

SUMMARY FUNDING STATEMENT 31 DECEMBER 2019 CLERGY PENSIONS – FUNDED SECTION

Each year we are required to let you know the financial position of your pension scheme.

This Summary Funding Statement gives you a financial update as at 31 December 2019.

 THE CHURCH
OF ENGLAND

PENSIONS BOARD

Keeping you up to date with your pension scheme's financial health

We are pleased to provide you with this Summary Funding Statement. It gives you an update on the funding level of funded section of the Church of England Funded Pension Scheme (CEFPS).

Our independent advisers help us to monitor CEFPS's finances. This gives you a snapshot as at 31 December 2019.

We carried out a full and independent valuation of the funding level as at 31 December 2018. This revealed a funding shortfall of £50m.

However, mainly due to higher than expected investment returns, the funding level had improved to a surplus of £120m by 31 December 2019. Further information is on page 3.

Since the end of 2019, the funding level has been extremely volatile, mainly due to the effect of Covid-19 on financial markets. As of July 2020, the surplus of £120m has been mostly eliminated, and CEFPS dropped back into deficit for much of March, April and May 2020.

The next snapshot will be at 31 December 2020.

Assumptions

The figures on page 3 involve calculating a target level of assets.

This is the amount we expect will be enough to continue to pay all the pensions that members have already built up.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on our investments, amongst other factors.

CEFPS assets

The assets come from contributions paid by members and employers, together with investment growth.

We hold the assets separately from the Responsible Bodies and we are responsible for investing this money.

We hold the assets in a common fund – they are not held in separate pots for each member.

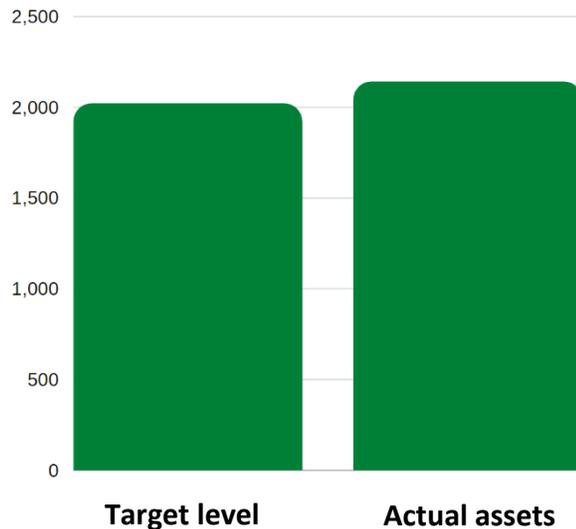
Pensions are paid out of this common fund.

A snapshot at 31 December 2019

Church of England Funded Pension Scheme (CEFPS)

Target level of assets:
£2,020 million

Actual assets:
£2,140 million



At 31 December 2019 the target level of assets was £2,020m, but the actual assets were £120m more than this.

The last valuation showed the shortfall at 31 December 2018 was £50m. The financial position therefore improved by £170m during 2019.

This is due to higher than expected returns on our investments, partially offset by a change in financial conditions.

We expect the snapshot to change from year to year because CEFPS's finances depend on changes in global financial markets. In particular, the dramatic changes in markets since the Covid-19 means the funding position has deteriorated since December 2019, with most of the surplus eliminated as at July 2020.

The next full actuarial valuation will be as at 31 December 2021.

Frequently asked questions

Here are some frequently asked questions.

Q: Have the Responsible Bodies taken any money out of CEFPS?

Regulations require us to confirm that the sponsoring employers have not taken any money out of CEFPS in the last 12 months.

Q: Has the Pensions Regulator intervened with CEFPS?

Regulations also require us to confirm whether the Pensions Regulator has used its powers to modify CEFPS, give it directions, or impose a schedule of contributions upon it. We are happy to confirm that it has not needed to do this.

Q: What if CEFPS winds up?

If CEFPS winds up, the Responsible Bodies would have to make a final contribution to make sure everyone's pension could be paid in full by an insurance company. We monitor the cost of this. The most recent estimate provided by our independent advisers looked at the cost in December 2018. The estimate showed a final contribution of £1,011m would be needed.

This amount is larger than the shortfall shown on the next page, but this is common amongst similar UK pension funds. If all the Responsible Bodies became insolvent and could not afford to pay this, you might not get your full pension.

Q: Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension scheme members with added security should their sponsoring employers (Responsible Bodies in this case) become insolvent and are unable to pay the final contribution.

If CEFPS enters the Pension Protection Fund, the amount members receive may be less than the pension you have built up. The Pension Protection Fund rules are complex. The amount they will pay depends on the CEFPS rules, whether a pension is already being paid, your age and the type of pension benefit.

More information and guidance about the Pensions Protection Fund is available at www.pensionprotectionfund.org.uk or by contacting the Pensions Protection Fund on 0330 123 2222.