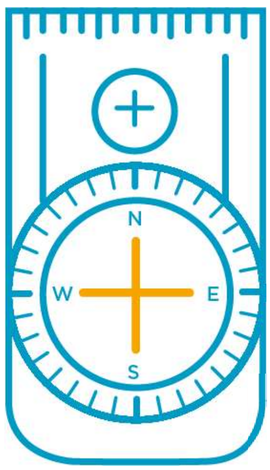
Report on the actuarial valuation as at 31 December 2021

Church of England Funded Pensions Scheme



Actuarial Valuation Report as at 31 December 2021

Church of England Funded Pensions Scheme

1 December 2022

As instructed, I have carried out an actuarial valuation of the Church of England Funded Pensions Scheme ("the Scheme") as at 31 December 2021. I now present my report which is addressed to the Church of England Pensions Board ("the Board") as Trustee of the Scheme.

The main purpose of the report, required by the Pensions Act 2004, is to set out the results of and outcomes from the valuation. Scheme members will receive a Summary Funding Statement relating to the valuation in due course.

The Board is responsible for the choice of assumptions for the valuation, and for then setting an appropriate level of future contributions, in consultation with the Responsible Bodies.

The main results are summarised here, with further detail in the following sections, appendices and the attached Statement of Funding Principles and Schedule of Contributions.

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Appointed Scheme Actuary

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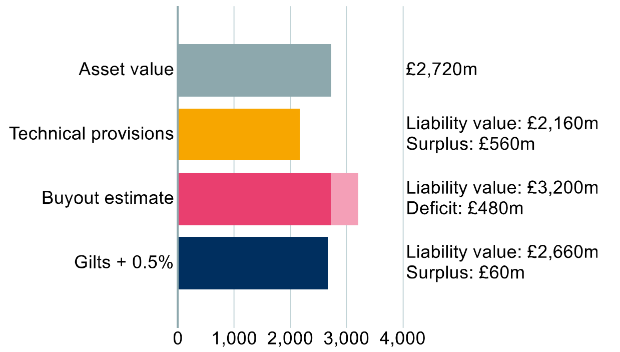


Summary of agreed contributions	
Future service accrual and ongoing expenses	Approximately 28% of pensionable stipends as set out in the Schedule of Contributions
Other contributions	To fund any augmentations granted

Contents

Appendix

Key documents

Professional standards

This report is part of the work in connection with the valuation of the Scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. Our work in preparing this report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work , together with Technical Actuarial Standard 300: Pensions.

The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with the Church of England Pensions Board ("Our Client") as Trustee of the Church of England Funded Pensions Scheme.

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing, although we acknowledge that you are required to pass it to the employer sponsoring the Scheme and, on request, to Scheme members. We accept no liability to anyone who is not Our Client.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please make it clear that we accept no liability towards them.

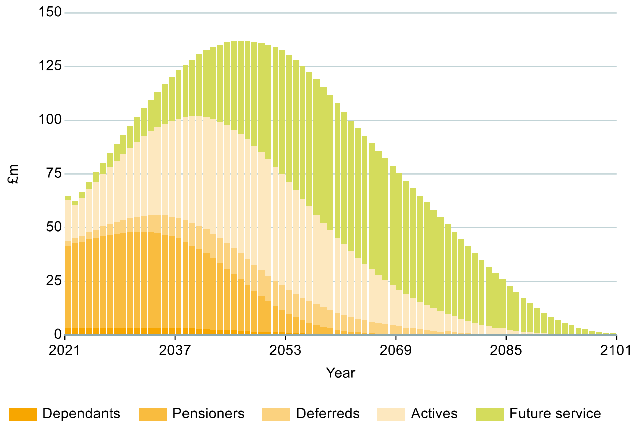
About Lane Clark & Peacock LLP

Funding objective and method

Principles in setting objective and method

- The Scheme's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions.
- The Board took advice from me to determine the method and assumptions to use for this valuation in consultation with the Responsible Bodies.
- The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cash flows, based on benefits accrued to the valuation date and the various assumptions made.
- The technical provisions are not intended to be sufficient to enable the Scheme to be wound up and its benefits secured in full with an insurance company.
- After considering the strength of the Responsible Bodies' covenant, the Board has set assumptions as set out in the Scheme's Statement of Funding Principles, which is attached. In particular the Board took account of the Responsible Bodies' likely ability to pay additional contributions in the future if future experience proves to be less favourable than projected under the assumptions. See below for details of the assumptions chosen.
- The future service cashflows relate only to membership at the valuation date; the scheme is open to new members.

Projected benefit cash flows as at the valuation date



- There is a risk that the assumptions are not borne out in practice and that the future progression of the funding position is materially different from that expected. Further details on the risks the Scheme faces are set out in the Appendix.

Assumptions

Key financial assumptions

- The investment model is an important financial assumption. In line with the previous actuarial valuation, the Board has adopted an Asset Led Funding ("ALF") methodology for determining the discount rate for the 31 December 2021 actuarial valuation of the Scheme. Under ALF a discount rate is constructed from first principles using the actual asset holdings that the Scheme is expected to hold in the long term, and making an appropriate prudent deduction from the expected returns. This is in contrast to constructing discount rates as an addition to gilt yields.
- A summary of the key financial assumptions is shown in the table below.

	% pa
Price inflation	
RPI	3.6
CPIH – pre/post 2030	RPI less 0.8% pa pre-2030, moving to RPI less 0.0% pa from-2030
Return from gilts	1.1
Implied single equivalent discount rate	**2.7**
Stipend increases	CPIH
Pension increases in payment	
RPI min 0% max 5%	3.4
RPI min 0% max 3.5%	2.9

- The above rates are illustrative single-equivalent rates at 31 December 2021 (as applicable to past service benefits). In practice the full yield curves for gilts, inflation, stipend and pension increases have been used in the calculations.

Key assumptions differences compared with the previous valuation

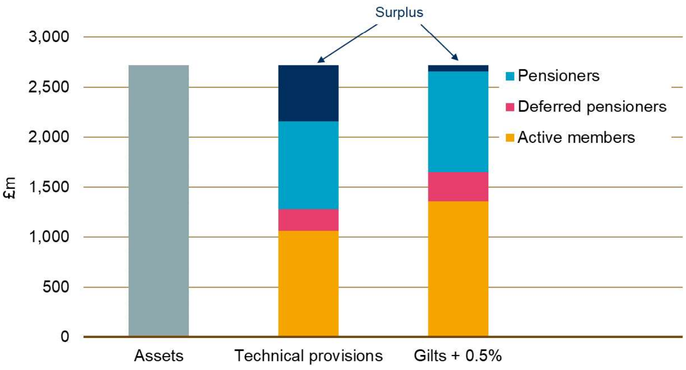
- The ALF discount rate has been updated to reflect the Board's latest views on best-estimate returns for the underlying assets pools and a prudent deduction from these returns.
- The mortality assumption has been updated to the most recently available mortality tables (the "S3" base tables with a Scheme specific adjustment of 90%) and future projections (the "CMI 2020" extended model with a smoothing factor, S, of 7, an initial addition to mortality improvements parameter, A, of 0.5% pa, an allowance for 2020 data of 0% (ie w2020 = 0%) and a long-term rate of improvement of 1.5% pa).
- Deferred revaluation and future increases in pensionable stipends are now assumed to be in line with CPIH rather than RPI, reflecting the Archbishops' Council's policy since December 2021 to increase the National Minimum Stipend by reference to CPIH increases.
- The assumption for volatility of RPI inflation has been updated to 1.5% from 1.8%.
- Members are assumed to commute 4% of their pension (in addition to their accrued cash lump sum) at terms that are 15% below the technical provisions funding reserve (before allowance for any commutation), based on recent experience This compares to an assumption of 6% which was used for the previous valuation.
- The assumed retirement scales have also been updated to reflect recent experience.

The Appendix shows the effect on the valuation of changing some of the key assumptions.

The Board also monitors a "Gilts + 0.5%" measure. This is intended to give a broad indication of a low dependency basis. The assumptions used are as for technical provisions except using a discount rate of 0.5% pa in excess of the return from gilts.

Technical provisions and future service contribution rate

Technical provisions and gilts + 0.5% target as at 31 December 2021



As at the valuation date, the technical provisions were £2,160m and there was a surplus of £560m. On the gilts + 0.5% low dependency measure that the Board monitors, the Scheme had a surplus of £60m.

Our calculations are based on the membership data, benefits and assets as summarised in the Appendix.

Future service contribution rate

The future service contribution rate calculated to be sufficient to meet the increase in the technical provisions arising from the accrual of additional pensionable service over the next year is 38.8% of pensionable stipends.

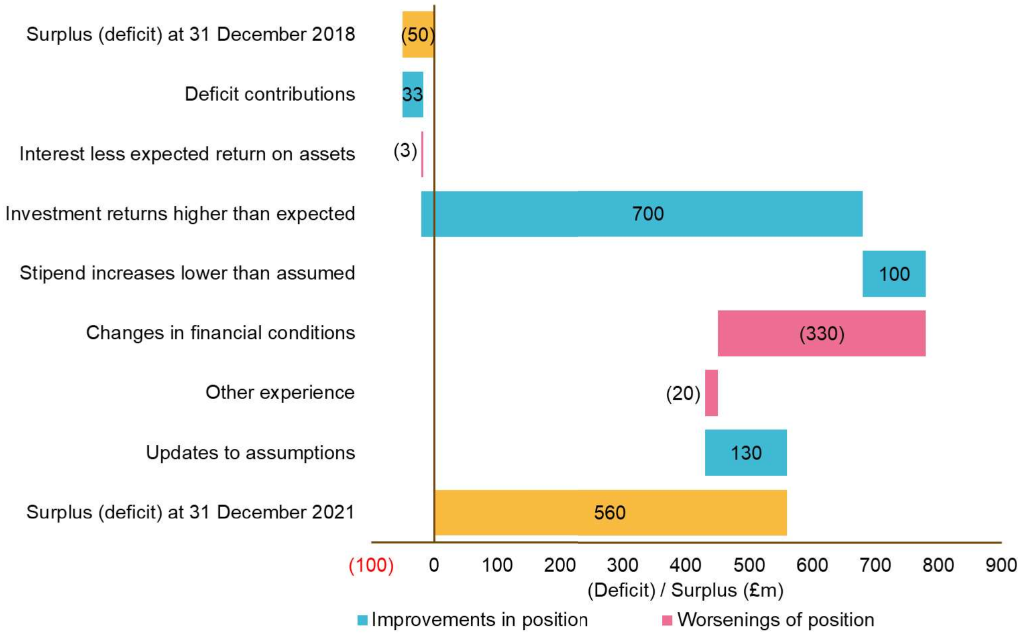
However, given the substantial surplus in the scheme, and taking into account the assessment of the covenant available to the Scheme, the Board has agreed that contributions from January 2023 will be at the rate of 28% of pensionable stipends - ie in line with the future service cost calculated using "best estimate" financial assumptions.

Certification of technical provisions

Under the Pensions Act 2004, I am required to certify that the technical provisions have been calculated in accordance with the legislation, and my certificate is attached.

Reconciliation of experience to 31 December 2021

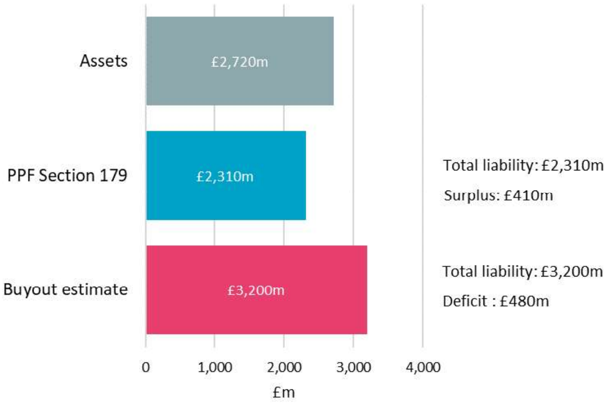
Explanation of movement from previous valuation



- As at the valuation date the surplus was £560m.
- Had experience since the previous valuation been in line with the assumptions adopted for that valuation, and allowing for contributions paid over the period, the Scheme would have had a deficit of £20m at this valuation date.
- The actual position is therefore £580m better than expected and the reasons for this are shown in the chart.
- The "Change in financial conditions" item refers in particular to falls in gilt and corporate bond yields and increased inflation expectations which, all else equal, led to a higher present value being placed on liabilities. This figure also includes the reduction in assumed Diversified Income pool returns between December 2018 and December 2020 – ie it reflects the December 2020 review of the ALF discount rate since the previous valuation.
- Other experience includes inflation experience, membership experience and other miscellaneous items.

Discontinuance at the valuation date

The position were the Responsible Bodies to have ceased sponsoring the Scheme on the valuation date



Derivation of the solvency position

- The solvency position has been calculated by estimating the cost of securing all benefits by purchasing annuities with an insurance company and winding up the Scheme. It assumes that the scheme is well prepared and that a competitive brokering process is carried out. In this situation, active members' service would cease and they would become deferred pensioners. We have included an allowance for the expenses that would be incurred in winding up the Scheme. This measure of solvency is referred to as the "buyout cost".
- We have not obtained quotations but have produced our estimate using the assumptions described in the Appendix. In practice, the actual cost can be determined only by completing a buyout. In our experience, actual insurer pricing can frequently vary by +/-5% compared to our solvency estimates for a given scheme due to variations in insurer appetite. The solvency estimate shown is intended to represent a central figure within this range. However, there are also cases where actual pricing is outside such a range, for example due to scheme characteristics, or general supply and demand mechanics in the market. The actual cost for the Scheme could therefore be very different from the estimate shown.
- The estimated buyout deficit at the valuation date was c£480m. This corresponds to an estimated buyout level of 85%, which compares with 64% as at the previous valuation. The reasons for the change are similar to those explaining the change in the technical provisions, together with changes in our understanding of insurers' buyout pricing.

Interaction with the PPF

- Where a pension scheme is discontinued because of the insolvency of the employers, the Pension Protection Fund ("PPF") is required to assess whether the scheme is eligible to enter the PPF. This includes assessing whether the scheme is insufficiently funded.
- In broad terms, if the PPF is satisfied that the scheme's assets are insufficient to buyout benefits equal to PPF compensation with an insurance company, then the assets would be transferred to the PPF to pay members PPF compensation in place of scheme benefits.
- If the assets are sufficient, the scheme can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, and the balance applied to secure benefits above that level in accordance with the scheme's rules.
- As a proxy for the financial assessment required by the PPF in these circumstances, we consider the statutory "Section 179" valuation. On this basis, there was a surplus in the Scheme of £410m as at 31 December 2021.
- This indicates that, had the Responsible Bodies become insolvent at the valuation date, with no other sponsor to succeed them and no additional funding, it is likely the Scheme would not have entered the PPF and instead would be wound up outside of the PPF.
- Further details relating to the Section 179 valuation, including the assumptions used, are set out in the appendix along with the full results set out in my formal Section 179 certificate.

Contributions and future projections

Contributions

As the Scheme had a surplus of £560m as at 31 December 2021, no deficit contributions are payable and no Recovery Plan is required.

The Responsible Bodies will pay approximately 28.0% of pensionable stipends in respect of future service accrual and ongoing expenses.

Details of the agreed contributions are set out in the Schedule of Contributions.

Development of position since 31 December 2021

The valuation considers the financial position of the Scheme as at the valuation date. Since the valuation date (based on conditions in November 2022), the position is projected to have materially improved on the technical provisions, Gilts +0.5% and buyout measures.

Projected funding levels at the next valuation

The projected funding levels three years after the valuation date are shown below, showing that (rounded to 5%), the positions are not expected to change significantly.

These projections are made on the basis that:

- experience from the valuation date is in line with the assumptions underlying the technical provisions, as set out in the Statement of Funding Principles – that is, no allowance is made for the favourable experience that has occurred between the valuation date and the date of this report;
- contributions are paid as set out in the Schedule of Contributions; and,
- there is no change in the insurers' buyout pricing.

Experience from the valuation date will in practice be different over the three years from the assumptions made. (As at November 2022, the position is projected to have materially improved on all three measures.).

Measure	31 December 2021	31 December 2024
Technical provisions	125%	125%
Gilts + 0.5%	100%	100%
Buyout	85%	85%

Certification of contributions

Under the Pensions Act 2004, I am required to certify that the Schedule of Contributions is consistent with the Statement of Funding Principles, and that payment of contributions at the agreed rates can be expected to lead to the Scheme continuing to have sufficient assets to cover its technical provisions. My certificate forms part of the Schedule of Contributions.

Appendix

- Key risks faced by the Scheme
- Membership data and benefits
- Assets and investment strategy
- Sensitivity to assumptions
- Assumptions used for assessing solvency
- Section 179 details and certificate

Appendix

Key risks faced by the Scheme

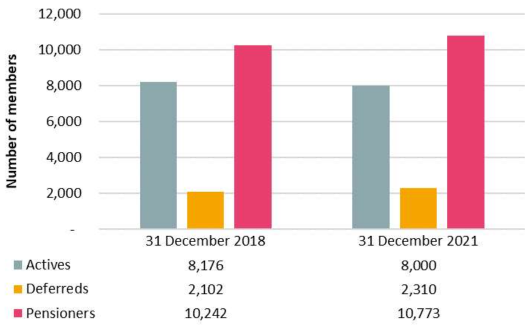
Risk	Comment
Sponsors' covenant	The sponsors are not able to support the Scheme, and in particular are not able to pay increased contributions if experience is unfavourable.
Investment strategy	Changes in asset values are not matched by changes in the technical provisions. As a result of the way that the discount rate is derived, the technical provisions are linked to the investment strategy, but the Scheme continues to have a substantial holding in return-seeking assets whose values are volatile and so the two may move out of line as investment conditions change.
Investment returns	Investment returns on existing assets are lower than anticipated and / or the returns available on new money are lower than current assumptions. No allowance is made for specific risks such as cyber-attacks, drug resistance and/or future pandemics, which may have an effect on investment returns.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated.
Mortality	Scheme members live longer, and so benefits are paid longer, than anticipated. In particular, no allowance is made for specific risks so members may live for a different length of time than assumed.
Member options	The incidence of Scheme members exercising benefit options which are potentially not "neutral" to the Scheme's funding position (such as early retirement or commutation) is different from that anticipated.
Regulatory	In future the Scheme may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may well be different to the allowance made.
Climate	Climate-related risks and opportunities are likely to have widespread social and economic effects during the Scheme's lifetime. They include physical risks from the climate itself and transition risks from actions which reduce greenhouse gas emissions. They could potentially affect the Scheme's investment returns, the financial strength of the Responsible Bodies and mortality rates.

Appendix

Membership data and benefits

Summary as at 31 December 2021 (31 December 2018 in brackets)

	Number		Average age		Total Pensions (£'000 pa)	
Active members	8,000	*(8,176)*	53	*(53)*	n/a	*(n/a)*
Deferred members	2,310	*(2,102)*	54	*(53)*	7,157	*(6,121)*
Pensioners and dependants	10,773	*(10,242)*	76	*(75)*	42,113	*(33,530)*
Total	**21,083**	***(20,520)***				

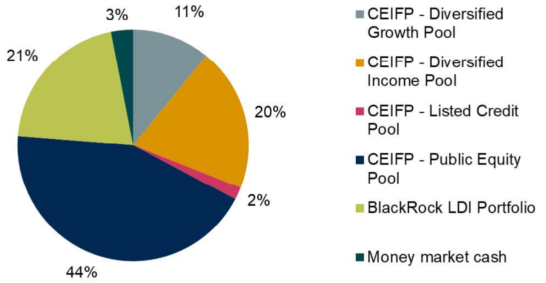


- We have been provided with a full membership data extract as at the valuation date by the Board's staff as at 31 December 2021. We have relied on this data and have no reason to doubt its overall accuracy for the purposes of the valuation.
- The valuation results use the latest available National Minimum Stipend data up to and including the figure of £25,518 for the year to 31 March 2023.
- The deferred pension figures have been obtained by totalling deferred pensions as at 31 December 2021.
- The pension figures for pensioners include the increases granted on 1 April 2022. The increases granted (upon pension earned before 2008) on 1 April 2020, 2021 and 2022 were 2.4%, 1.1% and 4.9% respectively.
- We have made no allowance for discretionary increases to pensions in payment.
- We have valued the benefit and contribution structures in line with our understanding of the Scheme's trust deed and rules dated effective 14 July 2021.

Appendix

Assets and investment strategy: Summary as at 31 December 2021

Total assets: £2,720m



Asset class	£m	%
CEIFP[1] - Diversified Growth Pool	300	11%
CEIFP - Diversified Income Pool	550	20%
CEIFP - Listed Credit Pool	50	2%
CEIFP - Public Equity Pool	1,180	44%
BlackRock LDI Portfolio	560	21%
Money market cash	80	3%
Total	**2,720**	**100%**

Note: figures may not sum due to rounding

- We have used the assets as set out in the audited accounts as at 31 December 2021.
- We have excluded the assets relating to members' money purchase AVC funds to ensure consistency with the technical provisions.

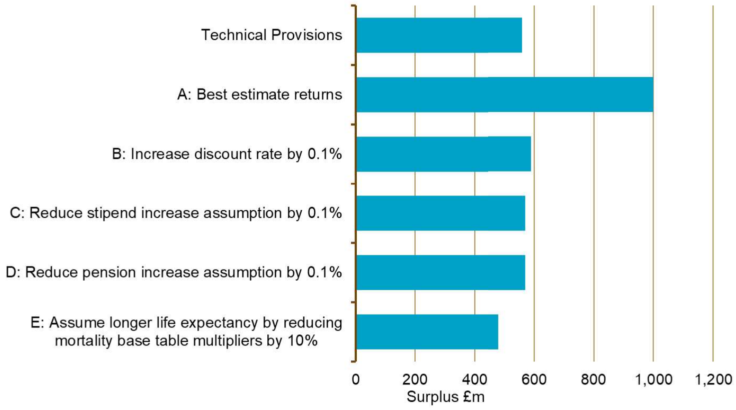
[1] The Church of England Investment Fund for Pensions (CEIFP)

Appendix

Sensitivity to assumptions

- The valuation results are sensitive to the assumptions chosen and we illustrate here the effects of changes to some of the key assumptions.
- The illustrations ignore any corresponding changes to the Scheme's assets (where applicable).
- The impacts are shown in isolation. The combined impact of multiple changes may not equal the sum of the isolated impacts.

	Description	Surplus/ (Deficit) £m	Future service rate % of **pensionable stipends**
	Technical provisions	**560**	**38.8**
A	Best estimate returns	1,000	**28.2**
B	Increase discount rate by 0.1%	590	**37.8**
C	Reduce stipend increase assumption by 0.1%	570	**38.0**
D	Reduce pension increase assumption by 0.1%	570	**38.7**
E	Assume longer life expectancy by reducing mortality base table multipliers by 10%	480	**39.7**



Appendix

Assumptions used for assessing solvency

- We have based our estimate of the solvency position on our in-house insurer buyout pricing model. Our estimate of the current solvency position is based on our understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for other schemes and assumes schemes are well prepared and have followed a competitive brokering process.
- We have not obtained a quotation for the Scheme, and there is considerable volatility in prices. Therefore, were the benefits actually to be bought out, the position could be very different from that illustrated.
- These assumptions differ from those set out in the Statement of Funding Principles and they result in an estimated buyout cost that is higher than the technical provisions.
- All else being equal, non-pensioners are more expensive to insure than pensioners, due to the more limited appetite from the insurers and the additional uncertainty (for example, due to the longer duration of non-pensioners' benefit payments and uncertainty around the particular options that can be exercised by members before and at retirement).
- For the purpose of this estimate, we have assumed that future revaluation will continue to be in line with increases to pensionable stipends.
- The demographic assumptions we have used are generally the same as those used for the technical provisions (where relevant) except as shown opposite.
- Additionally, we have included a provision of c£14m for the costs that would be incurred by the Board in winding up the Scheme. In practice, the actual expenses could be very different.
- This basis has no relevance beyond establishing an estimate of the hypothetical buyout cost and my statutory estimate of solvency as at the valuation date. Please let us know if you would like us to explore a solvency estimate for other purposes.

Main financial assumptions

Assumption	
Illustrative single equivalent assumptions	
Discount rate	1.0% pa
Rate of RPI inflation	3.7% pa
Rate of CPIH inflation	RPI less 0.8% pa pre-2030, moving to RPI less 0.0% pa from-2030
Pension increases in payment	Set consistently with market-based pricing for the relevant minimums and maximums

Main demographic assumptions

Assumption	
Commutation	None
Proportion with dependants	85%

Appendix

PPF Section 179 valuation

The sole purpose of a section 179 valuation is to fulfil the statutory duty to provide the required information to the Pensions Regulator.

The Board of the PPF will use the results to calculate the Scheme's Protection Levy from 2022/23 onwards, until a new section 179 valuation is provided.

Additionally, were the Scheme to enter a PPF assessment period, the results of a section 179 valuation might be used in assessing whether the Scheme's funding position is such that it is eligible to enter the PPF or whether a full section 143 valuation is required.

Method and data

- I have valued the benefits prescribed by the PPF in version G9 of their section 179 guidance and with further prescribed adjustments. These are the Scheme's benefits adjusted to reflect, broadly, the compensation that members would currently receive if the Scheme were to enter the PPF.
- I have also made some prudent approximations where the relevant data to value compensation precisely was unavailable – these are set out below.
- The PPF shares its expectations on how to incorporate the verdicts of five court cases within Section 179 valuations in its Q&A – our treatment of the Hampshire, Hughes, Lloyds and Bauer cases is detailed below.

Reconciliation to previous valuation

The previous section 179 valuation of the Scheme, which was carried out as at 31 December 2018, showed a deficit of £136m.

The current valuation shows an improvement. The main reasons for the change are similar to those explaining the changes in the Technical Provisions and buyout measures.

Certification

In providing my section 179 valuation certificate, I am required to confirm that in my opinion the calculated value of the protected liabilities is unlikely to have been understated.

I am satisfied that taken as a whole, the approximations made for the purposes of this valuation are prudent in that they will tend to overstate the value placed on the liabilities (though note that my allowance for GMP equalisation only is a best-estimate as permitted by the PPF's guidance). Accordingly I am happy to provide the required certification.

Appendix

Assumptions for section 179 valuation

The PPF Board prescribes the actuarial assumptions to be adopted for a section 179 valuation – I have used version A10 of the assumptions guidance. The financial assumptions are specified by reference to yields on certain gilt indices at the valuation date and are summarised in the table below.

Key financial assumptions	% pa	
	Non-pensioners	Pensioners
Net discount rates before retirement		
for revaluing benefits earned before 6 April 2009	-2.61	-
for revaluing benefits earned after 5 April 2009	-1.35	-
Net discount rates after retirement		
for benefits earned before 6 April 1997	1.00	1.28
for benefits earned after 5 April 1997	-1.30	-0.92

Key demographic assumptions	
Post-retirement mortality	
Base mortality table	100% S3PA
Allowance for future improvements	Projection from 2013 in line with the extended CMI 2019 projections with a long term annual rate of improvement of 1.5% (males) and 1.25% (females), a smoothing factor, S, of 7.5 and initial addition to mortality improvements parameter, A, of 0% pa
Percentage married (at NPA or earlier death)	Males: 85% Females: 75%

There is also a prescribed allowance for wind-up and benefit installation expenses according to the amount of the calculated section 179 liabilities and the membership profile of the Scheme.

Section 179 assets

Key asset data	£
Date of audited accounts	31 December 2021
Assets (as reported in audited accounts)	2,761,258,000
Exclusions:	
Money purchase assets	37,976,000
Section 179 total assets	2,723,282,000

Benefit type	Adjustments required for section 179 valuations
In service member benefits	Members assumed to have become deferred pensioners immediately prior to the valuation date
Revaluation in deferment	Benefits increased from the valuation date in line with CPI capped at 5% pa for benefits accrued before 6 April 2009, and CPI capped at 2.5% pa for benefits accrued after 5 April 2009
Guaranteed Minimum Pensions (GMPs)	• Treated as normal Scheme benefits from the valuation date • Following the Lloyds judgment the PPF issued an information note in September 2019 stating its expectation that "valuations with an effective date after the Lloyds judgment will include an interim allowance for GMP equalisation, commensurate with the legal requirement", and that such allowances in isolation should be calculated on a best estimate basis
Normal Pension Age ("NPA")	Non-pensioners are assumed to retire at NPA (unless they die beforehand). This is the earliest age at which a pension or lump sum becomes payable as of right without reduction for early payment (ignoring any special provisions on the grounds of ill health). Some members of the Scheme have different parts of their benefits payable from different NPAs, ie 65 and 68.
Commutation of pension	No allowance is made for pension to be commuted for a lump sum
Pension amount	For members below NPA (including those in receipt of a pension, but excluding ill-health pensioners and dependants): • A 10% reduction is applied to all benefits • As directed by the PPF, no allowance has been made for the "Hampshire", "Hughes", or "Bauer" judgments.
Pension increases in payment	• Pensions in respect of pre-6 April 1997 accrued benefits do not increase in payment • Pensions in respect of post-5 April 1997 accrued benefits are increased in line with CPI capped at 2.5% pa
Benefits on death	• A spouse will receive 50% of the member's pension on the member's death • There is no pensions guarantee payable or allowance made for any lump sum death benefits pre-retirement
Discretionary practices	No allowance is made for any future discretionary practices
Money purchase benefits	• Money purchase benefits (eg AVCs) not yet in payment are excluded from the valuation of both assets and liabilities • Pensions in payment derived from money purchase funds are treated in the same way as other scheme benefits.

Benefit type	Prudent approximations made
In service member benefits	For active members who have completed less than two years' service, I have taken the value of the liability to be 90% of the value of the deferred pension calculated on the prescribed assumptions.
Guaranteed Minimum Pensions (GMPs)	I have made a prudent estimate of the additional liabilities arising from adjusting Scheme benefits to remove any inequalities in transferred-in GMPs to be £0.5m and have increased the protected liabilities by this amount in the pre 1997 benefit tranche. Given the current uncertainties around the eventual cost of removing inequalities due to GMPs, this allowance is only approximate.
Contingent spouse pensions	Certain pensioners who are former members of the Clergy (Widows and Dependants) Pension Fund have contingent spouse benefits only, we have included the value (on a Section 179 basis) of these contingent benefits not yet in payment.
Pension amount	• I have "stripped out" the pension increase awarded as at 1 April 2022. This increase is included in the data for funding purposes but not required in a section 179 valuation. • I have not applied the 10% reduction to any contingent spouse pensions.
Pension increases in payment	For transferred-in benefits and other service credits, the whole benefit (except GMP) has been treated as post-5 April 1997 service.
Children's pensions	Children's pensions currently in payment are assumed to cease at age 18, or age 23 if currently aged over 17.

Section 179 Valuation Certificate

Full name of scheme: **Church of England Funded Pensions Scheme**

Name of section, if applicable: n/a

Pension Scheme Registration Number: 10232033

Address of scheme: The Church of England Pensions Board, 29 Great Smith Street, London, SW1P 3PS

Section 179 valuation	
Effective date of this valuation (dd/mm/yyyy)	31/12/2021
Guidance and assumptions	
s179 guidance used for this valuation	G9
s179 assumptions used for this valuation	A10

Assets	
Total assets (this figure should not be reduced by the amount of any external liabilities and should include the insurance policies referred to below)	£2,723,282,000
Date of relevant accounts (dd/mm/yyyy)	31/12/2021
Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts	0%

Liabilities	
Active members (excluding expenses)	£1,221,103,000
Deferred members (excluding expenses)	£265,948,000
Pensioner members (excluding expenses)	£804,412,000
Estimated expenses of winding up	£3,000,000
Estimated expenses of benefit installation/payment	£15,631,000
External liabilities	£0
Total protected liabilities	**£2,310,094,000**
Please provide the percentage of the liabilities shown above that are fully matched by insured annuity contracts for:	
Active members	0%
Deferred member	0%
Pensioner members	0%

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I have taken account of the "Information note to assist schemes preparing to submit s179 valuations and certify Deficit-Reduction Contributions (DRCs)" published by the Board of the Pension Protection Fund in September 2019. This states that, where a s179 valuation includes an interim allowance for GMP equalisation, such allowance (and such allowance only) may be calculated using a best estimate basis rather than applying the principle of prudence. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signature Date: 1 December 2022

Name: **Aaron Punwani FIA**

Qualification: **Fellow of the Institute and Faculty of Actuaries**

Employer: **Lane Clark & Peacock LLP**

Proportion of liabilities			
Please show the percentage of liabilities which relate to each period of service for:			
	Before 6 April 1997	6 April 1997 to 5 April 2009 (inclusive)	After 5 April 2009
Active members	0%	41%	59%
Deferred members	0%	61%	39%
	Before 6 April 1997	After 5 April 1997	
Pensioner members	1%	99%	

Number of members and average ages

For each member type, please show the number of members and the average age (weighted by protected liabilities) as at the effective date of this valuation. Average ages should be rounded to the nearest whole year.

	Number	Average age
Active members	8,000	56
Deferred members	2,310	55
Pensioner members	10,773	71

As required, under Part 9 of the Guidance on undertaking a s179 valuation, the s179 certificate should form part of the scheme actuary's s179 valuation report. The details contained in this certificate should be separately submitted to the PPF as part of the annual scheme return via the Pension Regulator's system "Exchange".

This certificate should not be sent directly to the Pension Protection Fund.

Key documents

- Certification of the calculation of the technical provisions
- Statement of Funding Principles
- Schedule of Contributions and certificate

Actuary's certification of the calculation of technical provisions

Church of England Funded Pensions Scheme

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Church of England Funded Pensions Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2021 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 1 December 2022.

Signature: …………………………………………….

Date: 1 December 2022

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Statement of Funding Principles

Church of England Funded Pensions Scheme

We, the Church of England Pensions Board, as Trustee of the Church of England Funded Pensions Scheme ("the Scheme") have produced this statement of funding principles and it is designed to comply with Section 223 of the Pensions Act 2004.

It sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Scheme should aim to hold from time to time in order to have a reasonable expectation of being able to make provision for the Scheme's liabilities; and
- how we intend to achieve the objective of holding this amount of money in the Scheme (this is known as meeting the "statutory funding objective").

This statement has been prepared as part of the Scheme's actuarial valuation as at 31 December 2021. We have taken advice from the scheme actuary, Aaron Punwani, when drawing up this statement, and have consulted the Responsible Bodies.

1. Technical provisions

We have decided that the technical provisions should be calculated using the method and assumptions set out in the Appendix to this document.

We chose this method and these assumptions following consultation with the Responsible Bodies. In arriving at them, we took advice from the scheme actuary, and we took account of various relevant factors (in particular the ability of the Responsible Bodies to support the Scheme and the expectation that the Scheme will remain open to new members for the foreseeable future).

2. Recovery plan (if there is a failure to meet the statutory funding objective)

If the value of the Scheme's assets is less than the technical provisions, we are required to set a recovery plan, in consultation with the Responsible Bodies, that is designed to eliminate the difference by the payment of additional "deficit" contributions.

There was no such deficit as at 31 December 2021 and so a recovery plan was not required. In contrast, as there was a material surplus, the Board has agreed that the contribution rate payable should be lower than the prudent future service cost calculated on the assumptions in this statement, essentially reflecting best-estimate (rather than prudent) financial assumptions.

3. Discretionary benefits

The Rules allow for benefits in payment to be increased at the discretion of the Trustee and with the agreement of the sponsors.

In setting the technical provisions we make no allowance for such discretionary awards. To the extent that any additional discretionary benefits were to be granted in future, appropriate arrangements would need to be made at that time to meet the cost of doing so.

4. Payments to the Responsible Bodies

We do not currently expect to make any payments back to the Responsible Bodies.

5. Contributions other than from the Responsible Bodies

There are no arrangements in place for any contributions to be paid to the Scheme other than from the Responsible Bodies.

6. Cash equivalent transfer values

Under current legislation, the trustees may reduce transfer values to take account of the funding level of the Scheme.

If all members had requested transfer values at the last valuation date, the assets of the Scheme would have been sufficient to pay everyone in full.

Accordingly we offer full, unreduced transfer values, as required by legislation.

7. Reviewing the valuation position and this statement

We will normally commission a full actuarial valuation every three years. Under rule 18.6 of the Scheme, we can request full valuations more frequently than every three years and, depending on circumstances, we may do so from time to time.

This statement replaces the previous statement, which was dated 28 March 2022.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

This statement of funding principles was prepared on 1 December 2022.

Signed on behalf of the Board

Signature: ....

Name: John Ball

Position: Chief Executive

Date: 01/12/2022

Signed on behalf of the Responsible Bodies

Signature: ....

Name: John Ball

Position: Chief Executive

Date: 01/12/2022

Church of England Funded Pensions Scheme
Statement of Funding Principles
Actuarial method and assumptions

The method and assumptions for calculating the technical provisions and the future service contribution rate are set out below.

Technical provisions

Actuarial method

Projected unit method with a one year control period.

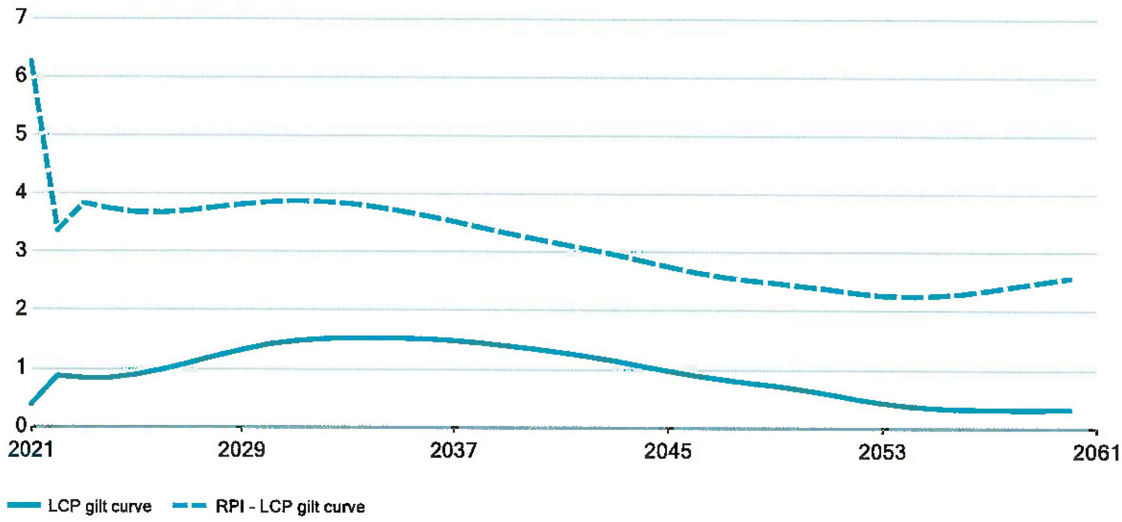
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as derived from the LCP breakeven RPI curve.
- Price inflation as measured by the Consumer Prices Index with Housing costs ("CPIH") over each future year is calculated as the corresponding assumption for RPI less 0.8% pa until 2030, and then reducing to a gap of 0% pa from 2030 onwards.

For illustration, as at 31 December 2021, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 31 December 2021 (forward rates)



For illustration, as at 31 December 2021 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.1% pa*
RPI inflation	*3.6% pa*

AA corporate bond yields

The return from AA bonds over each future year is taken from the LCP accounting curve as at the valuation date.

Investment returns

The discount rate used to assess the present value of future benefit payments is set to reflect the following assumed long term asset allocation:

Asset class	Allocation
Equity & Diversified Growth	35%
Diversified Income	30%
Traditional credit	20%
Gilts and Liability Driven Investments	15%

The Board then applies to "haircut" to the return for each asset class for prudence, taking into account investment market conditions and its assessment of the sponsor covenant available to the Scheme.

The anticipated rate of return on each asset class has thus been determined as follows for the 2021 valuation:

Asset class	Best estimate return	Return "haircut"	Anticipated return net of haircut	Reason for haircut
Diversified Growth	Gilt yield + 4.7% pa	(2.4% pa)	3.4% pa	Volatility high, income not secure
Diversified income	4.9% pa	(1.9% pa)	3.0% pa	Reinvestment / default risk
Traditional credit	AA bond yield	(0.3% pa)	1.6% pa	Default / downgrade risk
Gilts / Liability Driven Investments	Gilt yield	Nil	1.1% pa	N / A
Diversification benefit			0.1% pa	

The actual discount rate used for each future year will be a combination of the anticipated rate of return on each asset class, consistent with the above strategy.

As at 31 December 2021, the weighted average discount rate was therefore calculated to be 2.7% pa:

(35% × 3.4%) + (30% × 3.0%) + (20% × 1.6%) + (15% × 1.1%) + 0.1% = 2.7% pa

The best estimate rates of return, haircuts and the assumed long-term asset strategy as shown in the above tables are subject to an annual review by the Board, with a full review of the methodology carried out at each valuation.

Other financial assumptions

Future benefit payments are projected using the assumptions set out below.

- Increases to pensions in payment calculated over each future year at a rate reflecting the provision of the rules, as implied by the Black model using the assumption for RPI inflation in that year and the volatility of RPI inflation of 1.5% pa, subject to review at each valuation

For illustration, as at 31 December 2021 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	Assumption
RPI subject to a minimum of 0% pa and a maximum of 5% pa	*3.4% pa*
RPI subject to a minimum of 0% pa and a maximum of 3.5% pa	*2.9% pa*

- No allowance for discretionary pension increases.
- Future increases in pensionable stipends (except where shown already known) are assumed to be in line with CPIH. No explicit allowance is made for promotions.
- Deferred revaluation is assumed to be in line with CPIH.
- No annual withdrawal of active members before retirement or death.

Demographic assumptions

- Retirements from service according to the following scale.

Age	Percentage of members retiring each year at each age
60	4
61	5
62	5
63	7
64	8
65	38
66	33
67	32
68	48
69	55
70+	100

- An allowance for ill health retirements in line with the following table:

Age	Percentage of members retiring From ill health each year at each age
40-50	0.1
51-55	0.2
56-58	0.3
59	0.4
60	0.5
61-62	0.7
63-65	0.8
66	1.0
67-68	1.2
69+	0.0

- Members assumed to commute 4% of their pension (in addition to their accrued cash lump sum) on terms that are 15% below the technical provisions funding reserve (before allowance for any commutation).
- For mortality post-retirement and pre-retirement:
  - 90% of the S3NA tables;
  - projected from 2013 in line with the CMI 2020 extended model with a long-term annual rate of improvement of 1.5% for both males and females, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0% (ie w2020 = 0%).
- 75% of members are assumed to have a spouse or civil partner at their normal retirement age.
- Spouses/civil partners are assumed to be three years younger (male members) or three years older (female members) than the member.
- An allowance for expenses (including Pension Protection Fund levies) within the contribution rate of approximately 1.5% of total pensionable stipends, with precise details set out in the Schedule of Contributions.

No explicit allowance has been made for the equalisation of Guaranteed Minimum Pensions ("GMPs") since the only GMP in the Scheme arises from a small amount of transferred-in GMP which is immaterial in the context of the Scheme.

Schedule of Contributions

Church of England Funded Pensions Scheme

This Schedule of Contributions has been prepared by the Church of England Pension Board ("the Board"), as Trustee of the Scheme, in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It sets out the contributions, other than the members' additional voluntary contributions, payable to the Church of England Funded Pensions Scheme ("the Scheme") over the period of 5 years from the date that the Actuary certifies the Schedule, subject to review at future actuarial valuations.

It also shows the contributions that are payable to the Scheme between the effective date of the valuation and the date that the Actuary certifies the Schedule.

The Responsible Bodies and the Church of England Pensions Board, as Trustee of the Scheme, have agreed this Schedule as indicated below by authorised signatories.

Contributions by each Responsible Body will be at an annual rate representing a percentage of the National Minimum Stipend in the 12 months ending on the previous 31 March, multiplied by the appropriate Multiple set out in Rule 3.1, for each Member for whom that Responsible Body is responsible.

1. Contributions payable until 31 March 2022

The relevant contribution rate to the Scheme until 31 March 2022 will be:

- 39.6% of pensionable stipends[1] for the Church Commissioners and the Dioceses; and
- 39.9% of pensionable stipends[1] less an annual rebate for other Responsible Bodies. The annual rebate is calculated as £70 pa per full-time member in active service each 31 December.

This is made up as follows:

- 31.3% of pensionable stipends[1] in respect of the future accrual of benefits;
- 7.1% of pensionable stipends in respect of the funding shortfall, in accordance with the agreed Recovery Plan of 28 March 2022;
- an allowance for expenses as follows:
    - for the Church Commissioners and the Dioceses, 1.2% of pensionable stipends[1];
    - for the other Responsible Bodies, 1.5% of pensionable stipends[1] less the annual rebate. The annual rebate is calculated as £70 pa per full-time member in active service each 31 December.

The contributions to the Scheme shown above exclude the additional contributions of 0.3% of pensionable stipends[1] that the Church Commissioners and the Dioceses pay to the Church of England Pensions Board towards the expenses of administering the Church of England Pensions Measures scheme.

2. Contributions payable from 1 April 2022 until 31 December 2022

The relevant contribution rate to the Scheme from 1 April 2022 until 31 December 2022 will be:

- 35.7% of pensionable stipends[1] for the Church Commissioners and the Dioceses; and
- 36.0% of pensionable stipends[1] less an annual rebate for other Responsible Bodies. The annual rebate is calculated as £70 pa per full-time member in active service each 31 December.

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[1] taking into account the appropriate Multiple as described above

This is made up as follows:

- 31.3% of pensionable stipends[1] in respect of the future accrual of benefits;
- 3.2% of pensionable stipends from 1 April 2022 in respect of the funding shortfall, payable to 31 December 2022 in accordance with the agreed Recovery Plan of 28 March 2022;
- an allowance for expenses as follows:
  - for the Church Commissioners and the Dioceses, 1.2% of pensionable stipends[1];
  - for the other Responsible Bodies, 1.5% of pensionable stipends[1] less the annual rebate. The annual rebate is calculated as £70 pa per full-time member in active service each 31 December.

The contributions to the Scheme shown above exclude the additional contributions of 0.3% of pensionable stipends[1] that the Church Commissioners and the Dioceses pay to the Church of England Pensions Board towards the expenses of administering the Church of England Pensions Measures scheme.

3. Contributions payable from 1 January 2023

The relevant contribution rate to the Scheme from 1 January 2023 will be:

- 27.7% of pensionable stipends for the Church Commissioners and the Dioceses; and
- 28.0% of pensionable stipends[1] less an annual rebate for other Responsible Bodies. The annual rebate is calculated as £75 pa per full-time member in active service each 31 December.

This is made up as follows:

- 26.5% of pensionable stipends[1] in respect of the future accrual of benefits;
- an allowance for expenses as follows:
  - for the Church Commissioners and the Dioceses, 1.2% of pensionable stipends[1];
  - for the other Responsible Bodies, 1.5% of pensionable stipends[1] less the annual rebate. The annual rebate is calculated as £75 pa per full-time member in active service each 31 December.

The contributions to the Scheme shown above exclude the additional contributions of 0.3% of pensionable stipends[1] that the Church Commissioners and the Dioceses pay to the Church of England Pensions Board towards the expenses of administering the Church of England Pensions Measures scheme.

Contributions will be paid on a monthly basis and will be due before the end of the following month.

No contributions are required from Members.

The Responsible Bodies will pay any additional contributions as decided by the Church of England Pensions Board, on the advice of the actuary, and in accordance with the Scheme Rules, to meet benefit augmentations. Such contributions will be paid before the end of the month following the due date notified by the Board.

This Schedule of Contributions replaces the Schedule of Contributions dated 28 March 2022 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Board:

Signature: .... authorised signatory

Name: John Ball

Position: Chief Executive

Date: 01/12/2022

on behalf of the Responsible Bodies:

Signature: .... authorised signatory

Name: John Ball

Position: Chief Executive

Date: 01/12/2022

Actuary's certification of schedule of contributions

The Church of England Funded Pensions Scheme

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 of England Funded Pensions Scheme**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 December 2022.

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: 1 December 2022

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase can be expected to continue to be met as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 1 December 2022 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.