Markets	84,660	92,455
TOTAL EQUITY INVESTMENTS	1,309,876	1,415,855
OTHER INVESTMENTS		
Participation in United Church Funds, Inc.	38,409	42,403
Hedge Funds	27,465	21,300
Private Equity	5,482	1,434
TOTAL OTHER INVESTMENTS	71,356	65,137
TOTAL INVESTMENTS	$ 2,845,869	$ 2,875,046

Stable Value
At December 31, 2011 and 2010, the portfolio included institutional money market fund shares accounted for at fair value. The Pension Boards has contracted for fully-benefit-responsive wrap agreements that permit members to make routine withdrawals and transfers as permitted by the Annuity Plan, at a stable unit value of $1.00. Fixed maturity synthetic guaranteed investment contracts ("GICs") include an underlying fixed-income security portfolio of mortgage-backed and asset-backed securities and book value, fully-benefit-responsive wraps. They were issued by three major money center banks, each rated "AAA" by S&P and one non-U.S. investment bank, rated "AA+" by S&P. Constant duration synthetic GICs are investments which include an underlying fixed-income security portfolio of corporate bonds, U.S. government notes, U.S. government agency bonds, commercial mortgage-backed securities and book value, fully-benefit-responsive wraps. They were issued by two major money center banks, one non-U.S. investment bank and one non-U.S. life insurance & annuity company, each rated "AA-" by S&P. For 2011 and 2010, the average yield of the portfolio was 2.66% and 3.53%, respectively, while the annualized crediting interest rates at December 31, 2011 and 2010 were 2.60% and 3.24%, respectively. Crediting rates are set monthly and are not less than zero.

Short-Term Investments
Short-Term Investments consists of institutional money market fund shares.

Fixed-Income Investments
Fixed-Income Investments include corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, U.S. government agency mortgage-backed securities, commercial mortgage-backed securities and an emerging market local currency debt fund (Stone Harbor Local Markets Fund). Investing in emerging markets has special risks such as currency and market volatility and political and social instability.

Equity Investments
Common Stock includes domestic and international issues diversified among investment managers who emphasize various investment styles. At December 31, 2011, the Pension Boards had 10 external equity investment managers. At December 31, 2011 and 2010, common stock included approximately 12.0% and 12.4% respectively, in non-U.S. securities. Investment in non-U.S. securities adds certain risks related to the currency of the foreign markets in which the securities are issued. Those investments with currency risk are spread over 23 and 19 different foreign countries at December 31, 2011 and 2010, respectively, with 13 and 12 different currency denominations at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, non-U.S. investments include securities purchased in the currencies of non-U.S. developed nations (96.5% and 98.2%, respectively) and in U.S. dollars (3.5% and 1.8%, respectively).

Equity mutual funds include Dimensional Fund Advisors ("DFA") Emerging Markets Value Portfolio, DFA U.S. Small Cap Value Portfolio and Dodge & Cox International Stock Fund. Mutual funds are recorded at the reported net asset value on the day of valuation.

DFA Emerging Markets Value Portfolio purchases a broad and diverse group of securities associated with emerging markets, including frontier markets (emerging market countries in an earlier stage of development). Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

DFA U.S. Small Cap Value Portfolio purchases a broad and diverse group of readily marketable common stocks of U.S. small cap companies. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Dodge & Cox International Stock Fund invests primarily in a diversified portfolio of non-U.S. equity securities. At December 31, 2011, this portfolio included 95 stocks representing 25 countries. Equities in non-U.S. developed markets accounted for 80.8% of the portfolio with emerging markets accounting for 19.2%.

Other Investments
Other Investments include participation in the UCF Alternatives Balanced Fund of United Church Funds, Inc. ("UCF"), an Associated Ministry of the UCC, and investments in hedge funds and private equity. Footnote 6 provides additional disclosure and information about hedge funds and private equity.

The Pension Boards is the income beneficiary of the Pilgrim Memorial Fund ("PMF"), an endowment fund held in perpetual trust by UCF. Under the terms of the endowment, income calculated at five percent (5%) of the five-year moving average of PMF as of the previous September 30 is distributed quarterly by UCF to the Pension Boards. In accordance with GAAP, the interest in the PMF endowment fund is included in Investments in the Combined Statements of Net Assets and is valued based on the fair market value of the investments held in the UCF Alternatives Balanced Fund and UCF Moderate Balanced Fund at December 31, 2011 and 2010, respectively. The Combined Statements of Activities includes income transferred from PMF of $2.1 million in 2011 and 2010, respectively, classified as Investment Income and the change in the Pension Boards' interest in the PMF endowment fund of ($3.3) million in 2011 and $2.4 million in 2010, respectively, classified as realized and unrealized investment (losses) gains.

Net investment gains include realized gains (losses) on investment sales and the change in unrealized appreciation on investments held at year-end. The net amounts are comprised of the following:

(Dollars in Thousands)	2011	2010
Realized gains on investment sales	$ 93,981	$ 98,088
Unrealized appreciation (depreciation) on investments	(99,871)	108,800
Net Investment (Losses) Gains	$ (5,890)	$ 206,888

6. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy
The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). All financial instruments that are measured and reported on a fair value basis are classified according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

- **Level 1:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- **Level 2:** Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- **Level 3:** Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications of the fair value hierarchy are reported as transfers in/out of the category as of the beginning of the period in which the reclassifications occur.

Hedge Funds
Hedge funds are interests in limited partnerships and investment companies which use a variety of investment strategies and whose portfolios may comprise U.S. and non-U.S., publicly and non-publicly traded equity and debt securities, options, derivatives (futures) and commodities. The Pension Boards' hedge fund investments utilize event-driven, tactical trading and equity hedge strategies. In accordance with ASC Topic No. 820, Fair Value Measurement, the Pension Boards uses the net asset value reported by each fund as a practical expedient to estimate the fair value of the Pension Boards' interest therein. One hedge fund investment with a fair value of $4 million at December 31, 2011 is classified as a level 2 investment and is redeemable monthly with one day's notice. Four hedge fund investments with an aggregate fair value of $23.5 million are classified as level 3 investments. Of these investments, $16.6 million could be liquidated on 45 to 90 days' notice within a one-year time frame; $2.6 million could be liquidated on 60 days' notice within a two-year time frame; and $4.3 million could be liquidated on 90 days' notice within a three-year time frame. Subsequent to December 31, 2011, an additional $22 million was invested in four hedge funds and commitments of $13 million were made to invest in two hedge funds.

Private Equity

Private equity investments are illiquid investments with multi-year investment horizons. The Pension Boards' private equity investments include limited partnerships and limited liability companies with underlying investments in commercial real estate, collateralized loans to venture capital-backed companies, distressed real estate debt and debtor-in-possession financial arrangements. At December 31, 2011, the Pension Boards had four private equity investments with a fair value of $5.5 million. These investments are subject to "lock-up" provisions, generally ranging from 8-10 years at inception, during which time the investment cannot be liquidated. The Pension Boards is not permitted to redeem these investments until the termination of the investment period. The fair value of these investments is based upon the Pension Boards' share of the fair value of the partnership while giving consideration, from a market participant's perspective, to the features unique to the partnership agreements. Because of the inherent uncertainty of the valuations of these investments, the estimated fair values may differ, perhaps materially, from the values that would have been used had a ready market for the investments existed. These assets are classified as Level 3 because the Pension Boards does not have readily observable market comparable prices as of the valuation date. At December 31, 2011 the Pension Boards has open investment commitments to private equity limited partnerships of approximately $23.4 million.

The following table sets forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2011.

	Investments as of December 31, 2011		
(Dollars in Thousands)	Level 1	Level 2	Level 3
STABLE VALUE INVESTMENTS			
Institutional Money Market Fund shares	$ 89,724	$ -	$ -
Fixed maturity synthetic guaranteed investment contracts:			
Mortgage-backed and asset-backed securities	-	3,692	-
Constant duration synthetic guaranteed investment contracts:			
Corporate Bonds	-	67,177	-
U.S. Government Notes & Bonds	49,307	-	-
U.S. Government Agency and			
Commercial Mortgage-backed securities	-	4,448	-
TOTAL STABLE VALUE INVESTMENTS	139,031	75,317	-
SHORT-TERM INVESTMENTS			
Institutional Money Market Fund shares	199,238	-	-
TOTAL SHORT-TERM INVESTMENTS	199,238	-	-
FIXED-INCOME INVESTMENTS			
Corporate Bonds	-	595,468	-
U.S. Government Notes & Bonds	403,332	-	-
U.S. Government Agency and			
Commercial Mortgage-backed securities	-	22,514	-
Emerging Markets Local Currency Debt Fund	29,737	-	-
TOTAL FIXED-INCOME INVESTMENTS	433,069	617,982	-
EQUITY INVESTMENTS			
Common Stock:			
U.S. Large-Cap Equity	654,227	-	-
U.S. Mid-Cap Equity	134,542	-	-
Non-U.S. Developed Markets	123,681	-	-
U.S. Small-Cap Equity	114,271	-	-
Equity mutual funds:			
Emerging Markets	102,547	-	-
U.S. Small-Cap Equity	95,948	-	-
Non-U.S. Developed Markets	84,660	-	-
TOTAL EQUITY INVESTMENTS	1,309,876	-	-
OTHER INVESTMENTS			
Participation in United Church Funds, Inc.	-	-	38,409
Hedge Funds	-	3,997	23,468
Private Equity	-	-	5,482
TOTAL OTHER INVESTMENTS	-	3,997	67,359
TOTAL INVESTMENTS	$ 2,081,214	$ 697,296	$ 67,359

In accordance with ASC Topic No. 820, Fair Value Measurement, a roll-forward of activities including transfers into level 3, transfers out of level 3, realized and unrealized gains and losses, purchases, sales and settlements is provided below for the year ended December 31, 2011.

	CHANGES IN LEVEL 3 INVESTMENTS FOR THE YEAR ENDED DECEMBER 31, 2011			
(Dollars in Thousands)	Participation in United Church Funds, Inc.	Hedge Funds	Private Equity	Total
OTHER INVESTMENTS				
Balance as of December 31, 2010	$ 42,403	$ 16,214	$ 1,434	$ 60,051
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Realized gains/(losses) - net	533	19	213	765
Unrealized gains/(losses) - net	(2,414)	(102)	(132)	(2,648)
Purchases	605	7,500	4,180	12,285
Sales	(2,718)	(163)	-	(2,881)
Settlements	-	-	(213)	(213)
TOTAL OTHER INVESTMENTS	$ 38,409	$ 23,468	$ 5,482	$ 67,359

The following table sets forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2010.

	Investments as of December 31, 2010		
(Dollars in Thousands)	Level 1	Level 2	Level 3
STABLE VALUE INVESTMENTS			
Institutional Money Market Fund shares	$ 64,924	$ -	$ -
Fixed maturity synthetic guaranteed investment contracts:			
Mortgage-backed and asset-backed securities	-	13,187	-
Constant duration synthetic guaranteed investment contracts:			
Corporate Bonds	-	73,044	-
U.S. Government Notes & Bonds	44,410	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	4,807	-
TOTAL STABLE VALUE INVESTMENTS	109,334	91,038	-
SHORT-TERM INVESTMENTS			
Institutional Money Market Fund shares	79,325	-	-
TOTAL SHORT-TERM INVESTMENTS	79,325	-	-
FIXED-INCOME INVESTMENTS			
Corporate Bonds	-	697,893	-
U.S. Government Notes & Bonds	390,292	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	26,172	-
TOTAL FIXED-INCOME INVESTMENTS	390,292	724,065	-
EQUITY INVESTMENTS			
Common Stock:			
U.S. Large-Cap Equity	701,938	-	-
U.S. Mid-Cap Equity	147,983	-	-
Non-U.S. Developed Markets	137,826	-	-
U.S. Small-Cap Equity	123,164	-	-
Equity mutual funds:			
U.S. Small-Cap Equity	121,160	-	-
Non-U.S. Developed Markets	92,455	-	-
Emerging Markets	91,329	-	-
TOTAL EQUITY INVESTMENTS	1,415,855	-	-
OTHER INVESTMENTS			
Participation in United Church Funds, Inc.	-	-	42,403
Hedge Funds	-	5,086	16,214
Private Equity	-	-	1,434
TOTAL OTHER INVESTMENTS	-	5,086	60,051
TOTAL INVESTMENTS	$ 1,994,806	$ 820,189	$ 60,051
Invested collateral under security lending agreements	$ 247,774		

CHANGES IN LEVEL 3 INVESTMENTS	
Balance January 1, 2010	$ 48,302
Net purchases, sales, issuances and settlements	6,430
Unrealized gain	5,319
Balance December 31, 2010	60,051

7. SECURITIES LENDING PROGRAM

The Pension Boards participated in a securities lending program with various brokers and dealers in securities through its custodian bank during 2010 through July 2011, when participation in the program was suspended due to the low interest rate environment and increased investment risk resulting from the European debt crisis. The market value of securities under loan at December 31, 2010 was approximately $242 million; collateral held by the Pension Boards against the loaned securities was $247.8 million. Collateral obligations are classified as payables under securities loan agreements in the accompanying Combined Statement of Assets.

The Statement of Investment Policy of the Pension Boards includes policies and guidelines relating to securities lending, including guidelines for the reinvestment of cash collateral in a separately managed portfolio with an average maturity not to exceed 45 days. It is the Pension Boards' policy to hold, as collateral, cash in amounts at least equal to or greater than 102% or 105% of the market value of each U.S. and non-U.S. security loaned, respectively, until the loaned security is returned. The Pension Boards may reinstate a securities lending program in the future.

8. ENDOWMENTS

Endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Endowment funds are administered in accordance with the laws of the state in which the corporations are incorporated and are accounted for in accordance with applicable generally accepted accounting principles.

Board-designated funds functioning as endowments include the original principal amounts of gifts and legacies received which have no donor-imposed restrictions on their use and related accumulated gains and losses and income. These funds, which can be used for the general purpose of the corporation to which they were donated, are classified as unrestricted net assets.

Donor-restricted endowment funds are classified as restricted net assets. Permanently restricted endowment funds include the Pension Boards' interest in the PMF endowment fund as described in Note 5 and receipts of gifts and legacies where the principal balance must be maintained in perpetuity. The original principal of permanently restricted gifts and legacies which has donor-imposed restrictions on income was $2,397,694 at December 31, 2011 and $2,352,808 at December 31, 2010. The original principal amount of permanently restricted gifts and legacies which has no donor-imposed restrictions on the use of income was $3,247,004 at December 31, 2011 and $3,245,531 at December 31, 2010. Accumulated gains and losses and interest income on permanently restricted gifts and legacies, in addition to temporarily restricted donations are classified as temporarily restricted net assets until appropriated for expenditure. Expenditures of $469,952 in 2011 and $506,315 in 2010 were transferred to unrestricted net assets.

During 2011 and 2010, permanently restricted endowments were invested in the Equity, Bond and Balanced Funds of the Pension Boards and the Alternatives Balanced and Moderate Balanced Funds of United Church Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the following factors are taken into consideration: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investment, other resources and investment policies.

9. OTHER ASSETS AND OTHER LIABILITIES

	(Dollars in Thousands)	
	December 31, 2011	December 31, 2010
OTHER ASSETS		
Accounts Receivable	$ 736	$ 565
Receivable from affiliated entities and deposits	1,550	1,544
Prepaid expenses	391	301
Miscellaneous assets	331	433
TOTAL OTHER ASSETS	$ 3,008	$ 2,843

Other liabilities includes accounts payable of $2.1 million and $2.0 million at December 31, 2011 and 2010, respectively, and miscellaneous liabilities of $.2 million and $.3 million at December 31, 2011 and 2010.

10. LEASE COMMITMENTS

The Pension Boards has entered into several non-cancelable operating leases for office space and equipment. At December 31, 2011, the aggregate future minimum payments for these commitments were as follows:

Year Ending	Amount (000's)
2012	$ 756
2013	705
2014	428
	$ 1,889

The annual lease amount for rent is subject to modification based upon actual operating costs of the building. The Pension Boards' rental expense for the years ended December 31, 2011 and 2010 was $581,120 and $545,150, respectively.

11. COMBINED ACTIVITIES BY FUND

The combined activities by fund for the year ended December 31, 2011 is as follows:

(Dollars in Thousands)	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	TOTAL
ADDITIONS:						
Realized and unrealized investment gains (losses)	$ 19,244	$ (20,369)	$ (286)	$ (1,072)	$ (3,418)	$ (5,901)
Investment income	44,898	30,868	3,324	1,573	2,302	82,965
Health Services premiums			55,105			55,105
Employer pension contributions		33,096				33,096
Member pension contributions		8,675				8,675
Christmas Fund appeal				1,536		1,536
Our Church's Wider Mission				448		448
Donations and Legacies				309	45	354
Interfund transfers	88,641	(95,120)		6,605	(126)	-
Other	306	223	32	19	43	623
TOTAL ADDITIONS	153,089	(42,627)	58,175	9,418	(1,154)	176,901
DEDUCTIONS:						
Pension payments to annuitants	112,295					112,295
Partial withdrawals and lump-sum payments		14,746				14,746
Health Services claims			46,881			46,881
Health Services costs			5,113			5,113
Retirement benefits administration and investment costs	4,116	4,275	346	226	7,992	16,955
Ministerial Assistance grants			469	2,409	294	3,172
Ministerial Assistance programs and administration costs				1,505		1,505
TOTAL DEDUCTIONS	116,411	19,021	52,809	4,140	8,286	200,667
INCREASE (DECREASE) IN NET ASSETS	$ 36,678	$ (61,648)	$ 5,366	$ 5,278	$ (9,440)	$ (23,766)
DECEMBER 31, 2010 NET ASSETS	1,425,275	1,245,638	98,819	53,607	55,230	2,878,569
INCREASE (DECREASE) IN NET ASSETS	36,678	(61,648)	5,366	5,278	(9,440)	(23,766)
DECEMBER 31, 2011 NET ASSETS	$ 1,461,953	$ 1,183,990	$ 104,185	$ 58,885	$ 45,790	$ 2,854,803

Trustees and Directors

Executive Staff

Michael A. Downs
President and Chief Executive Officer

Rev. Dr. M. Douglas Borko
Director, Ministerial Assistance

Rev. Martha M. Cruz
Director, Public Relations/Communications

James T. Herod, J.D., LL.M. (Tax), CEBS
General Counsel/Corporate Secretary

David A. Klassen, CFA
Chief Investment Officer

Bridget Langevine
Director, Human Resources/Administration

Wynonia Y. Leak
Director, Member Services/Member Education

Frank Loiacono
Director, Health Plan Operations

Todd A. Muchnicki, EA, FCA, MAAA
Chief Operating Officer

Maxine Seifert, CPA
Chief Financial Officer/Treasurer

Rev. Keith A. Tussing
Major Gifts/Planned Giving Officer

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