Church Workers Pension Fund

Annual Report and Financial Statements 2017

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of the Church Workers Pension Fund ("CWPF", or the "Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2017.

Scheme constitution and management
The Scheme was established in 1953 in accordance with the Church of England Pensions Board (Powers) Measure 1952 and operates as a centralised occupational pension scheme.

The CWPF has two distinct sections:

- the Defined Benefit Scheme; and
- Pension Builder Scheme.

The Pension Builder Scheme is further divided into two sub-sections:

- Pension Builder Classic; and
- Pension Builder 2014.

The two Pension Builder sub-sections are hybrid: part defined benefit, due to guaranteed pension benefits; but also have defined contribution elements, due to the amount of benefit being dependent on accumulated pension contributions.

Some employers participate in more than one section. Employers include diocesan boards of finance, cathedral chapters, mission agencies and other bodies connected with the ministry and mission of the Church of England.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown in Appendix 1.

Other than the Scheme's liability driven investments ("LDI"), and Defined Benefit Scheme's insurance policy (see Management and Custody of Investments section on page 5), the Scheme's investments are principally held in a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"). The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since it was established in 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, to which the smaller schemes would not have access on their own. The CEIFP's annual report and financial statements are attached at Appendix 3.

The CEIFP has two pools with differing risk and return characteristics that the Schemes can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures in Appendix 3 for more information.

<u>Pension Builder 2014</u>
The Pension Builder 2014 sub-section has been operating since February 2014. There are now 334 participating employers. It was set up to help small employers comply with auto-enrolment legislation. It is a scheme that guarantees to pay out at least the value of the contributions paid in plus any bonuses, which are dependent on the investment returns. This guarantee means Pension Builder 2014 is classified as a cash balance scheme both in respect of tax and pensions legislation.

<u>Pension Builder Classic</u>
There are 161 employers participating in this sub-section. It is a scheme which guarantees pension benefits for its members. The scheme provides guaranteed increases to pensions in line with limited price indexation ("LPI") in respect of contributions paid after 5 April 1997. Discretionary bonuses are applied to all benefits and to all pensions in payment relating to contributions paid before 6 April 1997. Bonuses may be declared by the Trustee, but are dependent on the funding level of the section each year.

<u>Defined Benefit Scheme</u>
The Defined Benefit Scheme currently has 80 participating employers. Employers have some flexibility as to the benefit structure for members. The scheme provides a guarantee that pensions will increase in line with LPI.

The section is managed in two parts: an employer section and a life risk section, each section with an investment strategy that reflects its purpose (see note 13 to the financial statements for more detail). The employer section receives contributions and invests in return seeking assets until the point of retirement. At point of retirement, an amount is transferred to the life risk section, which pays pensions. This section is invested in liability matching assets and return seeking assets and has an insurance policy which pays 70% of pension in payment at the contract date.

Rule changes
There were no changes to the Scheme's rules during 2017. A full copy of the Scheme's rules is available on request.

Financial developments
There were no significant financial developments within the Scheme during the year.

For information about the CEIFP's own financial developments in the year, see its Trustee's Report in Appendix 3.

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41(1) and (6) of that Act.

Trustee's report (continued)

Membership

The change in membership during the year for each section of the Scheme is as follows:

Defined Benefit Scheme	Active	Deferred	Pensioners*	Beneficiaries*	Total
At 1 January	491	1,655	1,934	183	4,263
New members joining	13	-	-	-	13
Members retiring	(33)	(72)	105	-	-
Members leaving with refunds	(2)	(3)	-	-	(5)
Members leaving prior to pension age	(66)	66	-	-	-
Transfers Out	-	(6)	-	-	(6)
Deaths	(1)	(1)	(39)	(1)	(42)
New spouse and dependent pensions	-	-	-	21	21
Adjustments/other	-	1	(20)	(7)	(26)
Total at 31 December	**402**	**1,640**	**1,980**	**196**	**4,218**

* Included within the above are 1,490 (2016: 1,535) pensioners and 182 (2016: 168) beneficiaries whose benefits are partly provided by an insurance policy.

Pension Builder Classic	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,708	1,657	1,232	101	4,698
New members joining	427	-	-	-	427
Members retiring	(22)	(57)	79	-	-
Members leaving with refunds	(85)	(25)	-	-	(110)
Members leaving prior to pension age	(184)	184	-	-	-
Movements between sections	(29)	-	-	-	(29)
Transfers Out	-	(7)	-	-	(7)
Deaths	(2)	(4)	(46)	(6)	(58)
New spouse and dependent pensions	-	-	-	8	8
Adjustments/other	2	(2)	20	7	27
Total at 31 December	**1,815**	**1,746**	**1,285**	**110**	**4,956**

Pension Builder 2014	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,685	209	18	-	1,912
New members joining	652	-	-	-	652
Members retiring	(5)	-	5	-	-
Members leaving with refunds	(111)	(3)	-	-	(114)
Members leaving prior to pension age	(154)	154	-	-	-
Movements between sections	29	-	-	-	29
Deaths	(1)	-	-	-	(1)
Other	1	(1)	-	-	-
Total at 31 December	**2,096**	**359**	**23**	**-**	**2,478**

Pension Increases

Increases to pensions in payment in the CWPF are made in line with the Retail Prices Index ("RPI") up to a limit of 2.5% or 5.0%. The increase in RPI in the year to 30 September 2017 was 3.9% (2016: 2.0%). Pensions in payment on 1 April 2018 increased therefore by 3.9% (2017: 2.0%).

No discretionary bonuses were paid in respect of Pension Builder Classic (2016: none). Pension Builder 2014 declared a discretionary bonus of 9.6% (2016: 15.0%) which is payable from 1 April in the following year. Bonuses are not applicable to the Defined Benefit Scheme.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's Actuary. The Scheme does not accept transfers.

Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of future retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions determined by the Trustee, after considering actuarial advice and having consulted with the employers, and is set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme's Actuary who carries out a full actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

Trustee's report (continued)

Actuarial liabilities (continued)

The most recent valuation was carried out as at 31 December 2016 which showed at that date:

	Defined Benefit Scheme	Pension Builder Classic	Pension Builder 2014
	£m	£m	£m
Technical provision	408.1	132.6	8.6
Value of assets	378.7	118.4	9.1
(Deficit)/Surplus	(29.4)	(14.2)	0.5

The method and significant actuarial assumptions used to determine the technical provisions for the Defined Benefit Scheme and the Pension Builder Classic are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method
The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rate	
for employer pools (pre-retirement)	4.2% p.a.
for life risk section (post-retirement)	2.35% p.a.
RPI	3.2% p.a.
Pay increases	CPI + 1.2% p.a.
Pension increases:	
Increasing in line with CPI (capped at 3.0%)	2.4% p.a.
Increasing in line with RPI (capped at 2.5%)	2.2% p.a.
Increasing in line with RPI (capped at 5.0%)	3.3% p.a.
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables in line with the CMI 2015 core projections with long-term annual rate of improvement of 1.5% p.a. for both males and females

As a result of the actuarial valuation the Trustee agreed future contribution rates and "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating Defined Benefit Scheme employer. The majority of employers agreed a recovery plan of seven years or less from 1 April 2018. Only one employer required a recovery plan longer than 10 years (from 1 April 2018) and that recovery plan is due to end on 30 June 2033, and is supported by an Individual Payment Plan agreement.

Investment management

Investment strategy and principles
The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for the Scheme by the Trustee. This incorporates the investment strategy and is supported by documents that set out how the investment strategy is implemented. Copies of the SIP may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Management and custody of investments
In 2014 the Trustee decided to reduce the defined benefit liability risk by purchasing an insurance contract ("buy in") from Prudential. The contract transferred 70% of the pension risk at the contract date from the employers to the insurer. It removed significant investment risk from the assets backing that part of the payments and the risk associated with longevity too.

The Scheme holds £57.5m (2016: £28.5m) of its liability matching assets outside the CEIFP in its own LDI accounts. Apart from a cash reserve (held to meet the monthly pension commitments), all other assets are held in the CEIFP return seeking or liability matching pools.

The CEIFP's custody arrangements are described in the CEIFP's Trustee Report in Appendix 3. The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Scheme's investments, other than pooled investment vehicles ("PIV"), where the manager makes its own arrangements for the custody of underlying investments.

Investment performance
At the end of 2017, the Scheme held 68.6% (2016: 70.8%) of its net assets in the CEIFP's Return Seeking Pool, which comprises public equities, private infrastructure equity, private debt, emerging market sovereign debt, property unit trusts, hedge funds and cash; and 1.5% (2016: 1.5%) in the CEIFP's Liability Matching Pool, which consists solely of corporate bonds. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 3.

Trustee's report (continued)

Investment performance (continued)

The remaining investments other than the insurance policy, representing 10.5% (2016: 5.6%) of the Scheme's net assets, were in its own LDI account. Index-linked Gilts posted modest returns over the year, with the FTSE Over 5-Year Index-linked Gilt index appreciating by 2.5% in 2017. The Scheme's LDI returns were 2.6%. The LDI was implemented less than three years ago so longer term returns are not available.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements

Employer related investments
Details of employer related investments are given in note 15 to the financial statements.

Further Information
Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed in Appendix 1.

Approval
The Trustee's Report and Statement of Trustee's Responsibilities were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

Statement of Trustee's Responsibilities

The Church of England Pensions Board is Trustee of the Church Workers Pension Fund.

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England

Report on the audit of the financial statements

Opinion
In our opinion, the Church Workers Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2017, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the statement of net assets available for benefits as at 31 December 2017; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information
The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements
As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England (continued)

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2018

Fund Account
for the year ended 31 December 2017

	Note	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**2017 Total**	2016 Total
		£000	£000	£000	£000	**£000**	£000
Contributions							
Employer contributions	4	3,523	4,541	5,555	-	**13,619**	13,474
Employee contributions	4	1,041	1,216	222	-	**2,479**	2,324
Transfers in		-	-	36	-	**36**	-
Other income	4	222	194	-	416	**832**	731
Total contributions and other income		4,786	5,951	5,813	416	**16,966**	16,529
Benefits							
Benefits paid or payable	5	(106)	(3,919)	(2,359)	(8,887)	**(15,271)**	(14,381)
Payments to and on account of leavers	6	(28)	(23)	-	-	**(51)**	(86)
Transfers out		(135)	(142)	(534)	-	**(811)**	(689)
Administrative expenses	7	(565)	(739)	-	(1,001)	**(2,305)**	(1,527)
Total benefits and other expenses paid		(834)	(4,823)	(2,893)	(9,888)	**(18,438)**	(16,683)
Net additions/(withdrawals) from dealings with members		3,952	1,128	2,920	(9,472)	**(1,472)**	(154)
Returns on investments							
Deposit interest		-	-	-	3	**3**	14
Income from insurance policies		-	-	-	4,836	**4,836**	4,869
Change in market value of investments	11	1,182	10,569	21,603	766	**34,120**	72,764
Investment management expenses		-	(15)	-	(4)	**(19)**	-
Net returns on investments		1,182	10,554	21,603	5,601	**38,940**	77,647
Net increase/(decrease) in fund		5,134	11,682	24,523	(3,871)	**37,468**	77,493
Transfers between sections	8	-	-	(12,475)	12,475	**-**	-
Opening net assets		9,055	118,378	188,244	193,506	**509,183**	431,690
Closing net assets		14,189	130,060	200,292	202,110	**546,651**	509,183

Notes 1 to 17 form part of these Financial Statements.

Statement of Net Assets available for benefits
as at 31 December 2017

	Notes	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**2017 Total**	2016 Total
		£000	£000	£000	£000	**£000**	£000
Investments							
Pooled investment vehicles (CEIFP)	11	14,056	104,418	199,637	64,873	**382,984**	368,344
Pooled investment vehicles (other)	11	-	25,526	-	31,975	**57,501**	28,540
Insurance policies	11	-	-	-	105,200	**105,200**	111,480
Total investments		14,056	129,944	199,637	202,048	**545,685**	508,364
Current assets	9	442	515	655	535	**2,147**	1,540
Current liabilities	10	(309)	(399)	-	(473)	**(1,181)**	(721)
Net current assets		133	116	655	62	**966**	819
Total net assets available for benefits		14,189	130,060	200,292	202,110	**546,651**	509,183

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position, which does take account of such defined benefit obligations, is dealt with in the report on actuarial liabilities on page 4, and these financial statements should be read in conjunction with this report. Notes 1 to 17 form part of these financial statements. Note 17 shows the full year comparatives.

These financial statements were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

Notes to the financial statements

1. Legal status

The Church Workers Pension Fund (the "Scheme") is an occupational pension scheme established under trust on 1 January 1953 by The Church of England Pensions Board (the current Trustee).

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of preparation of financial statements

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Contributions

Employer contributions, which consist of both normal and deficit contributions are accounted for on the accruals basis in the payroll month to which they relate.

Employee contributions are accounted for on the accruals basis in the month deducted from payroll.

Additional voluntary contributions from members are accounted for, on the accruals basis, in the month deducted from payroll.

b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on the accruals basis on the later of the date of retirement and the date the option is exercised.

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate. Other benefits are accounted for on the accruals basis on the date of retirement, death or leaving the Scheme, as appropriate.

c) Transfers to/from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on the accruals basis, which is generally when funds are transferred unless the Trustee of the receiving scheme have agreed to accept the liability in advance of receipt of funds.

d) Administrative and other expenses

Administrative and investment management expenses are accounted for on the accruals basis. The costs are split between each section of the Scheme according to each section's use of management and administration time.

e) Income from insurance policies, investment income and expenditure

Most of the Scheme's investments are units in the CEIFP, which is an accumulation fund. The CEIFP's net investment income, after paying management and transaction fees is retained within the fund for reinvestment. The value of the Scheme's holding in CEIFP units consequently is affected by the change in market value of investments, comprising of all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

Income arising from insurance policies is shown separately in the Fund Account and is accounted for on the accruals basis.

Investment income

Income from other pooled investment vehicles which distribute income is accounted for on the date stocks are quoted ex-dividend/interest.

Income from bonds, cash and short term deposits is accounted for on the accruals basis and includes income bought and sold on purchases and sales of bonds.

Withholding taxes are included in investment income and are accrued on the same basis. Where withholding tax is not recoverable, this is shown as a separate expense within investment income

Investment expenditure

Transactions costs are included in the cost of purchases and sales proceeds. These include commissions, stamp duty and other fees.

Notes to the financial statements (continued)

3. Accounting policies (continued)

f) Investment valuation

The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, provided by the custodian Northern Trust. These prices are calculated using the number of units held and the fair value of the CEIFP's underlying investment assets and liabilities. Where separate bid and offer prices are available for the underlying investment assets and liabilities, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

Investment assets and liabilities are measured at fair value. Where an active market is unavailable, the Trustee adopts valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

Pooled investment vehicles

Unitised investment vehicles which are not traded on an active market are estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

Bonds

Bonds are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in current assets.

Insurance policies

Insurance policies are valued by the Scheme's Actuary, Lane Clark and Peacock LLP, at the amount of the related obligation using the actuarial method. This is determined by the most recent scheme funding valuation assumptions updated for market conditions at the reporting date.

The change in market value of investments recognised in the fund account during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

g) Foreign currencies

The Scheme's functional currency and presentational currency is pounds sterling.

Notes to the financial statements (continued)

4. Contributions

Year ended 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Employer contributions					
Normal	3,486	4,344	3,391	-	**11,221**
Deficit	-	-	2,153	-	**2,153**
AVC	37	185	-	-	**222**
For supplemental pensions	-	12	11	-	**23**
Total employer contributions	3,523	4,541	5,555	-	**13,619**
Employee contributions					
Normal	744	610	222	-	**1,576**
AVC	297	606	-	-	**903**
Total employee contributions	1,041	1,216	222	-	**2,479**
Other income					
Contributions for administration costs	-	-	-	416	**416**
Contributions for life cover	222	194	-	-	**416**
Total other income	222	194	-	416	**832**

Year ended 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Employer contributions					
Normal	2,904	4,037	3,992	-	**10,933**
Deficit	-	-	2,350	-	**2,350**
AVC	20	83	-	-	**103**
For supplemental pensions	-	81	-	-	**81**
Section 75	-	7	-	-	**7**
Total employer contributions	2,924	4,208	6,342	-	**13,474**
Employee contributions					
Normal	540	554	240	-	**1,334**
AVC	311	679	-	-	**990**
Total employee contributions	851	1,233	240	-	**2,324**
Other income					
Contributions for administration costs	-	-	-	390	**390**
Contributions for life cover	171	170	-	-	**341**
Total other income	171	170	-	390	**731**

Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 April 2018 to 30 June 2033.

5. Benefits paid or payable

Year ended 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Pensions	-	3,094	-	8,887	**11,981**
Lump sums on retirement	19	440	2,319	-	**2,778**
Lump sums on death	30	49	40	-	**119**
Commutations	57	336	-	-	**393**
Total benefits paid	106	3,919	2,359	8,887	**15,271**

Year ended 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Pensions	-	3,121	-	8,337	**11,458**
Lump sums on retirement	46	533	2,063	-	**2,642**
Lump sums on death	-	98	38	-	**136**
Commutations	24	121	-	-	**145**
Total benefits paid	70	3,873	2,101	8,337	**14,381**

Notes to the financial statements (continued)

6. Payments to and on account of leavers

Year ended 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Refunds of contributions in respect of non-vested leavers	28	23	-	-	**51**
Total payments to and on account of leavers	28	23	-	-	**51**

Year ended 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Refunds of contributions in respect of non-vested leavers	35	51	-	-	**86**
Total payments to and on account of leavers	35	51	-	-	**86**

7. Administrative expenses

The administrative expenses comprise a recharge from the Board for costs it bears on the Scheme's behalf. A breakdown of the costs which make up this recharge is listed below:

Year ended 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Actuarial fees	53	72	-	343	**468**
Audit fees	22	20	-	10	**52**
Pension levy	-	4	-	53	**57**
Legal advice	13	28	-	16	**57**
Investment services	3	31	-	72	**106**
Administrative expenses	474	584	-	507	**1,565**
Total administrative expenses	565	739	-	1,001	**2,305**

Year ended 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Actuarial fees	48	71	-	93	**212**
Audit fees	7	16	-	5	**28**
Pension levy	-	24	-	25	**49**
Legal advice	15	38	-	12	**65**
Investment services	49	108	-	38	**195**
Administrative expenses	264	393	-	321	**978**
Total administrative expenses	383	650	-	494	**1,527**

8. Transfers between sections

The Defined Benefit section is managed in two parts: an employer section and a life risk section. The employer section receives contributions and holds investments for individual employers until the point of retirement. At point of retirement, an amount is transferred to the life risk section, which pays pensions. This is similar to the employer buying an annuity from the Life Risk section.

Notes to the financial statements (continued)

9. Current assets

At 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Debtors					
Employer contributions	440	483	460	-	**1,383**
Other	2	20	-	55	**77**
Total debtors	442	503	460	55	**1,460**
Cash	-	12	195	480	**687**
Total current assets	442	515	655	535	**2,147**

At 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Debtors					
Employer contributions	333	444	554	-	**1,331**
Trustee	2	-	-	-	**2**
Other	2	5	-	-	**7**
Total debtors	337	449	554	-	**1,340**
Cash	5	15	(115)	295	**200**
Total current assets	342	464	439	295	**1,540**

10. Current liabilities

At 31 December 2017	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Unpaid benefits	6	44	-	-	**50**
Tax payable	1	141	-	-	**142**
Trustee	302	214	-	473	**989**
Total creditors	309	399	-	473	**1,181**

At 31 December 2016	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**Total**
	£000	£000	£000	£000	**£000**
Unpaid benefits	2	40	13	-	**55**
Tax payable	-	147	-	-	**147**
Trustee	186	222	15	96	**519**
Total creditors	188	409	28	96	**721**

Amounts owed to the Trustee represent money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

Notes to the financial statements (continued)

11. Investment assets

The tables below shows the movement in investments in the year:

Pension Builder 2014:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	8,901	3,973	-	1,182	**14,056**
Total investments	8,901	3,973	-	1,182	**14,056**

Pension Builder Classic:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	86,798	1,052	-	9,624	**97,474**
Liability matching pool	6,658	-	-	286	**6,944**
Total pooled investment vehicles	93,456	1,052	-	9,910	**104,418**
Pooled investment vehicles (other)					
Bonds	24,867	-	-	659	**25,526**
Total investments	118,323	1,052	-	10,569	**129,944**

Defined benefit scheme – Employer section:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	187,833	-	(9,799)	21,603	**199,637**
Total investments	187,833	-	(9,799)	21,603	**199,637**

Defined benefit scheme – Life risk section:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	77,156	-	(20,025)	6,701	**63,832**
Liability matching pool	998	-	-	43	**1,041**
Total pooled investment vehicles	78,154	-	(20,025)	6,744	**64,873**
Pooled investment vehicles (other)					
Bonds	3,673	28,000	-	302	**31,975**
Insurance policies: Prudential buy-in	111,480	-	-	(6,280)	**105,200**
Total investments	193,307	28,000	(20,025)	766	**202,048**

Transaction expenses

The Scheme did not directly incur transaction costs. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs. Custody charges are negligible. See Appendix 3 for detail about the CEIFP.

The Blackrock managed *Aquila Life over 5 years Index Linked Fund* is registered in the UK.

12. Fair Value of Investment assets

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown in Appendix 3.

The fair value of investments has been determined using the following hierarchy:

Category	Description
1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
3	Inputs are unobservable, ie for which market data is unavailable.

Notes to the financial statements (continued)

12. Fair Value of Investment assets (continued)

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at fair value within these categories as follows:

Pension Builder 2014:

At 31 December 2017	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**14,056**
Total investments				**14,056**

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**8,901**
Total investments				**8,901**

Pension Builder Classic:

At 31 December 2017	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**104,418**
Pooled investment vehicles (bonds)	-	25,526	-	**25,526**
Total investments	-	25,526	-	**129,944**

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**93,456**
Pooled investment vehicles (bonds)	-	24,867	-	**24,867**
Total investments	-	24-867	-	**118,323**

Defined benefit scheme – Employer section:

At 31 December 2017	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**199,637**
Total investments				**199,637**

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**187,833**
Total investments				**187,833**

Defined benefit scheme – Life Risk section:

At 31 December 2017	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**64,873**
Pooled investment vehicles (bonds)	-	31,975	-	**31,975**
Insurance policies	-	-	105,200	**105,200**
Total investments	-	31,975	105,200	**202,048**

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**78,154**
Pooled investment vehicles (bonds)	-	3,673	-	**3,673**
Insurance policies	-	-	111,480	**111,480**
Total investments	-	3,673	111,480	**193,307**

Notes to the financial statements (continued)

13. Investment risk disclosures

The investment objective of the Scheme is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. The Trustee sets the investment strategy for the Scheme as detailed in the Statement of Investment Principles (SIP). FRS 102 requires the disclosure of information in relation to credit and market risk:

- **Credit risk**: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- **Market risk**: this comprises currency risk, interest rate risk and other price risk.

    - **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

    - **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

    - **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			**Total**	**Total**
		Currency	Interest rate	Other price	**2017**	**2016**
					£000	**£000**
Pension Builder 2014						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					14,056	8,901
Total Pension Builder 2014 investments					14,056	8,901
Pension Builder Classic						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					97,474	86,798
Liability matching pool					6,944	6,658
Pooled investment vehicles (bonds)	◑	○	◑	◑	25,526	24,867
Total Pension Builder Classic investments					129,944	118,323
Defined Benefit Scheme – Employer section						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					199,637	187,833
Total Defined Benefit Scheme - Employer section investments					199,637	187,833
Defined Benefit Scheme – Life Risk section						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					63,832	77,156
Liability matching pool					1,041	998
Pooled investment vehicles (bonds)	◑	○	◑	◑	31,975	3,673
Insurance policies	●	○	●	○	105,200	111,480
Total Defined Benefit Scheme - Life Risk section investments					202,048	193,307

In the table above, the risk noted affects the asset class [●] significantly, [◑] partially or [○] hardly / not at all.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described below which is determined after taking advice from professional investment advisors. The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives for its directly held investments and through the CEIFP for its pooled CEIFP investments, which are described in Appendix 3.

These investment objectives and risk limits for directly held investments are implemented through the investment management agreement in place with the Scheme's investment manager. The agreement sets out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment manager through day to day monitoring of the portfolio, quarterly written updates from the manager and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager and the Trustee's Investment Consultant also independently assesses and monitors the fund managers.

Notes to the financial statements (continued)

13. Investment risk disclosures (continued)

Investment strategy

Pension Builder 2014

The investment strategy for the Pension Builder 2014 is to wholly invest in the CEIFP return seeking pool. The Trustee takes advice as to the level of bonus it can award members, ensuring sufficient, but not excessive, reserves are held to meet the cost of the investment guarantee. The investment risks faced by the CEIFP are described in Appendix 3.

Pension Builder Classic

The investment strategy for the Pension Builder Classic is to hold investments split 25% and 75% between liability matching and return seeking assets. The weighting has been chosen by the Trustee after seeking advice from its investment advisors to ensure sufficiency of assets in the future whilst also ensuring there is sufficient liquidity to meet current pension obligations.

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

Defined Benefit Scheme - Employer section

The employer section holds funds for members before their retirement and is nominally divided into employer pools. On retirement, an amount for each member is transferred to the Life Risk section. The investment strategy is to hold 100% of the Employer section in return seeking assets, which are held wholly in the CEIFP.

Defined Benefit Scheme – Life Risk section

The life risk section holds funds for pensioners and funds their payments. An insurance contract is held which pays out 70% of the section's pensions in payment at 1 January 2014, and their future increases. This provides a lower risk environment for participating employers.

The investment strategy for the Life Risk section is to hold 25-30% of the fund in return seeking assets and 70-75% in liability matching assets (liability matching assets include the value of the insurance policy). This strategy ensures that the section's pension payments are matched to the investment returns and risks.

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

Credit risk

The insurance policy counterparty, Prudential, is responsible for making payments to the Scheme in line with the contract and there is a risk they default on their obligations. The Trustee has mitigated this risk by carrying out suitably rigorous due diligence on the contract before it was signed and on an on-going basis monitor any changes to the operating environment of the counterparty.

Interest rate risk

The Scheme is subject to interest rate risk due to its buy in insurance policy. The insurance policy will increase in value as interest rates fall and decrease in value as interest rates rise. The nature of the arrangement however is such that as the value of obligation to pay future benefits to members changes, the value of the insurance policy changes at the same rate to match the obligation.

14. Concentration of investments

The following investments account for more than 5% of the sections' net assets at the year end:

	2017 £000	%	2016 £000	%
Pension Builder 2014:				
CEIFP return seeking pool	14,056	99.1	8,901	98.3
Pension Builder Classic:				
CEIFP return seeking pool	97,474	74.9	86,798	73.3
Aquila Life over 5 years Index Linked Fund	25,526	5.3	24,867	21.1
CEIFP liability matching pool	6,944	19.6	6,658	5.6
Defined Benefit Scheme – Employer section:				
CEIFP return seeking pool	199,637	99.7	187,833	99.8
Defined Benefit Scheme – Life Risk section:				
Prudential buy-in	105,200	52.1	111,480	57.6
CEIFP return seeking pool	63,832	31.6	77,156	39.9

Notes to the financial statements (continued)

15. Employer related investments

There were no direct employer-related investments during the year. Within debtors is £16,000 (2016: £1,000) of late employer contributions, which represent 0.003% (2016: 0.0001%) of total net assets

16. Related party transactions

Two Board members (2016: two) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

17. Prior year Fund Account and Statement of Net Assets Available for Beneficiaries

Fund Account for the year ended 31 December 2016

	Note	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**2016 Total**
		£000	£000	£000	£000	**£000**
Contributions						
Employer contributions	4	2,924	4,208	6,342	-	**13,474**
Employee contributions	4	851	1,233	240	-	**2,324**
Other income	4	171	170	-	390	**731**
Total contributions and other income		3,946	5,611	6,582	390	**16,529**
Benefits						
Benefits paid or payable	5	(70)	(3,873)	(2,101)	(8,337)	**(14,381)**
Payments to and on account of leavers	6	(35)	(51)	-	-	**(86)**
Transfers out		(59)	(523)	(107)	-	**(689)**
Administrative expenses	7	(383)	(650)	-	(494)	**(1,527)**
Total benefits and other expenses paid		(547)	(5,097)	(2,208)	(8,831)	**(16,683)**
Net additions/(withdrawals) from dealings with members		3,399	514	4,374	(8,441)	**(154)**
Returns on investments						
Deposit interest		-	8	-	6	**14**
Income from insurance policies		-	-	-	4,869	**4,869**
Change in market value of investments		1,193	19,384	29,326	22,861	**72,764**
Net returns on investments		1,193	19,392	29,326	27,736	**77,647**
Net increase in fund		4,592	19,906	33,700	19,295	**77,493**
Transfers between sections		-	-	(11,442)	11,442	**-**
Opening net assets		4,463	98,472	165,986	162,769	**431,690**
Closing net assets		9,055	118,378	188,244	193,506	**509,183**

Statement of Net Assets available for benefits as at 31 December 2016

	Notes	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	**2016 Total**
		£000	£000	£000	£000	**£000**
Investments						
Pooled investment vehicles (CEIFP)	11	8,901	93,456	187,833	78,154	**368,344**
Pooled investment vehicles (other)	11	-	24,867	-	3,673	**28,540**
Insurance policies	11	-	-	-	111,480	**111,480**
Total investments		8,901	118,323	187,833	193,307	**508,364**
Current assets	9	342	464	439	295	**1,540**
Current liabilities	10	(188)	(409)	(28)	(96)	**(721)**
Net current assets		154	55	411	199	**819**
Total net assets available for benefits		9,055	118,378	188,244	193,506	**509,183**

Actuary's Certificate

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Page 1 of 2

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme   The Church Workers' Pension Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2016 to be met by the end of the period specified in the recovery plan dated 28 March 2018.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 March 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: ....   **Date:** **28 March 2018**

Name: Aaron Punwani   **Qualification:** FIA

Address: 95 Wigmore Street
London W1U 1DQ

Name of employer: Lane Clark & Peacock LLP
(if applicable)

Appendix 1
The Church of England Pensions Board:
Structure and administrative information 2017

Contents

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependents, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependents. In 1964 the Board became a registered charity (number 236627). Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pensions Fund;
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund,

The financial statements of the four pension schemes are included in this report. The Board's own annual report and accounts are produced in a separate document, which is prepared under the Charities Statement of Recommended Practice.

The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"), which is not a pension scheme nor a corporate body in its own right. For the purposes of the annual report, the Board is referred to as the Trustee of the CEIFP.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Management

There are 20 members of the Board. In summary, eleven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and three are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote.

For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 5.

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies - the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies. In additional the Secretariat supports the Church Commissioners and the Church of England Pensions Board directly to:

- engage with companies on ethical issues; and
- oversee proxy voting at company general meetings.

Trustee and advisors

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub committees.

Board Members

(1 January 2017 to 27 June 2018)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York
Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York
Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Canon David Froude ACIB *(to 31 December 2017)*
Nikesh Patel *(from March 2018)*

Appointed by the Church Commissioners
Jeremy Clack FIA

Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity
The Revd Caroline Titley *(from March 2018)*

Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund
Richard Hubbard
Canon Sandra Newton

Elected by the House of Bishops of the General Synod
The Rt Revd Alan Wilson, Bishop of Buckingham

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield
The Revd Paul Boughton ACA *(to September 2017)*
The Revd Nigel Bourne
The Revd Peter Ould *(from December 2017)*
The Revd Canon David Stanton

Elected by the House of Laity of the General Synod
Jane Bisson *(to 31 December 2017)*
Roger Boulton FIA
Canon Nicolete Fisher
Alan Fletcher FCII (Vice Chair)
Emma Osborne
Bill Seddon *(from 1 January 2018)*
Brian Wilson FIA *(to 31 December 2017)*

Elected by the members of the Church Workers Pension Fund
Ian Boothroyd
Ian Clark

Elected by the members of the Church Administrators Pension Fund
Maggie Rodger

Committee Members

Audit and Risk Committee

David Froude (Chair) *(to July 2017)*
Maggie Rodger (Chair) *(from June 2017)*
The Revd Richard Battersby *(to March 2018)*
Jane Bisson *(to December 2017)*
Ian Boothroyd *(to December 2017)*
Richard Hubbard *(from February 2018)*
David Hunt FCA *(co-opted) (to June 2018)*
The Revd Peter Ould *(from February 2018)*
The Ven Canon David Stanton *(from July 2017)*

Board Development Committee

Canon Nicolete Fisher (Chair)
Roger Boulton FIA
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee

Roger Mountford (Chair) *(to April 2018)*
Roger Boulton FIA (Chair) *(from April 2018)*
The Revd Fr Paul Benfield
Ian Boothroyd
The Revd Nigel Bourne (from February 2018)
Alan Fletcher
Canon Sandra Newton
Benjamin Preece Smith (co-opted) *(to December 2017)*
Maggie Rodger
Brian Wilson FIA *(to December 2017)*

Housing Committee

Canon Sandra Newton (Chair)
James Berrington *(to April 2017)*
The Revd Nigel Bourne (to December 2017)
Ian Clark
Canon Nicolete Fisher
Jeremy Gray *(co-opted)*
Jonathan Gregory *(from January 2018)*
Jon Head (co-opted) (to April 2017)
Henrietta Podd *(co-opted)*
Lawrence Santcross *(from January 2018)*
The Revd Caroline Titley (from May 2018)
The Rt Revd Alan Wilson

Investment Committee

Alan Fletcher FCII (Chair)
Simon Baynes *(co-opted)*
Matthew Beesley *(co-opted)*
Roger Boulton FIA
Jeremy Clack FIA
Roger Mountford
Emma Osborne
Peter Parker TD DIA (co-opted) (to September 2017)
Nikesh Patel (from May 2018)
Jonathan Rodgers *(co-opted)*

Professional Advisers

Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	PricewaterhouseCoopers LLP
Bankers	Lloyds Bank plc
Investment Advisers	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers	Acadian Asset Management Antin Infrastructure Partners Arrowstreet Capital LP Audax Senior Loans BlackRock, Inc Bridgewater Associates LP Ltd CBRE Global Investors Colchester Global Investors Ltd Copper Rock Capital Partners LLC DIF Management Edinburgh Partners Ltd EQT Infrastructure Partners First State Investments Fund Management S.à.r.l. Insight Investment Management (Global) Ltd Legal & General Assurance (Pensions Management) Ltd Longview Partners LLP Northern Trust Global Investors Pasco Robeco Asset Management Trilogy Global Advisors LP T Rowe Price International Ltd Winton Capital Management Ltd

Enquiries

Enquiries about the schemes generally or about an individual's entitlement to benefit should be addressed to:

The Pensions Department
Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

Alternatively, enquiries may be made by email to pensions@churchofengland.org, or by telephone to 020 7898 1801.

Appendix 2

Ethical Investment Approach of the National Church Institutions

Ethical Investment Policy Approach of the National Church Institutions

The Church of England has three National Investing Bodies (NIBs): the Church of England Pensions Board, the Church Commissioners for England and the CBF Church of England Funds.

The NIBs are asset owners who invest on behalf of many beneficiaries. The way in which they invest forms an integral part of the Church of England's witness and mission.

The NIBs receive advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the NIBs to act as distinctively Christian – and Anglican – institutional investors. The EIAG develops ethical investment policy advice which, once agreed by the NIBs, are adopted by them, communicated to the wider Church and implemented.

The EIAG consists of representatives of the NIBs, General Synod, the Archbishops' Council and the Mission and Public Affairs Council, and certain co-opted members. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board and Church Commissioners have also resourced their own a joint Engagement Team to undertake engagement on EIAG policies with companies.

The NIBs' ethical investment policy embraces stewardship, engagement and investment exclusions.

Stewardship

The NIBs operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which the NIBs invest and informs the manner in which these duties are performed.

The NIBs are signatories to the UK Stewardship Code, which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting).

The NIBs are signatories to the United Nations Principles for Responsible Investment (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes, and to be active owners, across all asset classes.

The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

Engagement

A joint Pensions Board and Church Commissioner's Engagement Team undertakes engagement with companies in which we are invested, including voting at shareholder meetings.

The NIBs expect companies in which they invest to pay proper attention to human rights, responsible employment practices, sustainable environmental practice, fair treatment of customers and suppliers, sensitivity towards the communities in which they operate and best corporate governance practice. The engagement team engages with investee companies to seek improvement in ethical standards in these areas.

Policies adopted by the NIBs are listed on the EIAG website and they include specific policies on Executive Remuneration, Business and Engagement, Climate Change and Extractive Industries.

Investment exclusions

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions based on their ethical investment policies is therefore maintained and updated quarterly to reflect changes in markets.

Individual company engagements, undertaken by the Engagement Team on behalf of the Pensions Board and Church Commissioners, may exceptionally, lead to a recommendation to Trustee Committees to implement a specific exclusion in any line of business on ethical grounds. Such recommendations and exclusions will normally only occur, after sustained dialogue and if the company does not respond positively to concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The NIBs expect a recognition of responsibility and action within a clear timescale to improve, rather than perfection.

Ethical Investment

The way the NIBs invest forms an integral part of the Church of England's witness and mission and their ethical policies and practice are shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG). The EIAG is an independent advisory body sponsored by the three national investing bodies of the Church of England.

When investing, and based on the advice of the EIAG, we apply exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, high interest rate lending, and human embryonic cloning. As a result of the Climate Change Policy a screen has been introduced that excludes companies that derive more than 10% of their total revenue from mining thermal coal and the production of oil from tar sands. The NIBs are continuing to implement their alcohol policy. The policy, which is currently implemented for UK investments, ensures that companies are only eligible for investment if they meet a set of minimum standards for the responsible marketing and retailing of alcohol.

However, ethical investment is also about what and how we invest. It is for this reason the Pensions Board's approach is to:

- Take a long-term view.

- Select investment managers who are able to analyse the environmental, social and governance issues relevant to their strategies.
- Act as good stewards of our investments including through voting at company general meetings and engaging actively with companies in which we invest.
- Promote ethical behaviour, corporate responsibility and sustainability in our interactions with investment managers, companies and government.

2017 highlights

In the past year, the Pensions Board has:

- Voted at 24,157 resolutions at 2,019 company meetings.

- Advocated reform of executive remuneration, supporting only 35% of UK remuneration reports at company AGMs (excluding investment trusts and investment companies)

- There was a significant increase in the number of engagement contacts with companies. During the year 94 engagements were undertaken on behalf of the Pensions Board. All aligned to clear sets of expectations and independent indicators that the engagement team use to track company performance. The largest proportion of face to face meetings remained with companies in the extractive industries. Contact and depth of engagement with companies will continue to increase as we roll out our engagement programmes on extractive industries, climate change and corporate governance.

- 2017 was an important year in advancing the Pensions Board's engagement programme on climate change. January saw the launch at the London Stock Exchange of the Transition Pathway Initiative (TPI) which is co-Chaired by the Pensions Board. The initiative is now supported by funds with over £5 trillion in assets under management. As part of the TPI a series of sector specific TPI analysis were released by the London School of Economics Grantham Research Institute. TPI assesses companies on two metrics; Management Quality and Future Projected Performance against two benchmarks of 2 degrees of warming and the Nationally Determined Contributions (NDCs) of commitments governments made at the Paris 2015 Climate Summit. In 2017 TPI assessments were released for 99 companies in the following five energy/carbon intensive sectors oil and gas, mining, electricity utilities, steel and cement. These transparent company assessments provide the basis for our engagement on disclosure and future carbon performance against 2 degrees. Important dialogues have also been established with mining companies through the International Council on Mining and Metals (ICMM) and with oil and gas companies through the global oil and gas industry association for environment and social issues. An internal audit report of TPI gave a 'substantial assurance' and noted that "Much of [TPI's success] is a testament to the rigorous and thorough product development process that was undertaken during the planning and development stages." and that "There has been an efficient and effective use of FTSE Russell, LSE, Technical Advisory Group etc. to quality assure all the outcomes of the assessments. The process is thorough and objective and includes the companies."
- A new Extractive Industries Ethical Investment Policy was adopted in November. The policy sets out a set of key areas for engagement with extractives and a dedicated engagement programme is now under development for implementation in 2018.

Ethical investment agenda 2018

In the next year the Board will be focussing heavily on its role in leading engagement on climate change and extractive industries. TPI will continue to be a key part of the strategy as well as developing engagement on targets aligned to the Paris Agreement and additionally on the impact of corporate lobbying.

2018 will also see the conclusion of a review of the EIAG intended to further strengthen the work of the Group. Further information about the work of the EIAG is contained in its annual report which is available on the Church of England's website.

Appendix 3
The Church of England Investment Fund for Pensions

Annual Report and Financial Statements 2017

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Investment Fund for Pensions ("CEIFP", or the "Fund") is pleased to present its annual report for the year ended 31 December 2017.

Scheme constitution and management

The Fund was originally established in 1985 as a common investment fund for pension schemes administered by the Trustee. It is not a pension scheme nor a corporate body in its own right, but is a vehicle to pool the investments of the Board's four pension schemes (the "schemes") in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled. It is a bare trust that operates under a Trust Deed between the member schemes:

- The Church of England Funded Pensions Scheme ("CEFPS")
- Clergy (Widows and Dependants) Pensions Fund ("CWDPF")
- Church Workers Pension Fund ("CWPF")
- Church Administrators Pension Fund ("CAPF")

Although the CWDPF is a member scheme, it does not currently actively invest in the Fund.

Responsibility for setting the overall strategy and managing the Fund rests with the Board as Trustee. The Board's structure and management is shown in Appendix 1.

The CEIFP is split into two pools: the Return Seeking Pool ("RSP") and the Liability Matching Pool ("LMP"). Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the two pools in proportions that match its maturity and cash flow needs.

Unitisation

The two pools are unitised, where each investing pension scheme is allocated a number of units, according to the amount it has invested. The number of units and value of the units is recalculated on a monthly basis to reflect the changing fair value of the underlying net assets, and the investment or disinvestment of each scheme.

Commentary on each scheme's strategy in holding different proportions of return seeking and liability matching units can be found in their respective annual reports.

Commentary on the performance of these pools is set out in this report. Further information on investment strategy and risk is shown in the notes to the financial statements.

Financial developments

The Board agreed a new asset allocation target for the RSP during the year. This builds in the new target that was set in 2016, and it will further increase the diversification of the RSP and reduce the volatility of its valuation.

The new target is long term and will be implemented over the next ten years. The allocation to public equities will reduce from its current level of around 70% to 35% over that period. There will be a further increase in exposure to investments that rely more on contractual income and that are less liquid, such as infrastructure, various forms of debt, and private equity.

The Board planned a programme of additional investment in global private infrastructure equity with a range of managers in late 2016, and that has now been completed with one appointment in late 2016 (EQT) three appointments in 2017 (Basalt, DIF and I Squared) and one in early 2018 (KKR). The Board's total current and future commitment to infrastructure is currently £237m across seven managers. This is expected to take around three years more to be fully drawn. In the meantime, the programme will be expanded further to reach the 10-year allocation target of 20% of the RSP.

New equity mandates, with Acadian and Robeco, where the managers will aim for their portfolios to have considerably less volatility than global equities, were funded in 2017.

The Liability Matching Pool is invested solely in corporate bonds.

Trustee's report (continued)

Financial developments (continued)

At the end of 2017, the Fund's assets were managed by 21 managers:

Fund manager	Description
Return Seeking Pool	
Acadian Asset Management	Global equities
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Senior Loans	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Bridgewater	Pooled Global Tactical Asset Allocation ("GTAA") fund
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
DIF Management	Pooled infrastructure fund
Edinburgh Partners	Global equities
EQT Infrastructure Partners	Pooled infrastructure fund
First State Investments	Pooled infrastructure fund
Legal & General	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Robeco Asset Management	Global equities
Trilogy Global	Emerging market equities
T Rowe Price	Emerging market equities
Winton	Pooled GTAA fund
Liability Matching Pool	
Insight	High quality corporate bonds

The following two managers have been appointed but were not yet managing funds at 31 December:

Fund manager	Description
Return Seeking Pool	
I Squared Global Capital	Pooled infrastructure fund
KKR & Co. L.P.	Pooled infrastructure fund

Investment Performance

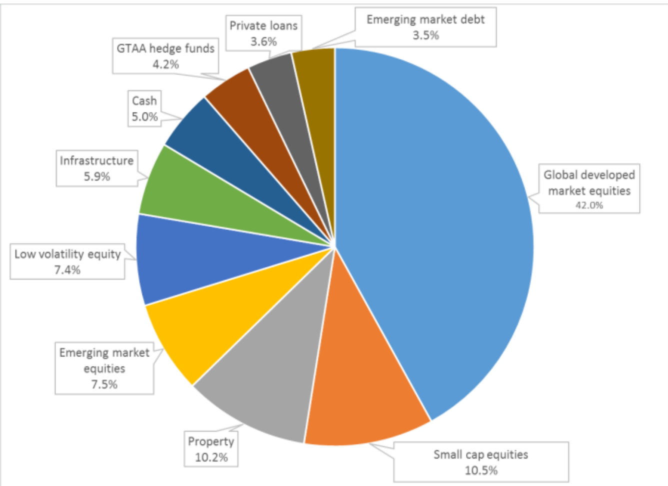
The RSP returned 11.3%, and LMP 4.3%, over 2017.

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
Total assets, made of:				
Return Seeking Pool	11.3	10.7	11.8	6.8
Liability Matching Pool	4.3	4.9	6.5	8.1

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Return Seeking Pool

At the year end, the asset mix of the RSP's investments was as follows:



Trustee's report (continued)

Investment Performance (continued)

The longer term returns to 31 December 2017 of the broad asset classes invested in by the RSP are set out below. All figures are net of fund management fees, and asset class returns are shown in Sterling terms, with the effect of the currency hedging programme shown separately:

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
Return Seeking Pool overall return	**11.3**	**10.7**	**11.8**	**6.7**	**8.8**
Public equities	13.8	15.0	15.5	8.9	9.7
Property	5.1	8.9	10.4	3.1	-
Global tactical asset allocation	1.2	3.6	5.3	-	-
Infrastructure equity	9.3	13.4	9.4	-	-
Fixed income (emerging market sovereign debt and private debt)	-3.4	2.8	-	-	-
Currency hedging programme (estimated effect)	1.9	-2.6	-3.7	-2.1	-
Comparators					
UK RPI	*4.1*	*2.6*	*2.4*	*2.8*	*3.0*
FTSE 100	*11.9*	*9.6*	*9.5*	*5.7*	*8.5*
MSCI AC World Index (GBP)	*11.3*	*12.3*	*12.7*	*6.5*	*8.1*
FTSE Over 5 year Index Linked Gilts	*2.5*	*8.9*	*9.5*	*8.8*	*8.3*

Overall, investment performance for 2017 was good with the RSP returning 11.3% over the year. This is particularly pleasing, as it follows the exceptionally strong 2016, when the Pool returned 19.2%.

Equities were the significant driver of performance in 2017, as they were in 2016. The Fund's public equity portfolio returned 13.8% over the year. Emerging market equities were the stand-out performers, with the Fund's portfolio returning 28.8% over the year. The larger company developed market equity portfolio returned 12%, and the global smaller company portfolio 13%.

Currency once again had a significant effect on returns for Sterling investors in overseas markets over 2017, this time reducing, rather than enhancing them, which they did in 2016. The Pound appreciated nearly 10% against the US Dollar over 2017, although it weakened a little against the Yen and the Euro.

The currency hedging programme added around 1.9% to returns in 2017. Half of the US Dollar, Euro and Yen exposures in equities and infrastructure, and all exposures to the US Dollar in private debt are hedged. Currency is managed actively within the emerging market sovereign debt portfolio. The member pension schemes' pension liabilities are denominated in Sterling, so a prudent stance is taken which partially insures against Sterling strengthening. Over the last 10 years the Fund has been a net beneficiary from Sterling weakness, although the prudent currency hedge has reduced that impact, as shown above.

Infrastructure returned 9.3% over the year, which was a good result considering that four new fund investments were made during the year.

Net returns from the GTAA hedge fund allocation returned 1.2% over the year, and property was a solid performer, with a return of 5.1% impacted by some cash drag. Private debt and emerging market sovereign debt returned of 5.0% and 5.1% in their local currencies respectively, in-line with their interest yield.

The Board chooses to invest in line with an agreed ethical investment policy, which prohibits certain types of investment. Over the course of 2017 it is estimated that these policies had a very small negative impact on our returns, with the difference between the return of the MSCI World Index and the ethically adjusted version of that index, used for our passive equity tracker, being 0.2%.

Liability Matching Pool
At the year end, 100% of the assets were held in corporate bonds.

The longer term returns to 31 December 2017 are set out below (all figures are net of fund management fees):

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
Liability Matching Pool	**4.3**	**4.9**	**6.5**	**8.1**	**7.8**
Comparator					
FTSE Over 5 yr Index Linked Gilts	*2.5*	*8.9*	*9.5*	*8.8*	*8.3*

The Fund's portfolio of corporate bonds fared better than index-linked Gilts by 1.8% over the year, returning 4.3%.

Investment management
The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

Trustee's report (continued)

Investment management (continued)

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for each of the schemes participating in the CEIFP by the Trustee. These incorporate the investment strategy for each scheme and are supported by documents that set out how the investment strategy is implemented. Copies of the SIPs may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Management and custody of investments

The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Fund's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments.

Management charges

Each manager charges fees based on the value of the funds it is managing. In 2017 these fees (including those charged by Northern Trust as custodian) were £6.1m (2016: £5.3m). This equated to 0.30% (2016: 0.24%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

Approval

The Trustee's Report and Statement of Trustee's Responsibilities set out on page 7 were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

Statement of Trustee's Responsibilities

In respect of the financial statements

The Church of England Pensions Board is Trustee of The Church of England Investment Fund for Pensions.

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. The Trustee is responsible for ensuring those financial statements:

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;

- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and

- comply with the requirements of the Trust Deed dated 18 September 1985.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Independent Auditors' report to Trustee of The Church of England Investment Fund for Pensions and the General Synod of the Church of England

Report on the audit of the financial statements

Opinion
In our opinion, The Church of England Investment Fund for Pensions (the "Fund") financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2017, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of net assets attributable to unit holders as at 31 December 2017; the Statement of total return for the year then ended; the Statement of changes in net assets attributable to unit holders for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Reporting on other information
The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements
As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they give a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' report to Trustee of The Church of England Investment Fund for Pensions and the General Synod of the Church of England (continued)

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with the Clergy Pensions Measure 1961 and the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
2018

Statement of total return
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Change in market value of investments	6	159,527	238,832
Change in market value of investment cash and other investment balances	6	3,300	6,461
Total change in market value		162,827	245,293
Income	4	43,487	48,726
Expenses	5	(6,066)	(5,335)
Changes in net assets attributable to unit holders from investment activities		200,248	288,684

Statement of changes in net assets attributable to unit holders
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Opening net assets attributable to unit holders		1,846,774	1,733,064
Amounts receivable on issue of units	11	44,675	44,072
Amounts payable on cancellation of units	11	(36,324)	(219,046)
Net assets before change from investment activities		1,855,125	1,558,090
Changes in net assets attributable to unit holders from investment activities	11	200,248	288,684
Closing net assets attributable to unit holders		2,055,373	1,846,774

Statement of net assets attributable to unit holders
as at 31 December 2017

	Notes	2017 £000	2016 £000
Investment assets			
Equities	6	1,271,956	992,830
Bonds	6	139,039	132,857
Pooled investment vehicles	6	463,667	406,251
Derivative contracts	8	5,729	8,211
Investment cash	6	123,531	320,106
Loan to the CEFPS	6	48,721	-
Other investment balances	6	6,622	5,065
Total assets		2,059,265	1,865,320
Investment liabilities			
Other investments	6	(184)	-
Derivative contracts	8	(669)	(14,258)
Investment cash	6	(313)	(137)
Other investment balances	6	(2,726)	(4,151)
Total investment liabilities		(3,892)	(18,546)
Total net assets attributable to unit holders	12	2,055,373	1,846,774
Participants' funds	11		
The Church of England Funded Pensions Scheme		1,582,405	1,396,782
Clergy (Widows and Dependants) Pensions Fund		-	-
The Church Workers Pensions Fund		382,984	368,344
The Church Administrators Pensions Fund		89,984	81,648
		2,055,373	1,846,774

The notes 1 to 13 form part of these financial statements.

These financial statements were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

Notes to the financial statements

1. Legal status

The Church of England Investment Fund for Pensions ("CEIFP" or the "Fund") is not a pension scheme nor a corporate body in its own right. It was established in 1985 by the Church of England Pensions Board as a vehicle to pool the investments of the four pension schemes of which it is also Trustee, in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled.

2. Basis of preparation

The individual financial statements of the Fund have been prepared in accordance Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) (the "SORP") insofar as they relate to common investment funds.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Income and expenditure

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

Income from bonds, cash and short term deposits is accounted for on the accruals basis and includes income bought and sold on purchases and sales of bonds.

Withholding taxes are included in investment income and are accrued on the same basis. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Transactions costs are included in the cost of purchases and sales proceeds. These include fees, commissions, stamp duty and other fees.

b) Investment valuation

Investment assets and liabilities are measured at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

Where an active market is unavailable, the Trustee adopt valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

- **Equities**
  - Quoted equities which are trading on an active market are included at the quoted price which is usually bid price.
  - Unquoted equities are valued with reference to the latest dealing prices, valuations from reliable sources or net asset values.

- **Bonds** are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in current assets.

- **Pooled investment vehicles** which are not traded on an active market have their fair value estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

- **Derivatives**
  - **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was matched at the balance sheet date with an equal and opposite contract.
  - **Futures contracts** are valued at the difference between exchange settlement prices and inception prices.

c) Foreign currencies

The Fund's functional currency and presentational currency is pounds sterling.

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

d) Unitisation

The two pools are revalued at the end of each month. The fund value is allocated between the units holders according to their net accumulated unit holdings. New units are allocated on receipt of cash from unit holders at the unit price at the end of the preceding month. Units are cancelled on withdrawal of cash by unit holders at the unit price at the end of the preceding month.

Notes to the financial statements (continued)

4 Income

	2017 £000	2016 £000
Equities	26,074	29,697
Bonds	7,409	6,976
Pooled investment vehicles	9,723	11,055
Other investments	-	84
Cash and Cash equivalents	259	914
Interest from loan to the CEFPS	22	-
Total income	43,487	48,726

5 Expenses

	2017 £000	2016 £000
Investment managers' fees	6,066	5,335
Total expenditure	6,066	5,335

The Fund bears investment management expenses charged by the investment managers and custodians. Administration costs (including external audit fees) incurred by the Church of England Pensions Board in relation to the CEIFP are borne by the member schemes and are included in the administration expenses in the schemes' own financial statements.

6 Investments

	at 1 January £000	Purchases and derivative payments £000	Disposals and derivative receipts £000	Change in market value £000	at 31 December £000
Equities	992,830	534,220	(381,622)	126,528	1,271,956
Bonds	132,857	48,188	(34,952)	(7,054)	139,039
Pooled investment vehicles	406,251	143,030	(84,653)	(961)	463,667
Other investments	-	2,699	(2,875)	(8)	(184)
Net derivative contracts (note 8)	(6,047)	34,683	(64,598)	41,022	5,060
	1,525,891	762,820	568,700	159,527	1,879,538
Investment cash	319,969			3,292	123,218
Loan to the CEFPS*	-				48,721
Other investment balances~	914			8	3,896
Total investments	1,846,774			162,827	2,055,373

Analysed between:		
Investment assets	1,865,320	2,059,265
Investment liabilities	(18,546)	(3,892)
Total investments	1,846,774	2,055,373

* See note 13 for more information.

~ Other investment balances include accrued income, pending sales debtors and pending purchases creditors.

a) Transaction costs

Transaction costs are included in the costs of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred attributable to key asset classes are analysed as follows:

	2017			2016		
	Commission £000	Other charges £000	**Total £000**	Commission £000	Other charges £000	**Total £000**
Equities	456	177	**633**	443	226	**669**
	456	177	**633**	443	226	**669**

Indirect transaction costs are also borne by the Fund through the bid-offer spread on pooled investment vehicles and charges made within these vehicles. It is not possible for the Trustee to quantify such indirect transaction costs.

Notes to the financial statements (continued)

6 Investments (continued)

b) Pooled investment vehicles

	2017	2016
	£000	£000
Equities	1,112	9,093
Property	188,107	173,919
Cash	9,537	5,664
Hedge funds	83,731	82,775
Infrastructure	108,985	74,444
Private debt	72,195	60,356
Total pooled investment vehicles	463,667	406,251

7 Investment analysis

Investments of over 5% of net assets

There are no individual investments of more than 5% of the Fund's net assets (2016: none).

Employer related investments

There were no employer related investments as at 31 December 2017 (2016: none).

8 Derivatives

	2017			2016		
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	621	(113)	**508**	2,811	(47)	**2,764**
Futures – bonds	92	(9)	**83**	213	(4)	**209**
Forward foreign currency contracts	5,016	(547)	**4,469**	5,187	(14,207)	**(9,020)**
Total derivatives	5,729	(669)	**5,060**	8,211	(14,258)	**(6,047)**

Objectives and policies for holding derivatives

The Trustee has authorised its investment managers to use derivative financial instruments in line with the investment strategy as outlined in the Trustee's report: *Futures are used where the Fund has high cash reserves and are measured against the strategic asset allocation. Futures are used to take short term exposures in markets or asset classes where it is more efficient than transacting in the underlying physical assets. Investment managers may take short or long positions to achieve their objectives*.

Forwards are used to mitigate currency risk by hedging 50% of equities assets denominated in US Dollar, Japanese Yen and Euro. They are also used actively in the emerging market sovereign debt portfolio to enhance returns.

a) Futures

The Fund had open futures contracts at year end, as summarised below:

	2017			2016		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*2,902*	92	-	*18,330*	445	-
Equities futures: Overseas	*41,625*	529	(113)	*257,320*	2,366	(47)
Total equities futures	***44,527***	**621**	**(113)**	***275,650***	**2,811**	**(47)**
Bonds: UK	*8,386*	61	-	*7,801*	183	-
Bonds: Overseas	*(6,055)*	31	(9)	*(6,851)*	30	(4)
Total bonds futures	***2,331***	**92**	**(9)**	***950***	**213**	**(4)**

All contracts have expiry dates of three months after the year end. Included within cash balances is an asset of £2,771,000 (2016: £20,608,000) in respect of initial and variation margins arising on futures contract open at the year end.

Notes to the financial statements (continued)

8 Derivatives (continued)

b) Forwards foreign currency contracts

The Fund holds investments in a number of foreign currencies and its policy is to hedge within agreed limits, to offset the impact of foreign currency fluctuations.

At the end of the year, the Fund had the following open forward contracts in place:

Contract	Number of open contracts	Nominal value	Assets at 31 Dec 17 £000	Liabilities at 31 Dec 17 £000
US Dollar				
Forward to buy US Dollars	10	$26,206,568	171	(58)
Forward to sell US Dollars	9	$294,956,805	3,828	(2)
Euros				
Forward to buy Euros	2	€456,000	-	-
Forward to sell Euros	6	€104,924,150	-	(399)
Japanese Yen				
Forward to buy Japanese Yen	3	¥456,000	-	-
Forward to sell Japanese Yen	3	¥104,924,150	724	-
Other currencies				
Forward to buy other currencies	20		293	(83)
Forward to sell other currencies	8		-	(5)
	61		5,016	(547)

All contracts had maturity dates falling between 2 January 2018 and 16 February 2018.

9 Fair value hierarchy

The fair value of investments has been determined using the following hierarchy:

Level 1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
Level 2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3	Inputs are unobservable, ie for which market data is unavailable

The Fund's investment assets and liabilities have been included at fair value within these categories as follows as at 31 December 2017:

Level	**1**	**2**	**3**	**Total 2017**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,271,956	-	-	**1,271,956**
Bonds	-	134,985	4,054	**139,039**
Pooled investment vehicles	24,008	165,655	274,004	**463,667**
Other investments	-	-	(184)	**(184)**
Derivatives contracts	591	4,469	-	**5,060**
Investment cash	119,608	3,610	-	**123,218**
Loan to the CEFPS	48,721	-	-	**48,721**
Other investment balances	5,499	(1,603)	-	**3,896**
Total investments	1,470,383	307,116	277,874	**2,055,373**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2017**
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,467,781	235,299	277,874	**1,980,954**
Liability Matching Pool	2,602	71,817	-	**74,419**
Total investments	1,470,383	307,116	277,874	**2,055,373**

Notes to the financial statements (continued)

9 Fair value hierarchy (continued)

As at 31 December 2016:

Level	**1**	**2**	**3**	**Total 2016**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	992,830	-	-	**992,830**
Bonds	-	126,018	6,839	**132,857**
Pooled investment vehicles	12,463	168,236	225,552	**406,251**
Derivatives contracts	(3,759)	(2,288)	-	**(6,047)**
Investment cash	303,841	16,128	-	**319,969**
Other investment balances	2,328	(1,460)	46	**914**
Total investments	1,307,703	306,634	232,437	**1,846,774**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2016**
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,306,598	237,359	231,467	**1,775,424**
Liability Matching Pool	1,105	69,275	970	**71,350**
Total investments	1,307,703	306,634	232,437	**1,846,774**

Infrastructure, Private debt and Hedge funds included in Level 3 are fair valued based on values estimated by underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

10 Investment risk disclosures

The investment objective of the Fund is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable by the member Schemes. FRS 102 requires the disclosure of information in relation credit and market risk:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy as described in the Trustee's Report which is determined after taking advice from professional investment advisors. The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers.

The Trustee has investment management agreements in place with a range of managers, detailed in the professional advisors list in Appendix 1. The agreements set out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment managers through day to day monitoring of the portfolios and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			Total	Total
		Currency	Interest rate	Other price	2017	2016
					£000	£000
Equities	○	◑	○	●	1,271,956	992,830
Bonds	●	◑	●	●	139,039	132,857
Pooled investment vehicles	◑	◑	◑	◑	463,667	406,251
Other investments (net)	●	◑	○	○	(184)	-
Derivatives contracts (net)	●	◑	◑	◑	5,060	(6,047)
Investment cash	●	◑	○	○	123,218	319,969
Loan to the CEFPS	◑	○	○	○	48,721	-
Other investment balances	●	◑	○	○	3,896	914
Total investments					2,055,373	1,846,744

In the table above, the risk noted affects the asset class [●] significantly, [◑] partially or [○] hardly / not at all.

Investment strategy
The Trustee determines the investment strategy after taking advice from a professional investment advisor.

The Fund's two investment pools are unitised: a return seeking pool and liability matching pool. The proportion of units held by each member scheme is dependent on the individual requirements of each of the schemes. Investment risk are discussed in more detail in each Scheme's annual report and financial statements.

The Return Seeking Pool exists to ensure sufficiency of assets to pay benefits as they fall due. This portfolio is comprised of UK and overseas equities, corporate bonds, investment property, equity futures, and infrastructure investments.

The Liability Matching Pool's strategy is to ensure that the participating schemes can meet their liabilities as they fall due and invests in a portfolio of index-linked gilts and corporate bonds, split approximately 85:15.

Credit Risk
The Fund is subject to credit risk through its investments in bonds, forward currency contracts, and cash balances. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

	2017	2016
	£000	£000
Bonds	139,039	132,857
Pooled investment vehicles	463,667	406,251
Derivatives: forwards	4,469	(9,020)
Investment cash	123,218	319,969
Total investments exposed to credit risk	730,393	850,057

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at BAA3 or higher by Moody's. There are currently no investments held below investment grade.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade.

The Trustee manages the associated risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by one issuer. Credit risk is mitigated on other investments by engaging with counterparties which are at least investment grade.

Credit risk arises on over the counter derivatives as they are not guaranteed by a regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. There are collateral arrangements for these contracts but all counterparties must be at least investment grade.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

Cash is held with financial institutions which are at least investment grade credit rated.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

Currency Risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee has decided to partly mitigate this risk by using a currency hedging strategy over half the exposure to the USD, Japanese Yen and Euro equities, and all the US Dollar exposure of private debt, using forward currency contracts.

The Fund's total net exposure by major currency at the year end was as follows:

	Gross exposure £000	Hedged £000	**Net exposure 2017 £000**	Net exposure 2016 £000
Pounds sterling	477,869	438,653	**916,522**	1,065,253
US Dollars	861,579	(291,280)	**570,299**	422,685
Euros	254,066	(104,776)	**149,290**	75,531
Japanese Yen	128,995	(43,284)	**85,711**	63,066
Other currencies	328,395	687	**329,082**	229,259
Total investments (excluding forwards)	2,050,904	-	**2,050,904**	1,855,794
Forwards			**4,469**	(9,020)
Total investments			**2,055,373**	1,846,774

Interest rate risk

The Fund is subject to interest rate risk due to its bond investments in both the Return Seeking Pool and, primarily, Liability Matching Pool. If interest rates fall, the value of the bonds will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly if interest rates rise the values of the bonds will fall, as will the actuarial liabilities because of an increase in discount rate.

Other price risk

The Fund's return seeking portfolio is subject to price risk which principally relates to direct and indirect equity holdings, bonds, equity futures and investment properties. The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Property and infrastructure pooled investment vehicles are illiquid and that is reflected in the structures and liquidity of funds that invest in them. Some of the funds held by the Fund are open-ended, where the manager will redeem within shorter pre-agreed timeframes, but most are closed-end and redemption will normally only happen when the funds are wound up at the end of their pre-agreed lives. The Fund's closed-end funds have a range of maturities. Units in both types of fund can be traded between investors privately, but this is rare and managers generally have veto over such transactions.

11. Member schemes' participation

The Fund has two pools, the Return Seeking Pool consisting mostly of equities, bonds, pooled investment vehicles and cash, and the Liability Matching Pool consisting mostly of corporate bonds.

Unitisation is the process of allocating units in the CEIFP to its participant member. The participant pension schemes purchase or dispose of CEIFP units in accordance with their operational requirements. The pricing of units is carried out by Northern Trust who also prepare monthly unitisation reports showing each participant's holdings in the CEIFP and transactions during the period.

The tables below show the movements in participants' holding in each of the two pools:

Return Seeking Pool:

	At 1 January £000	**Amounts receivable on issue of units £000**	**Amounts payable on cancellation of units £000**	**Change in net assets from investment activities £000**	**At 31 December £000**
The Church of England Funded Pensions Scheme	1,343,135	39,650	(6,500)	150,166	**1,526,451**
Clergy (Widows & Dependants) Pension Fund	-	-	-	-	-
The Church Workers Pension Fund					
Pension Builder 2014	8,901	3,973	-	1,182	**14,056**
Pension Builder Classic	86,798	1,052	-	9,624	**97,474**
Defined Benefit Scheme – Employer section	187,833	-	(9,799)	21,603	**199,637**
Defined Benefit Scheme – Life Risk section	77,156	-	(20,025)	6,701	**63,832**
The Church Workers Pension Fund	360,688	5,025	(29,824)	39,110	**374,999**
The Church Administrators Pension Fund	71,599	-	-	7,905	**79,504**
Total Return Seeking Pool	1,775,422	44,675	(36,324)	197,181	**1,980,954**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Liability Matching Pool:

	At 1 January £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December £000
The Church of England Funded Pensions Scheme	53,647	-	-	2,307	**55,954**
Clergy (Widows & Dependants) Pension Fund	-	-	-	-	**-**
The Church Workers Pension Fund					
Pension Builder 2014	-	-	-	-	**-**
Pension Builder Classic	6,658	-	-	286	**6,944**
Defined Benefit Scheme – Life Risk section	998	-	-	43	**1,041**
The Church Workers Pension Fund	7,656	-	-	329	**7,985**
The Church Administrators Pension Fund	10,049	-	-	431	**10,480**
Total Liability Matching Pool	71,352	-	-	3,067	**74,419**
Total assets	1,846,774	44,675	(36,324)	200,248	**2,055,373**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2017 (2016: nil).

As at 31 December 2017, the Board had made the following commitments

	2017 £m	**2016** £m
Equities	13.3	-
Pooled investment vehicles (property)	1.5	6.5
Pooled investment vehicles (infrastructure)	119.6	22.7
Pooled investment vehicles (private debt)	-	21.1
Total commitments	134.4	50.3

13. Related party transactions

Four Board members (2016: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

The Fund loaned £48.7m to the CEFPS on 23 November 2017. The unsecured loan was agreed on commercial terms: interest is payable on the last business day of each month at a rate equal to the Northern Trust Global Liquidity Funds sterling rate plus 5 basis points and repayable on demand at 24 hours notice. The loan was repaid on 15 June 2018. The Trustee took legal advice and can confirm the loan's purpose was to provide temporary liquidity, in compliance with Regulation 5(2) of the Occupational Pensions Schemes (Investment) Regulations 2005.