



The Church of England Pensions Board Annual Report 2012

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Enquiries about retirement services generally or about an individual's entitlement to benefit should be made to

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

Housing Helpline: **020 7898 1824**
Pensions Helpline: **020 7898 1802**

Email:
pensions@churchofengland.org
housing@churchofengland.org
cepappeals@churchofengland.org

Website:
www.cep.org.uk
Further copies of this report may be obtained from the above address.

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Relevant sections of this report have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 and the accounts in accordance with regulations made under Sections 41(1) and (6) of the Pensions Act 1995

The Board is a Registered Charity No 236627. The Board is registered with the Financial Conduct Authority No 441548

Assists over 32,000 people
across over 250 employers



Manages funds in excess
of £1.3 billion

Provides housing to around
3,000 retired clergy households
through CHARM and in seven
Christian retirement
communities



We provide retirement services set by the Church of England for those who have served or worked for the Church

Vision

We will deliver a professional, high quality and efficient service to our customers, respecting their needs and the needs of those who provide us with the money to do this

Values

We are part of the Church of England

We understand our customers and their needs

We work closely with employers, dioceses and all our partners and take careful account of their views

We behave with openness and integrity

We take pride in doing a good job

We value our people and the contribution they make

Strategic Objectives

Manage the pension schemes efficiently and effectively in accordance with the scheme rules and apply an investment strategy that maximises the Board's ability to ensure all liabilities are met as they fall due

Provide quality retirement housing while demonstrating good value for money

Achieve a sustainable return on the Board's investment funds, acting in accordance with the National Church Institutions' ethical policies

Understand our customers' needs and expectations and use this information to improve delivery of our services

Maintain our ability to comply with all regulatory and legal requirements

Provide value for money to the Church with the resources we are given to run the business

Create a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board

Introduction by the Chairman



It has been a transitional year for the Pensions Board, in which we have started to look at the best way to provide our services to the Church of England in the future.

During the year we concluded the valuations of our two pension schemes for lay workers: – the Church Workers Pension Fund and the Church Administrators Pension Fund. The former provides a pension scheme to people employed at all levels of the Church of England. This includes people working in diocesan offices, as well as mission agencies, cathedral and parish offices. As a result of the valuation, we assisted a number of employers in changing the benefits package they offer to their employees.

As part of this work, and with the valuation of the Clergy Funded Scheme in prospect for 2013, we held a series of regional workshops with dioceses. These were a welcome opportunity to meet our diocesan colleagues, share information and answer questions. We are reviewing how best to continue this engagement with dioceses in 2013. We also held a fringe meeting at the General Synod's sessions in York in July, which we plan to repeat.

We strengthened the governance of our pension operations by setting up a Pensions Committee under the chairmanship of Roger Mountford. It has already enabled the Board to challenge and consider in much greater depth the assumptions underlying the valuations. It has also been able to look at other matters such as our communication with scheme members.

In the summer we commissioned York University to carry out research into the future housing needs of retiring clergy. All clergy who were within 15 years of the current pension age were sent a questionnaire. We achieved a remarkably good response rate of over 60%, which perhaps reflects the importance clergy attach to this form of retirement support. The researchers also carried out in-depth interviews with a small number of clergy. The results from this research will be a key element in our planning for the future delivery of CHARM and facilitate a wider debate about the future costs and affordability of the scheme.

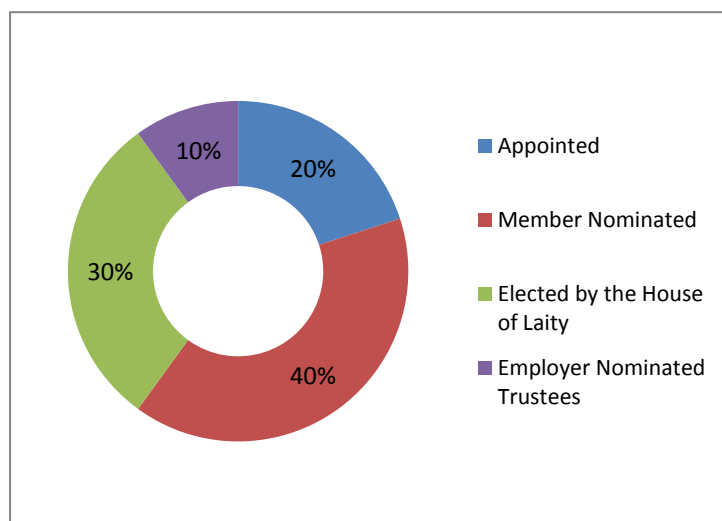
Each year we say farewell to some Board members and long-serving members of the staff, and 2012 was no exception. During the course of the year, Colin Peters decided to step down from the Board. He had been a member since the Board had been reconstituted in 1998. Bishop David Walker, the Board's Vice Chairman and the Chairman of the Housing Committee stepped down in early 2013, upon his appointment as Chairman of the Archbishops' Council's Remuneration and Conditions of Service Committee. We also said farewell to Tony Williams, our Pensions Manager, who retired after over 23 years service with the Board.

In 2013, the Board will focus on the Church's retirement provision for its clergy, through both pensions and retirement housing. We will try to continue to live our values of openness, transparency, understanding our customers and their needs, as well as working closely with employers, dioceses and all of our partners.

Jonathan Spencer
Chairman

Maintain our ability to comply with all regulatory and legal requirements

Organisation and Governance



The twenty members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies. Only four of the members are appointed, with the remainder elected for a six-year term by the employers and members of the pension schemes, and by members of the General Synod. The majority of members also serve on one or more of the Board's three sub-committees. The Board can co-opt others who bring a particular expertise to serve on its committees.

The names of members of the Board for the period 1 January 2012 to 16 July 2013 are set out at the back of this report. The Board met six times throughout 2012. Members' attendance at Board and Committee meetings during 2012 is shown below. Where a member was appointed or left during the year, the percentage of the potential attendance is shown.

	Board (6)	Audit & Risk (4)	Housing (4)	Investment (6)	Pensions (2)
Dr Jonathan Spencer	100%				
Rt Rev David Walker (Vice Chairman)	67%		100%		
Clive Hawkins (Deputy Vice Chairman)	83%			100%	
James Archer	83%	100%			
Simon Baynes	83%			83%	
Revd Paul Benfield	83%				100%
Jane Bisson	83%	100%			
Revd Paul Boughton	100%			100%	
Revd Nigel Bourne	100%		100%		
Dr Graham Campbell	100%				
Jeremy Clack	80%				
Ian Clark	83%	100%		100%	100%
John Ferguson	83%		100%		
Alan Fletcher	83%		100%	100%	
Canon David Froude	83%	100%			
Canon Ian Gooding	100%				
Roger Mountford	83%				100%

	Board (6)	Audit & Risk (4)	Housing (4)	Investment (6)	Pensions (2)
Canon Sandra Newton	83%		75%		0%
Colin Peters	40%			40%	
Brian Wilson	100%				100%
<i>Co-opted Members</i>					
Ian Bate			75%		
Debbie Clarke				83%	
Jane Clarke			33%		
Jon Head			100%		
David Hunt		100%			
Peter Parker				100%	
Mark Powell				67%	
Graham Shorter					100%
Helen Simmons		75%			

The Audit and Risk Committee, chaired by Canon David Froude, monitors the integrity of the Board's financial statements, reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. It also reviews the Board's internal control and risk management systems, and monitors and reviews the effectiveness of the internal audit function. During 2012, it met four times.

The Housing Committee, chaired by the Rt Rev David Walker until the end of 2012 when Alan Fletcher succeeded him, oversees the operation of the CHARM housing scheme and the supported housing schemes. In 2012 it met four times. Early in 2013 it held its first residential strategic review meeting.

The Investment Committee, chaired by Clive Hawkins, supervises the Board's investment fund managers and implements the investment policy set by the Board. It has the power to select, review and deselect, where appropriate, investment managers and the custodian. It also monitors investment performance and compliance with the Board's ethical investment policy. In 2012 it met six times. Members also contributed to a number of working parties set up to consider specific investment areas and attended a residential strategic review meeting.

The Pensions Committee was constituted in the first half of 2012 and is chaired by Roger Mountford. It oversees the administration of the pensions schemes, considers, in depth, the assumptions underlying the actuarial valuations and makes recommendations to the Board on them. In 2012 it met twice.

Risk Management

The Church of England Pensions Board is committed to embedding risk management good practice into its day to day operations. To assist in the achievement of this objective the Board has agreed a risk management policy.

Given the Board's role in administering pensions, housing and retirement homes for those who have retired from the Church of England and their dependents, it is important that its ability to

deliver efficient and effective services is not compromised by significant adverse events occurring.

Key risks are identified according to the Board's strategic objectives. These are reviewed by the Board in addition to the high value residual operational risks.

The strategic risks include

- Investment performance and management of pension liabilities;
- Development and delivery of the Board's housing strategy;
- Compliance with regulatory requirements; and
- Ensuring efficiency and value for money.

Risks are graded by likelihood and impact; remedial and mitigation measures are set out, and the resulting residual risk assessed. Mitigation measures can include communication strategies, benchmarking of performance, customer surveys and research, training and review of governance structures, and the development and implementation of efficiency targets. Where mitigation does not bring the risk down to a low ranking, consideration is given as to what action can be taken, if any. Risks are assigned to senior staff to manage.

The Board, and the Executive Team, monitor on a regular basis the strategic risk register and any movements in the scoring arising from actions taken both within the organisation or arising externally.

We regularly review the appointment of our professional advisers.

Board Membership

New Board members receive an induction into the work and practices of the organisation. All receive a copy of our handbook which outlines their responsibilities and includes copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The Board corporately receives regular training sessions at its meetings.

During 2012 the Board held its third residential meeting. The event, held at Canterbury Cathedral Lodge, provided members with an opportunity to examine in detail the challenges facing particular areas of their work and set priorities for the Executive Team. They also benefited from learning from each other and members of the Executive. During the residential session, members participated in the communal living of the Cathedral and were once again welcomed to the Cathedral by the Dean of Canterbury, the Very Revd Robert Willis.

A trustee effectiveness programme was developed in Canterbury, part of which was an improved appraisal process for trustees. Members had previously self-assessed their performance using pro-forma questionnaires. At the end of 2012, the Committee Chairmen held appraisal "conversations" with the members of their Committees; the results of which are

being assessed. The emerging themes will be considered by the Board at its residential meeting in 2013.

17 members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification.

Elected members serve for a six-year term with elections held for 16 of the positions on a rolling basis every two years.

During 2012, we said farewell to Colin Peters who had served the Board for some 14 years including service on the Investment Committee. Jane Clarke stepped down as a co-opted member of the Housing Committee in November.

Early in 2013, Bishop David Walker stepped down from the Board upon his appointment as Chairman of the Archbishops' Council's Remuneration and Conditions of Service Committee. Bishop David had, in recent years, chaired the Board's Housing Committee and acted as its Vice Chairman. Bishop Peter Hancock, Bishop of Basingstoke, was elected by the House of Bishops to fill the casual vacancy to the end of 2013.

Several members stood for re-election by their various constituencies at the end of 2011 and were re-elected. These were the Revd Fr Paul Benfield, the Revd Nigel Bourne, Clive Hawkins and Brian Wilson. In addition, Jane Bisson was elected to serve on the Board. All were elected for a six-year term from 1 January 2012.

Following an openly advertised appointments process, Roger Mountford was appointed a member of the Board by the Archbishops of Canterbury and York for a six-year term from 1 January 2012.

The Church Commissioners appointed Jeremy Clack to serve on the Board for a term expiring 31 December 2014.

Create a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board

Staff and Administration

The number of staff for whom the Board is the managing employer was 66 at the end of the year (58 at the end of 2011). In addition we employ 142 full and part-time staff (177 at the end of 2011) at our supported housing schemes, including managers, nurses, activities staff and gardeners. We draw on shared services such as information technology, records management and financial accounting provided by the Church Commissioners, and legal, communications and human resources provided by the Archbishops' Council. The Board manages the Internal Audit shared service.

A survey of the staff was carried out during the year as to their views on working within the National Church Institutions. Following the survey, the Executive Team drew up a plan to address particular issues which had been raised.

In September 2012, Tony Williams, the Pensions Manager, retired. He had served the Board for over 23 years. At its residential session in Canterbury, the Board thanked him for his service and wished him the best for a very happy retirement.

A number of staff undertook sponsored studies for essential job qualifications and career development. Staff also took part in training courses on a variety of topics including management development, fair selection interviewing, equal opportunities awareness and a range of health and safety related matters. They also had access to an “e-learning” facility and a variety of other career development opportunities.

IT Systems

The Board, and the other National Church Institutions, use SAP as their shared financial platform. The system also underpins the work carried out by our Housing Department where it is used as their main property database and management system. The Pensions Department use Universal Pensions Management as their administration system.

Achieve a sustainable return on the Board's investment funds, acting in accordance with the National Church Institutions' ethical policies

Introduction

The Board administers a number of pension schemes and the assets of these schemes are pooled for investment purposes. This allows the smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. The shares in the pooled funds attributable to each pension scheme are established on a unitised basis every month.

For the pension funds, the Board operates a "Return Seeking" pool, comprising equities, property unit trusts, Global Tactical Asset Allocation (GTAA) funds, infrastructure, corporate bonds and cash; and a "Liability Matching" pool, consisting of UK Government bonds and corporate bonds. Commentary on the performance of these pools is set out below.

2012 was a year of good returns for equities, with investors, encouraged by central banks' provision of liquidity, seeing through poor economic conditions. However, major fixed interest markets were flat over the year.

The Return Seeking Pool

Investment management

The programme of diversifying the investments in the Pool continued in 2012 with the establishment of four new mandates; two for emerging market equity, one for small company equity (a second manager has been appointed early in 2013), and one for equity index futures for managing shorter term liquidity.

At the end of December 2012 the management of the Pool was split between 11 managers running 13 mandates in all:

- BlackRock Advisors (UK) Limited for an investment in a pooled Global Tactical Asset Allocation (GTAA) fund
- Bridgewater Associates LP for an investment in a pooled GTAA fund
- CB Richard Ellis Collective Investors Limited for a portfolio of UK and Overseas property unit trusts
- Copper Rock Capital Partners LLC for a global small cap equity mandate
- First State Investments Fund Management S.à r.l. for an investment in a pooled infrastructure fund
- Legal & General Assurance (Pensions Management) Limited for three passively managed mandates: UK equity and Global equity in segregated portfolios, and corporate bonds in a pooled investment
- Northern Trust Global Investments Limited for a portfolio of equity index futures
- RCM (UK) Limited for a Global equity portfolio

- Trilogy Global Advisors LP for an emerging market equity portfolio
- T Rowe Price International Limited for an emerging market equity portfolio
- Winton Capital Management Limited for an investment in a pooled GTAA fund

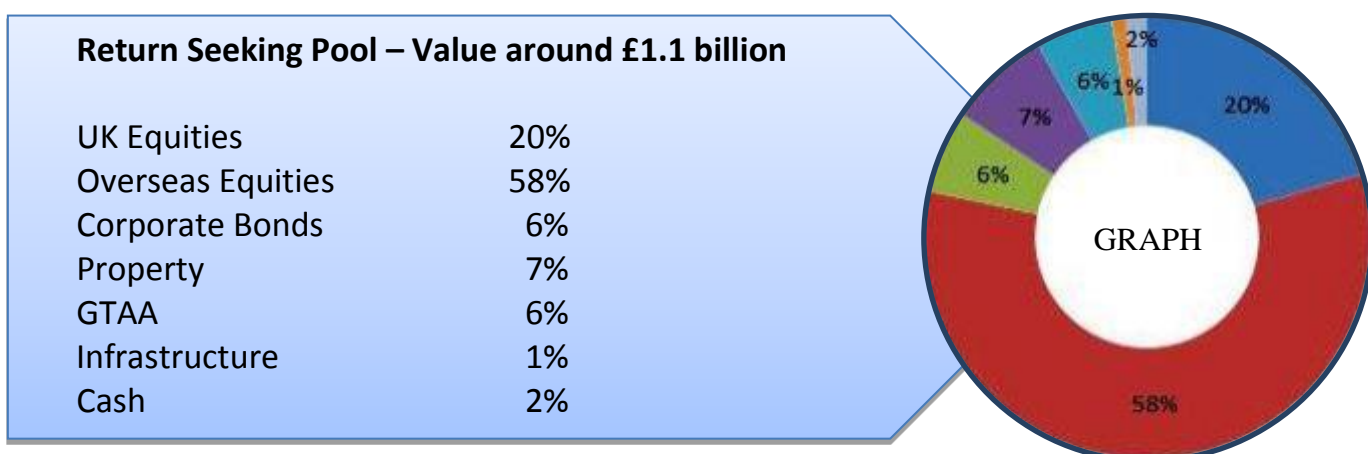
The Board terminated its UK and Global equity mandates with GMO during the year and the proceeds of £193m were invested in exchange traded equity index futures in order to replicate the total return of the MSCI World index, pending further planned diversifications. This portfolio, operated by Northern Trust, was set up by the Board as a short term home for cash awaiting investment in emerging market and small company equity.

The allocation of £90m (or 8% of the Pool) to emerging market equity was made to Trilogy and T Rowe Price. Both managers run their portfolios actively and aim to deliver returns substantially in excess of their benchmarks.

The total investment of £90m in smaller companies was made through an allocation to Copper Rock towards the end of 2012 and another to Arrowstreet in early 2013. These, again, are active mandates targeting high excess returns.

The investment in corporate bonds was reduced by a third towards the end of the year, and the proceeds of £28m retained over the year end in the equity index futures account.

At the year end, the asset mix in the Return Seeking Pool was as set out below:



Future Activity

The Board will continue to develop an asset allocation model that seeks to take less risk in developed markets, by allocating to passive index-tracking mandates there, while taking active risks in less efficient markets, where it believes active management can achieve above market returns.

In 2013, the Board will evaluate growth fixed income, a third active equity class and further investment in property and infrastructure.

Investment Performance

The longer term returns from the broad asset classes invested in by the Return Seeking Pool are set out below. The comparison is made with the benchmarks used to monitor the Board's managers and, in the case of equity investments, with other comparators too.

	1 year % pa	3 years % pa	5 years % pa	10 years % pa
Return Seeking Asset Pool return	10.6	6.5	1.9	7.3
<i>Pool benchmark (consolidation of manager benchmarks)</i>	<i>10.1</i>	<i>6.0</i>	<i>1.6</i>	<i>8.2</i>
UK Equities	10.8	6.4	2.1	7.5
<i>Consolidated UK Equity benchmark (ethically adjusted)</i>	<i>11.4</i>	<i>6.0</i>	<i>1.5</i>	<i>8.3</i>
<i>FTSE All Share Index (ethically adjusted)</i>	<i>11.6</i>	<i>6.3</i>	<i>1.6</i>	<i>8.0</i>
Non-UK Equities (hedged from 2010)	14.1	6.8	2.7	7.5
<i>Consolidated non-UK Equity benchmark (not ethically adjusted)</i>	<i>12.5</i>	<i>6.7</i>	<i>3.4</i>	<i>9.0</i>
<i>MSCI World Index (ethically adjusted)</i>	<i>11.6</i>	<i>6.5</i>	<i>3.3</i>	-
Property	3.0	8.5	(3.7)	-
<i>Consolidated Property benchmark</i>	<i>1.1</i>	<i>7.1</i>	<i>(4.6)</i>	-
Corporate Bonds	10.8	8.7	-	-
<i>iBoxx Sterling non-Gilt (ex-BBB) Index</i>	<i>10.8</i>	<i>8.7</i>	-	-
Global Tactical Asset Allocation	1.7	-	-	-
<i>3 month UK LIBOR</i>	<i>0.9</i>	-	-	-

The Pool generated a return of 10.6% over the year, which was 0.5% better than the consolidated return of the individual benchmarks used to monitor its managers. The Pool's good relative returns over the last three years now put it ahead of its consolidated benchmarks for all but the rolling 10 year period.

The principal contributor to the Pool's better absolute and relative performance has been equity returns, which improved markedly in 2012. The Board's UK equities returned 10.8% over the year and its overseas equities 14.1%. There has been a consistent picture of overseas equities performing better than UK equities over the long term and the Board has gradually shifted the bias of its equity investments to reflect this, with additional return being sought from investment in smaller companies globally and from companies in emerging markets.

Other contributors to good returns in the short and medium terms include corporate bonds, which were first invested in 2009 and have returned 8.7% p.a. since then, and property which has generated a return of 8.5% p.a. over the last three years, although returns over the last five have been negative.

The Board is fully committed to its ethical policies, which are described elsewhere in this report. The effect on equity returns of ethical restrictions was much less marked over 2012 than it was in 2011. For example, the return on the MSCI World Index was 11.7% over 2012, but that basket of stocks excluding the companies restricted because of the Board's ethical policies returned 11.6% for the same period. For the UK FTSE AllShare index the effect was greater, with the unadjusted index returning 12.3% and the ethically adjusted index 11.6% for the year.

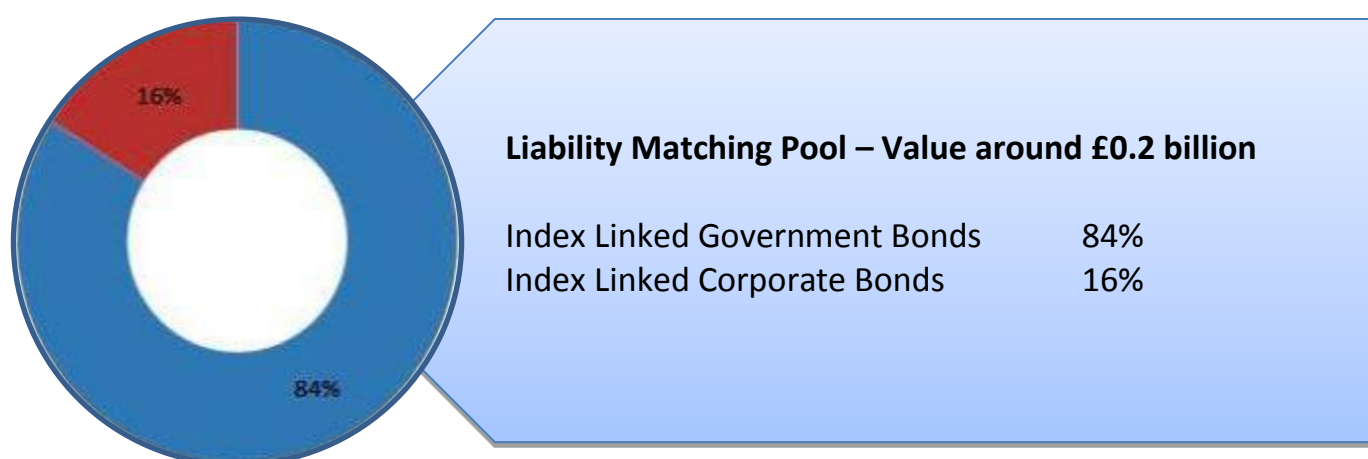
However, the UK equity market now accounts for a much smaller proportion of the Board's schemes' assets than in previous years, so the effect is smaller than before. The benchmarks of the Board's segregated mandates have been set to take its ethical policies into account, where this has been possible. In any case, though, the managers of the segregated accounts will not hold stocks that are restricted from investment by the Board's ethical policies.

Liability Matching Pool

The Liability Matching Pool, which is solely managed by Insight, returned 0.4% over 2012, which was in-line with its benchmark.

Concerned by the historically high valuations of UK gilts, the Board made an allocation to corporate bonds for the Pool during the year. The allocation is held on a 'buy and maintain' basis, with the bonds held until maturity. There is therefore high certainty around the ultimate return from the portfolio.

The Pool's asset mix at the year end was as set out below:



The Pool's longer term returns are set out below:

	1 year % pa	3 years % pa	5 years % pa	10 years % pa
Liability Matching Pool return	0.4	10.9	9.7	8.5
<i>Pool benchmark (FTSE UK Government Over 5-Year Index-Linked Gilt Index)</i>	<i>0.4</i>	<i>10.5</i>	<i>8.1</i>	<i>7.7</i>

Investment Strategy

The split in assets between return seeking and matching investments for each of the Board's pension schemes takes into account the relative maturity of each scheme's liabilities as reflected in contributions receivable and benefit outgoings.

The various schemes' strategies were to be invested as follows:

CEFPS and CAPF

The assumed allocation to inflation matching assets is calculated as a proportion of the assets backing liabilities for pensions in payment from time to time. This proportion varies over time. The remainder of the assets are assumed to be invested in return seeking assets.

Specifically:

CEFPS ~ 0% of pensioner liabilities backed by matching assets, moving to two-thirds of pensioner liabilities over the 20 year period from 31 December 2009 to 31 December 2029.

CAPF ~ 60% of pensioner liabilities backed by matching assets, moving to 100% of pensioner liabilities over the 12 year period from 31 December 2011 to 31 December 2023.

CWPF Defined Benefit Section (DBS)

The assumed allocation to gilts is measured as a proportion of the Life Risk Section's (LRS) asset pool. All of the employer sub-pools are assumed to be invested in return seeking assets.

Specifically:

75% of the LRS assets are assumed to be invested in matching assets and 25% in return seeking assets.

CWPF Pension Builder Section

The assumed allocation to inflation matching assets is measured as a proportion of the Pension Builder asset pool.

Specifically:

25% of the DCS assets are assumed to be invested in matching assets and 75% in return seeking assets.

Clergy (Widows & Dependants) Pension Fund

The current split in the Fund's assets aims to meet its benefit payments for the next 15 years from investments in bonds and cash and to retain the opportunity for generating bonuses by investing in return seeking assets. The investment in bonds and cash consists of a holding in the matching pool and a separate portfolio of cash and short-dated UK Government index-linked gilts. The latter is sufficient to provide for three years of benefit payments.

Statement of Investment Principles

A new Statement of Investment Principles (SIP) and associated documents were approved by the Board on 24th January 2013.

The SIP covers the pension funds for which the Board is corporate trustee as well as for the common investment fund. It covers the strategy and management arrangements, including

custody of securities, ethical factors and restrictions, and the use of voting rights. A copy of the SIP is available on request.

Management Charges

Each manager charges fees based on the value of the funds it is managing. In 2012 these fees (including those charged by Northern Trust as custodian) were £3.0m. This equated to 0.2% of the average value of the funds under management.

Ethical Investment

The Pension Board is an ethical investor. The way it invests forms an integral part of the Church of England's witness and mission. Its policy and practice is shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG), which is an independent body sponsored by the three national investing bodies of the Church of England. In all areas of investment, we seek to avoid profiting from, or providing capital to, activities that are materially inconsistent with Christian values. Ethical investment, however, is not just about what we do not invest in. It is as much, if not more, about how we do invest. 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.

2012 highlights

Across 2012, working with the Ethical Investment Advisory Group, the Pensions Board:

- Played a part in the 'Shareholder Spring' by taking a lead role in bringing together a coalition of investors representing more than £15,000 billion of investments as signatories to a set of letters published by the Daily Telegraph expressing concern about executive remuneration.
- Wrote to over 200 of the UK's largest companies and met 13 companies specifically to set out its views on the topic of executive remuneration with a number of engagements organised through the National Association of Pension Funds (NAPF).
- Voted in total on 25,452 resolutions at 1,856 company meetings globally. Only 36% of UK remuneration reports were supported.

- Participated in an intensive engagement programme with Barclays to seek robust assurance that the company was now making a determined and successful effort to effect a fundamental turnaround in culture having failed society with its past conduct.
- Sold its shares in News Corporation after Board-level engagement failed to allay concerns about the governance of the company.
- In addition to the meetings on executive remuneration, held meetings with 36 further companies where risk management was perceived to be particularly poor or other stakeholder concerns existed on a range of environmental, social and governance issues including alcohol marketing, commodities trading, indigenous rights, private prisons, safety and operational risk, supply chain relationships, sustainability reporting, and water and carbon efficiency.
- Supported work to deliver a major event of National Ethical Investment Week – a speech on sustainable capitalism by Al Gore hosted at St Paul’s Cathedral by the Church Investors Group and St Paul’s Institute.

Ethical investment agenda 2013

New or updated ethical investment policy recommendations from the EIAG are due to be considered in several areas (including genetic modification and executive remuneration) across 2013. The EIAG is also simultaneously due to begin a substantial review of its policy approach on climate change.

Responsibility in alcohol production and marketing will remain as one of the major engagement themes for the EIAG as it begins to assess for the Board, and the Church’s other national investing bodies, the extent to which companies comply with the minimum standards of responsibility which the EIAG has developed.

The progress of engagement with Barclays is due to be assessed in July 2013.

Further information about the work of the EIAG is contained in its own separate annual report. The EIAG’s reporting year runs from 1 April to 31 March and its annual report is published in July.

Statement of the Board's responsibilities

The accounts, which are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Board.

The law applicable to charities in England and Wales requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. These accounts must comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008.

Pension scheme regulations require the Board to make available to scheme members, beneficiaries and certain other parties, audited accounts for each scheme year which: show a true and fair view of the financial transactions of the schemes during the scheme year and of the amount and disposition at the end of the year of their assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

In preparing the accounts of the schemes, the investment fund and the charity, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- observe the methods and principles in the relevant Statement of Recommended Practice;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts of each scheme, the investment fund and the charity on a going concern basis unless it is inappropriate to presume that it will continue in business.

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

The Board is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards each pension scheme by or on behalf of the employer and the active members of the schemes and the dates on or before which such contributions are to be paid. The Board is also responsible for keeping records in respect of contributions received in respect of any active member of the schemes and for monitoring whether contributions are made to the schemes by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Board is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Board also has a general responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of each entity for which it is responsible. It is also responsible for taking such steps as are reasonably open to it to

safeguard the assets of each entity and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Board is also responsible for the maintenance and integrity of the Board's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Church of England Pensions Board Charitable Funds

The Board administers its charitable funds, in accordance with the requirements of the Charities Act 2011, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England and also to their dependants.

The administrative structure of the Board and the details of the trustees and advisers are set out at the back of this report.

This section of the report has been prepared in accordance with the Charities SORP 2005.

Provides housing to around 3,000 retired clergy households through CHARM and in seven Christian retirement communities



Shared Ownership

Property bought by the Board in partnership with the retiree

Retiree pays rent and service charge on the Board's share of the property

In 2012, 16 new properties acquired at a cost of £1.6m

Rental Property

Property bought by the Board using external finance

Tenant pays rent for their occupancy of the property

In 2012, 57 new properties acquired at a cost of £10.6m



Supported Living

Seven Christian retirement communities and a care home

Residents pay rent plus a service charge

In 2012 a second dementia care wing was opened

Public Benefit

There are few parishes in the Church of England who do not benefit from the ministry and mission of retired clergy at some point.

After a lifetime of service to the Church, clergy in retirement often continue their ministry assisting local churches. We help them to play a full role through the provision of retirement accommodation and, where applicable, direct grants to supplement their income.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly. Retired clergy and their dependants often play a role in these projects.

In accordance with the requirements of s.17(5) Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Charitable Activities

At least one in four clergy retiring from the stipendiary ministry seeks our assistance

We help them at a time when they may be feeling particularly vulnerable. They are not only adjusting to retiring from full-time work, but unlike most people in this position, they have often lived for the majority of their working lives in tied accommodation which they have to leave. They also usually move away from the community where they have played a pivotal and central role, and which they may have served for many years.

Our assistance is provided on an assessed ability to pay rather than on a full cost recovery. We aim to help all those who turn to us in some form, provided they meet the criteria for assistance.

Our strategy in the medium to long term is to –

- ensure the long term provision of services to our customers
- ensure that our retirement housing and supported housing schemes are well maintained and provide an appropriate level of service
- continue to provide nursing care at Manorhead Care Home, including specialist dementia care
- explore what further provision can be made for specialist dementia care within our supported housing provision
- continue to provide discretionary grants to ensure retired clergy, surviving spouses or civil partners have a minimum level of income.

In 2013, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by grants, gifts, legacies and investment income. All donations are placed in our General Purposes Fund unless otherwise specified.

Full details of our charitable activities are set out on the following pages.

Provide retirement housing while demonstrating good value for money

CHARM

The purpose of the retirement housing scheme – the Church Housing Assistance for the Retired Ministry, or CHARM – is to assist those vacating tied accommodation and who have not been able throughout their service and ministry to the Church to make their own provision for somewhere to live in retirement.

We currently assist some 3,000 retired clergy and their dependants through the various options under CHARM.

CHARM is a discretionary facility. The Board specifies a number of parameters relating to the size and type of property which is available, as well as the form and amount of assistance which is available. These are regularly reviewed.

Until 2010, new rental housing was purchased with finance from the Church Commissioners; it is now funded through a loan agreement with Santander Corporate Banking.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2012 was £3.6m.

Information on eligibility and access to the housing scheme is available on our website, www.cepb.org.uk.

Shared Ownership

The Shared Ownership scheme was introduced in 2008 in place of the value-linked mortgage scheme, which closed to new applicants in April of that year. In total we assist around 112 households through the shared ownership scheme.

Properties are purchased by the Board in partnership with the customer who contributes a minimum of 25% of the property cost. The Board's maximum contribution is £150,000. Additional shares in the property can be bought by the customer, who can achieve 100% ownership if they wish.

	2012	2011
Number of new properties	17	22
Board's total capital contribution	£1.6m	£1.9m
Average capital contribution	£97,000	£84,000

Customers pay rent, based on the Board's capital share of the property, and a service charge, which reflects the likely cost of maintaining and insuring the property. Properties are inspected on a five-year basis and the service charge calculation allows customers to smooth the cost of repairs and maintenance over a period of time.

The service charge is reviewed every six months. The rent is increased in line with the weighted increase in the full Church and State pensions for a married couple.

Accordingly the rent increased by 5.6% per annum from 1 April 2012.

Rented properties

Where retired clergy do not have the resources to enter the Shared Ownership Scheme, assistance through the provision of a rented property is made available. These are the majority of those seeking housing assistance. In total we assist around 1,200 households through the rental scheme.

Entrants to the Scheme are initially offered the choice of a small number of vacant properties. The scheme though is flexible and where one is not available, or for some reason not suitable, in the area of their choice, the Board will consider purchasing a property for them. The property has to be within a range of specified criteria which include a maximum purchase price of £200,000 (£225,000 in South-eastern counties). In total 57 properties were purchased in 2012.

	2012	2011
Number of new properties	57	45
Total Purchase Price	£10.6m	£8.2m
Average Purchase Price	£187,000	£186,000

Stock condition surveys were carried out by Sanctuary Housing Association during 2011, which permitted the Board to plan better the maintenance of its housing stock and ensure that all properties are in a good state of repair. A number of improvement works have also been planned.

Tenants pay a rent towards the Board's costs of maintaining the property and the cost of financing the purchase of the property. This is capped at a maximum of 30% of their (joint) gross income from all sources. Occupants are asked to complete a financial questionnaire annually from the date of occupation to ensure that those not meeting the costs of providing the property are paying an appropriate amount within the terms of the scheme.

The majority of the difference between the capped rent and the actual cost of providing the property is met by the wider Church through Vote 5 of the Archbishops' Council's budget.

Certain properties have been purchased directly by the Board from its own funds. Tenants pay rent on exactly the same basis as all other tenants but no notional interest is included in the running costs of these properties. This represents a subsidy from the Board's charitable funds and a saving on the Vote 5 budget of around £1.5m per annum.

Mortgage Schemes

The mortgage schemes are now closed to new applicants.

A fixed-interest mortgage scheme was in operation until 31 December 1982. Mortgagors pay interest only on the mortgage advanced. Since 1982 there have been a small number of advances made. 12 loans were outstanding at the end of the year.

The later value-linked mortgage scheme closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, and when the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. 1,045 loans were outstanding at the end of the year.

Supported Housing and Nursing Care

For over 60 years, the Board has been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services.

Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our supported housing schemes not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The schemes provide places for some 260 people across seven schemes and a nursing home.

Our strategic aim is to ensure that the service provision in our supported housing schemes remains sustainable in the long term. Throughout 2012, we have continued to focus on this and have approved some operational changes at Manorstead and Stuart Court, which would take effect in 2013. These changes transferred emergency cover to a local specialised call centre rather than have staff sleeping on-site each night. Several of our schemes had already transferred successfully to the new arrangement.

Residents in our scheme may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits. The introduction of a more transparent form of charging in 2009 had meant that some of our residents became eligible for housing and council tax benefit.

The cost of running the schemes is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2012 these amounted to £1.2m (£0.9m in 2011).

Dementia Care Provision

Late in 2010, the Board opened its first specialist dementia care unit; 2011 saw the unit operating successfully at near or full capacity during its first year of operation.

We recognised that there was a real need in this area, with an estimated one in five people over the age of 80 experiencing the symptoms of dementia. The effects of dementia can be very distressing not only for the person concerned but also for friends and family.

The Allan Bridgewater Wing, within Manorstead Care Home, provides a seven-bed unit which includes a communal dining area, a specialist bathing facility, and a sensory garden with raised beds to promote interest and stimulation. The specially trained and caring staff have ensured throughout the year that residents in the unit, and their families, have had a better quality of life.

A new dementia care wing, at Manorstead, providing a further eight beds, opened late in the year.

Other Homes

The primary responsibility for assistance with fees for those living in residential and nursing homes not operated by the Board lies with the local authorities, social services departments and primary care trusts. The Board had been able to assist a small number of beneficiaries with financial help within certain limits, but ceased taking any further applications for grants in 2010. Existing grant recipients were unaffected, and during 2012 we provided assistance totalling £17,000.

Financial Review

It is costly to maintain the level of services that we offer, be it in housing, supported housing, nursing care or ensuring that retired clergy have a minimum standard of income.

The wider Church, through Vote 5 of the Archbishops' Council's budget, contributes £3.6m to the provision of retirement housing.

The charitable funds hold investments of £32.7m (2011: £27.9m), the majority of which is invested in the CBF Church of England Funds. The Investment Committee maintains a watching brief to ensure that this money is appropriately invested. Detailed information on the performance of these funds is set out on the following page. Total investment income for the year was £1.4m (2011: £1.4m).

This income is not sufficient to cover the services we provide and without the generous gifts, donations and legacies we receive, we would not be able to offer the level of services currently provided.

Donations are received from Parochial Church Councils (PCCs), individuals, and from charitable trusts. In 2012 these amounted to £199,000. Like many other charities we have seen the level of donations remain under pressure, and we are grateful to everyone who has given towards our work during the course of the year.

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
PCCs	13	15
Charitable trusts	90	87
Donations	81	76
Special appeals	15	67
	199	245
Legacies	454	327
Properties bequeathed	-	320
Total	653	892

In particular, the Board would like to thank the following for their generous support -

- the Home of Devenish for its continued support and other trusts who have wished to remain anonymous; and,
- the estates of the late Miss Betty Kirby, Mrs Hilde Perkin and Mrs Mona Forsyth

Details of how you can support us can be found on our website www.cep.org.uk.

Investments

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund for Pensions, which is a common investment fund established by the Church Funds Measure 1958.

The CBF Investment Fund for Pensions is well diversified and aims through active management to generate capital appreciation and rising income over time.

Performance is reported in relation to a composite benchmark, which is 45% FTSE All-Share, 30% FTSE World ex-UK, 5% IPD All Properties, 15% FTSE UK Government All Stocks, and 5% 1 Month LIBOR.

The performance to the end of December 2012 of the two funds, in which the charitable funds are invested, together with the allocation to each fund, is set out in the table below:

	Value £m	Allocation %	1 year % pa	3 years % pa	5 years % pa
CBF Investment Fund	32.2	86.8	15.2	8.7	2.9
<i>Composite benchmark</i>			<i>10.6</i>	<i>7.9</i>	<i>3.3</i>
CBF Deposit Fund	4.9	13.2	1.1	0.9	2.0
<i>Benchmark</i>			<i>0.4</i>	<i>0.4</i>	<i>1.4</i>
	37.1	100.0			

Reserves Policy

The Board annually considers the level of reserves that should be maintained within the charitable funds, and takes account of the requirements of the Charities SORP and the guidance issued by the Charities Commission (Charities and reserves CC19).

Restricted Funds

Restricted funds of £295,000 (2011: £455,000) are set aside as they are not freely available to spend on the charity's purposes.

Designated Funds

A significant proportion of the Charitable Funds (£72.6m) is tied up in operational properties and not available to fund the day to day operations of the charity. Accordingly these are set aside as designated funds and comprise:

- the land, buildings and fixtures and fittings used for the provision of residential or nursing care
- the land and buildings, net of mortgages, occupied by the retired ministry
- land and buildings and investments held in trusts, the income from which self-funds the expenditure
- Property maintenance fund for the maintenance of the Board's properties

A further £1.3m has been set aside for property maintenance

General Funds

The Board has considered the business risks associated with its activities in order to establish a level of general reserves required to cover those risks, the major financial risks being:

- the levels of subsidy within the CHARM scheme
- the dependency on investment income
- the costs of major capital works
- managing cash flow

Based on this evaluation, the Board has identified a range of £25-30m to be an appropriate level of general (free) reserves for it to hold. As the current level of £31.5m falls marginally outside of this range the Board are comfortable with this level.

During 2012 a project was undertaken to investigate a number of historic balances within the charitable funds balance sheet. As a result adjustments have been made to balances that arose in prior periods where the accounting treatment was inconsistent with the Board's accounting policies.

The Trustees have considered these adjustments and have concluded that they are exceptional items. An adjustment of £776k has been made for the exceptional items in the Consolidated statement of financial activities (page 35), and is referred to in Note 20 of the Financial Statements (page 52).

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF THE CHARITABLE FUNDS AND TRUSTS OF THE CHURCH OF ENGLAND PENSIONS BOARD

We have audited the financial statements of the Charitable Funds and Trusts of the Church of England Pensions Board for the year ended 31 December 2012 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 December 2012, and of the group's incoming resources and application of resources and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

July 2013

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

The maintenance and integrity of the Church of England Pensions Board website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of financial activities for the year ended 31 December 2012

		2012				2011
		Unrestricted				
Notes	CHARM	Other charitable	Total unrestricted	Restricted funds	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	-	653	-	653	892
Investment income	3	-	1,440	-	1,440	1,356
Total incoming resources from generated funds		-	2,093	-	2,093	2,248
Incoming resources from charitable activities						
Grants receivable	4	3,630	96	-	3,726	3,639
Contributions from residents and mortgagees	5	9,007	2,164	2,609	13,780	13,833
Total incoming resources from charitable activities		12,637	2,260	2,609	17,506	17,472
Other incoming resources						
Gains on disposal of fixed assets held for the Charity's own use		-	1,577	-	1,577	2,774
Exceptional item	20	-	(776)	-	(776)	-
Total other incoming resources		-	801	-	801	2,774
TOTAL INCOMING RESOURCES		12,637	5,154	2,609	20,400	22,494
REOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income	6	-	(89)	-	(89)	(125)
Investment management costs	6	-	(14)	-	(14)	(38)
Total costs of generating funds		-	(103)	-	(103)	(163)
Charitable activities						
Grants payable	7	-	(117)	-	(117)	(257)
Housing costs	8	(13,434)	(3,146)	(2,769)	(19,349)	(19,312)
Total charitable activities		(13,434)	(3,263)	(2,769)	(19,466)	(19,569)
Governance costs	10	-	(211)	-	(211)	(116)
TOTAL RESOURCES EXPENDED		(13,434)	(3,577)	(2,769)	(19,780)	(19,848)
NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(797)	1,577	(160)	620	2,646
OTHER RECOGNISED GAINS AND LOSSES						
Gains on revaluation of fixed assets for the Charity's own use			-	-	-	6,487
Gains/(losses) on revaluation of investment assets	13		2,817	-	2,817	(1,690)
Total other recognised gains and losses			2,817	-	2,817	4,797
NET MOVEMENT IN FUNDS			3,597	(160)	3,437	7,443
RECONCILIATION OF FUNDS						
Total funds brought forward at 1 January			101,768	455	102,223	94,780
Net movement in funds in year			3,597	(160)	3,437	7,443
Total funds carried forward at 31 December			105,365	295	105,660	102,223

There are no other gains or losses apart from those recognised above. The incoming resources, resources expended and other recognised gains and losses all relate to continuing operations, none of which have been acquired during the year.

Balance sheets

as at 31 December 2012

	Notes	Consolidated		Charity	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
FIXED ASSETS					
Investment assets	13	32,670	27,853	32,670	27,853
Fixed assets	14	208,166	208,147	199,143	199,095
Total fixed assets		240,836	236,000	231,813	226,948
CURRENT ASSETS					
Debtors	15	1,121	1,028	9,869	10,193
Short term deposits		8,914	9,676	8,914	9,676
Cash at bank and in hand		2,506	2,480	2,243	2,234
Total current assets		12,541	13,184	21,026	22,103
LIABILITIES					
Creditors: amounts falling due within one year	16	(3,341)	(3,735)	(2,803)	(3,609)
Net current assets		9,200	9,449	18,223	18,494
Total assets less current liabilities		250,036	245,449	250,036	245,442
Creditors: amounts falling due after more than one year	16	(144,376)	(143,226)	(144,376)	(143,226)
NET ASSETS		105,660	102,223	105,660	102,216
FUNDS OF THE CHARITY					
Unrestricted funds					
General	17	31,487	27,222	31,487	27,215
Designated	17	73,878	74,539	73,878	74,539
Total unrestricted funds		105,365	101,761	105,365	101,754
Restricted funds	17	295	455	295	455
TOTAL FUNDS CARRIED FORWARD		105,660	102,216	105,660	102,209

These financial statements were approved by the trustees on 16 July 2013 and signed on their behalf by:

Dr Jonathan Spencer
Chairman

Consolidated cash flow statement for the year ended 31 December 2012

Reconciliation of net incoming resources before other gains and losses to net cash flow from operating activities

	Notes	2012 £'000	2011 £'000
Net incoming resources before other gains and losses		620	2,646
Add back:			
Depreciation charged of fixed assets	14	876	902
Exceptional item: increase in loan from Church Commissioners	20	1,052	
Less:			
Exceptional item: increase in fixed assets	20	(660)	-
Gains on disposal of fixed assets held for the Charity's own use		(1,577)	(2,774)
Impairment adjustment		-	(562)
Movement in debtors	15	(93)	1,389
Movement in creditors		(828)	(1,168)
Net cash flow from operating activities		(610)	433

Cash flow statement

	Notes	2012 £'000	2011 £'000
Net cash flow from operating activities		(610)	433
Capital expenditure and financial investment:			
Fixed assets: CHARM additions	14	(12,186)	(9,788)
Fixed assets: CHARM sale proceeds		13,582	12,070
Fixed assets: supported housing additions		-	(225)
Fixed assets: other assets additions	14	(54)	(42)
Investment assets: additions	13	(2,000)	-
Net cash flow relating to capital expenditure and financial investment		(658)	2,015
Cash flow before management of liquid resources and financing		(1,268)	2,448
Management of liquid resources			
Cash out to short term deposits		-	(7,157)
Cash in from short term deposits		762	-
Net change in short term deposits		762	(7,157)
Financing			
Cash paid/received from Church Commissioners:			
Sales of CHARM properties		(10,468)	(6,266)
Loan from Santander	16	11,000	8,500
Net cash flow from financing		532	2,234
Movement in cash		26	(2,475)

Reconciliation of net cash flow to movement in cash and short term deposits

	Notes	2012 £'000	2011 £'000
Movement in cash in the year		26	(2,475)
Cash movement from change in short term deposits		(762)	7,157
Movement in net funds in the year		(736)	4,682
Net cash and short term deposits at 1 January		12,156	7,474
Net cash and short term deposits at 31 December		11,420	12,156

Analysis of movements in cash and short term deposits

	Cash at bank and in hand £'000	Short term deposits £'000	Total £'000
At 1 January	2,480	9,676	12,156
Movement in cash	26	(762)	(736)
At 31 December	2,506	8,914	11,420

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

1. Accounting policies

a) Legal status

The Charitable Funds and Trusts of the Church of England Pensions Board ("the Board") is a registered charity, established by the Clergy Pensions Measure 1961, and registered as a charity in 1964.

b) Basis of accounting

The trustees believe it is appropriate to prepare the financial statements on a going concern basis, after having reviewed the financial forecast. The financial statements have accordingly been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities" ("the SORP"), and the Charities Act 2011.

The financial statements have been prepared on the historical cost basis except for the revaluation of investments and certain other assets, and the accruals basis.

A summary of the accounting policies, which have been applied consistently across the group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial statements of the Charity and its subsidiary undertakings (CEPB Developments Ltd and CEPB Mortgages Ltd) for each year ended 31 December. Intra-group balances and transactions are eliminated on consolidation.

The Board does not present its non-consolidated SOFA in these financial statements.

d) Incoming resources

Incoming resources are accrued and included in the SOFA when the Group is entitled to the income and it can be quantified with reasonable certainty.

i) Voluntary income

Donations are accounted for when received. Gift Aid receivable is included in income when there is a valid declaration from the donor. Pecuniary legacies are recognised when probate is granted. Residuary legacies are recognised at the earlier of receipt or when estate accounts have been finalised. Gifts in kind are valued at an amount equivalent to their market value, and are included in the SOFA as appropriate.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from properties let under licence, rent and service charge from shared ownership properties, mortgage interest and fees and service charge from supported housing schemes, which are all recognised on the accruals basis. Grants are recognised when the Board is entitled to receive them.

iv) Other incoming resources

Other income is recognised at the earlier of receipt or entitlement.

e) Resources expended

All resources expended are accounted for on the accruals basis and recognised in the appropriate heading in the SOFA. Specific accounting policies are:

i) Charitable activities

Costs include grants payable, which are recognised when a constructive obligation exists.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

1. Accounting policies (continued)

ii) Support costs

Costs include finance, IT, HR and back office functions and are allocated across the categories of the cost of generating funds, charitable expenditure and governance as detailed in note 9.

iii) Governance costs

Governance costs relate to the general running of the Board, which include costs associated with the strategic as opposed to day to day management of the Board's activities.

f) Pensions

Staff pensions are described in note 12. Pension benefits arising from service up to 31 December 1999 are met by the Church Commissioners for England.

i) Staff employed by the National Church Institutions

Pension benefits arising from service from 1 January 2000 for staff in service as at 30 June 2006 are provided for by the Church Administrators Pension Fund. The scheme is considered to be a multi-employer scheme as described in FRS 17 paragraph 9(b) and consequently the amounts charged in the SOFA represent the contributions payable in the year. The Board is unable to identify its share of the underlying assets and liabilities.

A defined contribution scheme, also in the Church Administrators Pension Fund, provides pension benefits for those staff commencing service after 30 June 2006. The amounts charged in the SOFA in respect of these staff pension costs are the contributions payable in the year.

ii) Staff employed directly by the Board

Pension benefits for staff in managerial positions are provided for by the Church Workers Pension Fund. The scheme is considered to be a multi-employer scheme as described in FRS 17 paragraph 9(b) and consequently the amounts charged in the SOFA represent the contributions payable in the year. The Board is unable to identify its share of the underlying assets and liabilities.

A defined contribution scheme, also in the Church Workers Pension Fund, provides pension benefits for other staff. The amounts charged in the SOFA in respect of these staff pension costs are the contributions payable in the year.

g) Fixed assets

Gains and losses resulting from the sale or revaluation of fixed assets are recognised in the SOFA in other recognised gains and losses.

i) Properties let under licence

Properties are held at original cost to the Board less depreciation on leasehold properties, except those properties received as a gift which are held at a notional cost equivalent to the market value placed on them at the time of the gift.

ii) Shared ownership properties

The Board's share (up to 75%) of each property is held at original cost to the Board less depreciation on leasehold properties. The resident is granted a 90 year lease for their share of the property and pays a rent and a service charge on the proportion of the property that they do not own.

If further shares are bought by a resident, the Board's cost of the property is reduced accordingly.

iii) Mortgages

Value linked loans granted under a closed CHARM scheme are held at original cost to the Board. On redemption, the Board is entitled to receive proceeds in the same proportion as the original loan to property value at the time of purchase.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

1. Accounting policies (continued)

iv) *Supported housing schemes and nursing home*

The properties and their associated land are held at existing use value. The individual valuations are carried out every three years in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. In those years when valuations are not carried out, the trustees review the values, taking into account market conditions to ensure there are no material movements. Freehold land is not depreciated. The properties are depreciated.

Fixtures and fittings are held at original cost to the Board less depreciation.

v) *Investments*

Listed investments are valued at market prices using closing mid price in accordance with the appropriate stock exchange.

Investment properties are held at market value.

vi) *IT systems and office equipment*

IT systems are held at original cost to the Board less depreciation. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

h) **Depreciation**

Freehold investment properties are not depreciated,.

Freehold properties let under licence are not depreciated, however an annual impairment review is undertaken. However this category also includes the Santander arrangement fee (see note 8) which is amortised over 15 years.

Leasehold properties let under licence are depreciated over the lesser of the life of the lease or 100 years.

Freehold land at supported housing schemes is not depreciated.

Other fixed assets are depreciated on the following basis:

Fixed asset	Estimated useful life
Supported housing schemes: freehold properties	40 years
Supported housing schemes: fixtures and fittings	10 years
IT systems	5 years
Leasehold office improvements	10 years

i) **Taxation**

As a registered charity, the Board is exempt from taxation on its income and gains falling within Part 11 of the Corporation Taxation Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to charitable purposes.

The Board, in common with many other charities, is unable to recover the majority of Value Added Tax (VAT) incurred on expenditure. The amount of VAT that cannot be recovered is included in the underlying cost to which it relates.

j) **Related parties**

The Church of England is governed by a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related parties as defined in the SORP or FRS 8. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

1. Accounting policies (continued)

k) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds, including CHARM, represent the accumulated surplus on income and expenditure and are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity. They also include a revaluation reserve which records any appreciation in value of fixed assets.

Designated funds are funds that have been set aside by the Board for a specific purpose. An analysis of designated funds is provided in note 17.

Restricted funds are funds which have been generated by the Board for particular purposes and are to be used in accordance with those purposes.

l) Exceptional items

The exceptional items are non-recurring items within the normal scope of the Charity's ordinary activities that are material and unusual in nature. Such items are disclosed on a separate row within the activity to which they relate, in accordance with FRS 3: Reporting Financial Performance and the SORP. More detail is given in note 20.

2. Voluntary income

	2012 £'000	2011 £'000
Donations	199	245
Legacies	454	647
Total	653	892

3. Investment income

	2012 £'000	2011 £'000
Dividends receivable from investments	1,377	1,302
Rental income	41	45
Bank interest	22	9
Total	1,440	1,356

4. Grants receivable

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of properties let under licence, being the excess of direct expenditure and interest payable over maintenance contributions receivable from occupants.

The Church Commissioners make contributions towards the Charity's grants payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard (see note 7).

	2012 £'000	2011 £'000
Grants from the Archbishops' Council	3,586	3,416
Grants from the Church Commissioners	96	201
Other grants	44	22
Total	3,726	3,639

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

5. Incoming resources from charitable activities

The Charity provides housing accommodation and mortgage finance for its beneficiaries under the provision of the Church of England Pensions Measures 1961 to 2003 and the Ordination of Woman (Financial Provisions) Measure 1993.

	2012				2011
	Unrestricted				
	CHARM	Other charitable	Total unrestricted	Restricted funds	Total
	£'000	£'000	£'000	£'000	£'000
Properties let under licence: residents' contributions	5,795	-	5,795	-	5,795
Mortgage loans: interest receivable	2,755	-	2,755	-	2,755
Shared ownership properties	457	-	457	171	628
Supported housing schemes and nursing home fees	-	2,164	2,164	2,438	4,602
Total	9,007	2,164	11,171	2,609	13,780
					13,833

6. Cost of generating funds

	Notes	2012 £'000	2011 £'000
Cost of generating voluntary income			
Support costs	9	89	125
		89	125
Investment management costs			
Direct costs		14	(91)
Support costs		-	129
		14	38
Total cost of generating funds		103	163

7. Charitable activities: grants payable

	2012 £'000	2011 £'000
Augmentation grants	117	257
Total grants payable	117	257

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

8. Charitable activities: housing costs

	Notes	2012					2011
		Unrestricted			Restricted funds	Total	Total
		CHARM	Other charitable	Total unrestricted			
		£'000	£'000	£'000	£'000	£'000	£'000
Properties let under licence:	19(a)						
Direct costs and financing		8,136	-	8,136	-	8,136	8,887
Support costs	9	1,266	-	1,266	-	1,266	1,065
Depreciation		27	-	27	-	27	40
		9,429	-	9,429	-	9,429	9,992
Mortgage loans	19(b)						
Direct costs and financing		2,771	-	2,771	-	2,771	3,044
Support costs	9	282	-	282	-	282	247
		3,053	-	3,053	-	3,053	3,291
Shared ownership	19(c)						
Direct costs and financing		530	-	530	94	624	489
Support costs	9	422	-	422	-	422	382
		952	-	952	94	1,046	871
Supported housing schemes and nursing home	19(d)						
Direct expenditure		-	1,493	1,493	2,675	4,168	4,190
Support costs	9	-	844	844	-	844	798
Depreciation		-	809	809	-	809	732
Impairment		-	-	-	-	-	(562)
		-	3,146	3,146	2,675	5,821	5,158
9. Total housing costs		13,434	3,146	16,580	2,769	19,349	19,312

Financing includes interest payable on the loan from the Church Commissioners (see note 16) and the cost of the loan facility with Santander (see note 16). The cost of the Santander loan includes commitment fees, interest and the amortisation charge of the arrangement fee of £500,000 which the Board incurred in 2010. The arrangement fee charged was 1% of the loan facility and is being amortised over the 15 year length of the facility.

Costs relating to the re-financing of the CHARM scheme of £279k (2011: £486k) which were previously included in 'Other costs' are included within 'Housing costs', under direct costs and financing for properties let under license.

Direct costs and financing for properties let under license includes £345k relating to 2011 but which was recognised in 2012.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

9. Support costs

	Notes	2012			2011
		Housing	Management and shared services	Total	Total
		£'000	£'000	£'000	£'000
Properties let under licence	8	642	624	1,266	1,065
Mortgage loans	8	143	139	282	247
Shared ownership	8	214	208	422	382
Supported housing schemes and nursing home	8	428	416	844	798
Costs of generating funds	6	-	89	89	129
Total		1,427	1,476	2,903	2,621

Housing administration costs are allocated on a 'per head' basis: costs relating to management and general housing staff not directly involved in an activity are allocated 34% to properties let under licence, 33% to supported housing schemes and nursing home, 33% to mortgages and shared ownership; costs relating to customer service staff costs are allocated 95% to properties let under licence and 5% to shared ownership; costs relating to staff directly involved in an activity are allocated to that activity.

Centrally incurred management and shared service costs are allocated between Pensions Funds and Charitable Funds on a 'per head' basis. The Charitable Funds' housing share is then allocated 45% to properties let under licence, 30% to supported housing schemes and nursing home, 10% to mortgages and 15% to shared ownership.

10. Governance costs

	2012	2011
	£'000	£'000
External audit	118	69
Internal audits	72	10
Taxation advice	11	-
Support costs	-	32
Board and committee meetings	10	5
Total	211	116

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees.

The fee, including VAT, for external audit services during the year was £176k (2011: £120k) for both the Pension Funds and Charitable Funds; the portion allocated to Charitable Funds and reflected within governance costs was £118k (2011 : £69k), which included additional fees for previous years of £36k (2011 £nil).

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

11. Staff numbers and costs

The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the other staff of the NCIs; as such it is the managing employer of those staff directly involved in the Board's activities and the shared service Internal Audit Department. The Board is also sole employer of staff working in the residential schemes and the nursing home. The cost of staff for whom the Board is managing and sole employer was:

	2012			2011
	Total cost	Internal Audit charged to other NCIs	Charged to pension schemes	Net cost to Charitable Funds
	£'000	£'000	£'000	£'000
Salaries	4,462	(189)	(893)	3,380
National Insurance contributions	409	(22)	(101)	286
Pension costs	789	(43)	(191)	555
Total	5,660	(254)	(1,185)	4,221

The Board's staff costs which are recharged to the Pensions Schemes are the cost of the Pensions Department and a share of centrally incurred management and shared service costs.

The average number of staff for whom the Board was managing and sole employer during the year was:

	2012 Number	2011 Number	2012 FTE	2011 FTE
As sole employer:				
Residential schemes and nursing home (all relating to charitable activities)	142	177	94	78
As managing employer:				
Pensions department	23	20	20	20
Housing: all relating to charitable activities	29	26	26	23
Fundraising: all relating to charitable activities	1	1	1	1
Management and secretarial support: 3 FTE (2011: 3) relating to charitable activities	7	5	6	5
Internal Audit: 1 FTE (2011: 2) relating to charitable activities	6	6	6	6
	66	58	59	55
Total	208	235	153	133

The number of staff whose emoluments, excluding pension contributions, for the year exceeded £60,000 were:

	2012 Number	2011 Restated Number
£60,001-£70,000	3	2
£70,001-£80,000	-	1
£80,001-£90,000	1	1
£90,001-£100,000	-	1
£140,001-£150,000	1	-

All staff above were members of the Church Administrators Pension Fund. Of these, 2 (2011: 2) accrue benefits under a defined contributions scheme for which contributions for the year were £30k (2011: £22k). The remaining 3 (2011: 3) staff accrued benefits under a defined benefit scheme for which the contributions for the year were £26k (2011: £17k).

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

11. Staff numbers and costs (continued)

The highest paid member of staff's annual salary was £143,000 (2011: £140,000), which was 12 (2011: 12) times the salary earned by the lowest paid member of staff and 7 (2011: 7) times the median salary paid in the year. These figures include the full time equivalent salaries paid to domestic workers based in the seven residential homes and the nursing home operated by the Board, who are employed on an 'as and when' basis.

The Board shares the costs of the shared service departments managed by the Archbishops' Council (AC), the Church Commissioners (CC) and the Board (PB) on behalf of the NCIs. Those departments provide finance and resources (CC), internal audit (PB), communications (AC), information technology (CC), human resources (AC), legal (AC), records (CC) and office services (CC) to the NCIs. The average number employed was 123 (2011: 129).

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2012, 20 members claimed a total of £16,507 (2011: £13,535). This cost is apportioned to both the Charitable Funds and the Pension Schemes.

12. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits arising from service up to 31 December 1999 are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits for staff arising from service from 1 January 2000 are provided for by the Church Administrators Pension Fund, whose financial statements are shown on pages 79 to 81. The scheme is considered to be a multi-employer scheme as described in FRS 17 paragraph 9(b) and consequently the amounts charged in the SOFA represent the contributions payable in the year. The Board is unable to identify its share of the underlying assets and liabilities.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. A full valuation of the Fund, as at 31 December 2011, showed an overall deficit of £32.4m (2008: £30.2m). Despite the increase in the scheme deficit no adjustment to the existing recovery plan was deemed necessary. The level of additional contributions to be made by the employers will be £2,373,000 per annum from 1 January 2013 to 30 June 2025, increasing on 1 January each year by 5.0%. (2008: £2,050,000 per annum from 1 July 2010 to 30 June 2025, increasing annually in line with general salary inflation). The Board's share of the deficit recovery payments is £252,000 (2011: £240,000).

In addition from 1 January 2013 the employers are responsible for making contributions towards the administration costs of the scheme of £210,000 per annum and the cost of Pension Protection Fund levies. In 2012 the Board's contribution was £200,000 (2011: £200,000).

Staff employed directly by the Board

Pension benefits for staff working in the supported housing schemes and the nursing home are provided for by the Church Workers Pension Fund, whose financial statements are shown on pages 77 to 78. Managerial staff are members of the defined benefits section of the fund. The scheme is considered to be a multi-employer scheme as described in FRS 17 paragraph 9(b) and consequently the amounts charged in the SOFA represent the contributions payable in the year. The Board is unable to identify its share of the underlying assets and liabilities.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. A full valuation of the Fund, as at 31 December 2010, showed an overall deficit of £40.3m (2007: £23.7m). The deficit recovery period is agreed with each participating employer in the scheme. The Board's recovery period is 5 years and its share of deficit recovery payments was £75,000 (2011: £37,000).

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

13. Investment assets

	At 1 January	Additions	Unrealised gains	At 31 December
	£'000	£'000	£'000	£'000
Charity and group				
UK equities	27,566	2,000	2,817	32,383
UK government stock	16	-	-	16
UK properties	271	-	-	271
Charity's total investment assets	27,853	2,000	2,817	32,670

The Board owns 100% of CEPB Developments Ltd, a company limited by shared capital of £2 (2011: £2), held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

14. Fixed assets

The greater part of housing provided since 1983 until July 2010 was financed by the Church Commissioners. The Commissioners provided loan capital (see note 16) to the Board to allow it to buy properties to be let under licence, shared ownership properties and to grant mortgages. Such loans give the Commissioners the right to share any gains or losses on the sale of properties or the redemption of mortgages in the same proportion as the original loan advanced compared to the original purchase price of the property.

Since 29 June 2010 a loan facility from Santander (described in more detail in note 16) provides the financing for purchases of new properties to be let under licence or within the shared ownership scheme.

In addition to these arrangements, some dioceses have assisted the Board with purchases of properties on similar terms to the Church Commissioners (see note 16).

Consolidated:

	CHARM					Supported housing schemes				IT systems	Total
	Properties let under licence (freehold)	Properties let under licence (leasehold)	Shared ownership	Mortgages	Total	Land	Buildings	Fixtures and fittings	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or revaluation											
At 1 January	104,496	11,177	9,703	57,492	182,868	4,654	21,116	3,144	28,914	872	212,654
Exceptional item	660	-	-	-	660	-	-	-	-	-	660
Additions	9,915	627	1,644	-	12,186	-	-	-	-	54	12,240
Disposals	(7,426)	(1,145)	(633)	(2,901)	(12,105)	-	-	-	-	-	(12,105)
At 31 December	107,645	10,659	10,714	54,591	183,609	4,654	21,116	3,144	28,914	926	213,449
Depreciation											
At 1 January	(50)	(1,152)	-	-	(1,202)	-	-	(2,807)	(2,807)	(498)	(4,507)
Disposals	-	100	-	-	100	-	-	-	-	-	100
Charge for the year	(33)	(110)	-	-	(143)	-	(528)	(36)	(564)	(169)	(876)
At 31 December	(83)	(1,162)	-	-	(1,245)	-	(528)	(2,843)	(3,371)	(667)	(5,283)
Net book value											
At 1 January	104,446	10,025	9,703	57,492	181,666	4,654	21,116	337	26,107	374	208,147
At 31 December	107,562	9,497	10,714	54,591	182,364	4,654	20,588	301	25,543	259	208,166

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

14. Fixed assets (continued)

Charity:

	CHARM					Supported housing schemes				IT systems	Total
	Properties let under licence (freehold)	Properties let under licence (leasehold)	Shared ownership	Mortgages	Total	Land	Buildings	Fixtures and fittings	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or revaluation											
At 1 January	104,496	11,177	9,703	48,440	173,816	4,654	21,116	3,144	28,914	872	203,602
Exceptional item	660	-	-	-	660	-	-	-	-	-	660
Additions	9,915	627	1,644	-	12,186	-	-	-	-	54	12,240
Disposals	(7,426)	(1,145)	(633)	(2,872)	(12,076)	-	-	-	-	-	(12,076)
At 31 December	107,645	10,659	10,714	45,568	174,586	4,654	21,116	3,144	28,914	926	204,426
Depreciation											
At 1 January	(50)	(1,152)	-	-	(1,202)	-	-	(2,807)	(2,807)	(498)	(4,507)
Disposals	-	100	-	-	100	-	-	-	-	-	100
Charge for the year	(33)	(110)	-	-	(143)	-	(528)	(36)	(564)	(169)	(876)
At 31 December	(83)	(1,162)	-	-	(1,245)	-	(528)	(2,843)	(3,371)	(667)	(5,283)
Net book value											
At 1 January	104,446	10,025	9,703	48,440	172,614	4,654	21,116	337	26,107	374	199,095
At 31 December	107,562	9,497	10,714	45,568	173,341	4,654	20,588	301	25,543	259	199,143

Supported housing schemes are valued every three years by Knight Frank LLP.

15. Debtors

	Consolidated		Charity	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	407	861	403	856
Subsidiary undertakings	-	-	8,752	9,171
Prepayments and accrued income	575	-	575	-
Other debtors	139	167	139	166
Total	1,121	1,028	9,869	10,193

16. Creditors

Amounts falling due within one year:

	Consolidated		Charity	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade creditors	2,438	3,243	2,013	3,243
Accruals and deferred income	635	-	621	-
Other creditors	268	492	169	366
Total	3,341	3,735	2,803	3,609

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

16. Creditors (continued)

Amounts falling due after more than one year:

	Consolidated		Charity	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Loans from the Church Commissioners for:				
properties let under licence	61,524	69,124	61,524	69,124
shared ownership properties	6,425	7,078	6,425	7,078
mortgages	53,256	54,419	53,256	54,419
	121,205	130,621	121,205	130,621
Loan from Santander	22,000	11,000	22,000	11,000
Dioceses and other creditors	1,171	1,605	1,171	1,605
Total	144,376	143,226	144,376	143,226

The loan from the Church Commissioners is described in more detail in note 14.

The Charity has a loan facility with Santander through Abbey National Treasury Services PLC which is secured by fixed charges over 265 properties (2011: 113) owned by the Charity, with occupied market value of £45.5m (2011: £19.9m). The loan is repayable from the 10th anniversary of the arrangement (29 June 2020) over 15 years.

17. Funds

	Balance at 1 January	Incoming resources	Resources expended	Other gains and losses	Balance at 31 December
	£'000	£'000	£'000	£'000	£'000
Unrestricted: general subsidiaries	7	-	(7)	-	-
Unrestricted: general charity	27,222	1,966	(179)	2,478	31,487
Unrestricted: general consolidated	27,229	1,966	(186)	2,478	31,487
Unrestricted: designated	74,539	15,825	(16,825)	339	73,878
Total unrestricted	101,768	17,791	(17,011)	2,817	105,365
Restricted: service charges	455	2,609	(2,769)	-	295
Total funds	102,223	20,400	(19,780)	2,817	105,660

Unrestricted funds

General funds represent funds available for the Board to use in meeting its day to day charitable and operational costs.

Designated funds represent funds the Board has designated to be set aside to be used for specific charitable activities.

Restricted funds

Funds restricted for service charges represent funds collected for service charges for the supported housing schemes and shared ownership properties which the Board holds in trust for the residents of these schemes. Restricted funds are represented in the balance sheet by current assets.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

18. Capital commitments

The Board did not have any commitments to purchase CHARM properties as at 31 December 2012 (2011: £689,000), where contracts had been exchanged but the sale had not yet completed.

19. Housing schemes

a) Properties let under licence

	Notes	2012 £'000	2011 £'000
Income			
Grants receivable			
Archbishops' Council	4	3,586	3,416
Church Commissioners		-	125
Other grants	4	44	22
Total grants receivable		3,630	3,563
Residents' maintenance contributions	5	5,795	5,561
Total income for scheme		9,425	9,124
Expenditure			
Direct costs and financing			
Direct costs (repairs, insurance and other costs)		(3,502)	(5,001)
Interest on financing		(4,634)	(3,886)
Total direct costs and financing	8	(8,136)	(8,887)
Other expenses			
Support costs		(1,266)	(1,065)
Depreciation		(27)	(40)
Total other expenses	8	(1,293)	(1,105)
Total expenditure		(9,429)	(9,992)
Net cost to the Charity		(4)	(868)
Number of properties		1,171	1,212

Residents pay rent towards the Board's cost of maintaining the properties and the cost of financing the purchase of the property. Certain properties have been purchased directly by the Board from its own funds.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

19. Housing schemes (continued)

b) Mortgage loans

		2012	2011
	Notes	£'000	£'000
Income			
Interest receivable	5	2,755	2,909
Total income for scheme		2,755	2,909
Expenditure			
Direct costs and financing			
Direct expenditure		(26)	(36)
Interest on financing		(2,745)	(3,008)
Total direct costs and financing	8	(2,771)	(3,044)
Support costs	9	(282)	(247)
Total expenditure		(3,053)	(3,291)
Net cost to the Charity		(298)	(382)
Number of loans		1,045	1,131

The CHARM mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2012, the number of loans in place was 12 (2011: 18).

The majority of both the CHARM mortgages and the old loans were financed by the Church Commissioners.

c) Shared ownership

		2012			2011
	Notes	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Income					
Interest receivable: CHARM		457	171	628	517
Total income for scheme	5	457	171	628	517
Expenditure					
Direct costs and financing					
Legal and professional costs		(43)	-	(43)	(120)
Property costs: restricted funds		-	(94)	(94)	-
Interest on financing		(487)	-	(487)	(369)
Total direct costs and financing	8	(530)	(94)	(624)	(489)
Support costs	9	(422)	-	(422)	(382)
Total expenditure		(952)	(94)	(1,046)	(871)
Net cost to the Charity		(495)	77	(418)	(354)
Number of properties				112	104

Residents pay rent, based on the Board's share of the ownership of the property, and a service charge which reflects the running costs of the property.

Notes to the financial statements of the Charitable Funds and Trusts for the year ended 31 December 2012

19. Housing schemes (continued)

d) Supported housing and nursing home

		2012			2011
	Notes	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Income					
Fees received	5	2,164	2,438	4,602	4,846
Total income for scheme		<u>2,164</u>	<u>2,438</u>	<u>4,602</u>	<u>4,846</u>
Expenditure					
Direct expenditure					
Staff costs		(942)	(1,732)	(2,674)	(2,595)
Food		(42)	(353)	(395)	(467)
Repairs and maintenance		(492)	(590)	(1,082)	(1,107)
Contribution to beneficiaries' fees in other homes		(17)	-	(17)	(21)
Total direct costs	8	<u>(1,493)</u>	<u>(2,675)</u>	<u>(4,168)</u>	<u>(4,190)</u>
Other expenses					
Support costs	9	(844)	-	(844)	(798)
Depreciation		(809)	-	(809)	(732)
Total other expenses		<u>(1,653)</u>	<u>-</u>	<u>(1,653)</u>	<u>(1,530)</u>
Total expenditure for scheme		<u>(3,146)</u>	<u>(2,675)</u>	<u>(5,821)</u>	<u>(5,720)</u>
Net cost to the Charity		<u>(982)</u>	<u>(237)</u>	<u>(1,219)</u>	<u>(874)</u>

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the scheme is not met fully by rent and service charge fees. The operating deficit is met from the Board's charitable funds.

20. Exceptional item

During 2012 a project was undertaken to investigate a number of historic balances within the balance sheet. As a result adjustments have been made to balances that arose in prior periods where the accounting treatment was inconsistent with the Board's accounting policies.

The Trustees have considered these adjustments and have concluded that they are exceptional items as defined in the accounting policies: non-recurring items within the normal scope of the Charity's ordinary activities that are material and unusual in nature. As such, and as required in FRS 3: Reporting Financial Performance and the SORP, the exceptional items are disclosed in the SOFA on a separate row within the activity to which they relate.

The adjustments are summarised in the table below:

	Notes	2012 £'000
Increase in fixed assets	14	660
Decrease in debtors		(384)
Increase in creditors: amounts due after one year		<u>(1,052)</u>
Total exceptional items		<u>(776)</u>

The largest single item is within creditors: amounts due after one year and relates to the difference between the loan balance due to the Church Commissioners and the assets to which they relate.

The Church of England Pensions Board Pension Funds

The Pensions Board has been administering pension provisions for the clergy since its establishment in 1926 by the Church Assembly.

These powers were subsequently widened so that the Pensions Board now acts as -

- Administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998;
- Trustee and administrator of
 - the Clergy (Widows and Dependants) Pension Fund
 - the Church Workers Pension Fund
 - the Church Administrators Pension Fund
- Administrator under the Ordination of Women (Financial Provisions) Measure 1993.

In these roles, the Board acts for over 32,000 members across more than 250 sponsoring employers.

Manage the pension schemes efficiently and effectively in accordance with the scheme rules and apply an investment strategy that maximises the Board's ability to ensure all liabilities are met as they fall due

The Church of England Funded Pensions Scheme (CEFPS)

Introduction

The funded scheme commenced on 1 January 1998 for the purpose of providing pensions and associated benefits for clergy and others in the stipendiary ministry. Pension benefits arising from service prior to 1998 continue to be financed wholly by the Church Commissioners. Those with periods of pensionable service both before and after the commencement of the CEFPS receive a single pension payment each month. The relevant parts are, however, identified and accounted for separately.

The volatility in markets and difficult economic climate led the Archbishops of Canterbury and York to reconvene the Pensions Task Group in 2009. Their task was to consult stakeholders to ensure that adequate provision for the retired clergy was made in a manner that was financially sustainable in the long term. Their recommendations were accepted by the Archbishops' Council and by the General Synod in February 2010. The recommended changes to benefits for future service were subject to a statutory consultation period with scheme members, following which the Archbishops' Council made certain amendments.

Scheme Rules

In July 2012, the General Synod approved rule changes incorporating the provisions of the Reorganisation Schemes (Compensation) Rules 2011 made by the Dioceses Commission; and a revision to deal with debts that arise under Section 75 of the Pensions Act 1995, following a change in legislation and guidance from the Department for Work and Pensions.

A full copy of the scheme rules is available on request.

Benefits

Changes to the rules of the scheme in 2010 affected the "maximum benefits" which members could expect to receive for a full service pension on retirement. For members who were able to complete the full service before their scheme retirement age, the position was –

- Members who had completed full service before 1 January 2011 were entitled to a maximum pension of two-thirds of the National Minimum Stipend (NMS);
- Members who joined on or after 1 January 2011 and completed full service will be entitled to a maximum pension of half of NMS;

- All other members will receive a maximum pension of somewhere between these two proportions of NMS dependant on the proportion of service completed before and after 1 January 2011.
- The Scheme is contracted into the State Second Pension for service from 1 January 2011.

The following table summarises the maximum benefits payable at scheme retirement ages to members in the first two categories, together with the figures for 2012.

Full service pension	1 April 2013 (1/2 of NMS)	1 April 2013 (2/3 of NMS)	1 April 2012 (1/2 of NMS)	1 April 2012 (2/3 of NMS)
Archbishops of Canterbury and York	21,900	29,201	21,370	28,494
Bishop of London	19,710	26,280	19,233	25,644
Other diocesan bishops	16,424	21,900	16,027	21,370
Suffragan bishops, deans and archdeacons	13,687	18,251	13,356	17,809
All clergy, other than those mentioned above, deaconesses and licensed lay workers	10,950	14,600	10,685	14,247
Full service retirement lump sum (3 x basic pension)	32,850	43,801	32,055	42,741
Surviving spouse or civil partner pension on death in service (2/3 of member's prospective pension)	7,300	9,734	7,123	9,498
Lump sum on death in full time pensionable service before age 65 (3 x NMS for previous year)	65,700	65,700	64,110	64,110

The length of service required to achieve full benefits under the scheme rose from 37 years to 40 years on 1 January 2008 and to 41.5 years on 1 January 2011. The change only affected the accrual of future service benefits from those dates.

Pension Increases

The rules of the CEFPS, and the regulations governing the previous arrangement funded by the Church Commissioners, provide that increases will be at the rate of the change in the Retail Prices Index (RPI) up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS.

The increase in RPI for the year to 30 September 2012 was 2.6%. Pensions in payment on 1 April 2013 increased therefore by 2.6%.

In the light of the recommendations of the Archbishops' Pensions Task Group, the Archbishops' Council, acting as the Central Stipends Authority, has agreed to adopt a policy that the NMS, upon which the pension is based, will, in future, increase on average in line with annual changes in the Retail Prices Index (RPI), subject to the need to review the position if high levels of inflation establish themselves and again once the deficit on the pension scheme has been cleared.

Benefits Payable

The total benefits payable under the CEFPS in 2012 were £25.0m (£21.1m in 2011). A further £119.9m was paid by the Church Commissioners in respect of pensionable service up to 31 December 1997.

Membership Statistics

	At 31 December 2012	At 31 December 2011	% Change
Active Members	8,612	8,776	-1.8%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	1,871	1,831	2.2%
Pensions in payment*	9,917	9,720	2.0%
• Retired at or after the pension age	5,112	6,030	-15.2%
• Retired on ill health pension	982	1,474	-33%
• Retired on reduced pension	2,208	2,216	-
Widow(er)s pensions in payment	3,914	3,803	2.9%

*Total number of clergy pensioners receiving pensions from both the CEFPS and the pre-1998 scheme. In 2012, 5,294 members were received benefits under the post-1997 CEFPS scheme (2011: 4,891)

Death benefits

These lump sum benefits, introduced in 1988, are payable in three circumstances, as set out in the table below. The number of deaths in 2012 was below the ten-year average of 18.6 per annum.

	2012	2011
Death in service under pension age	11	15
Death in service over pension age	-	1
Death after disability retirement	2	3
Total	13	19

Actuarial valuation and contributions

The last triennial valuation of the scheme was carried out as at 31 December 2009 and completed during the course of 2010. The statement and certificate are set out in Appendix One.

The valuation revealed that the scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £867m at the valuation date, compared with a market value of assets of £605m. There was therefore a deficiency of £262m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were –

- The modifications to the benefit structure of the scheme implemented on 1 January 2011;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, stipends will increase by the increase in the Retail Prices Index;
- In view of the scheme's increasing maturity, a further de-risking of the investment strategy which in effect moves the fund from being invested 100% in return-seeking assets to a 60:40 split between liability matching assets and return-seeking assets being achieved linearly by the end of 2029.
- The total expected rate of return on equities being 5.9% per annum and the return on gilts being 4.4%.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 12 years, i.e. the balance of the original 15 year period set in 2007.

The contribution rate was set at 38.2% of the pensionable stipend from 1 January 2011.

In monetary terms, for a member accruing benefits at the basic rate, the pension contribution was £8,163 per annum from 1 April 2012 rising to £8,366 per annum from 1 April 2013. The change in monetary terms is a function of the rise in the National Minimum Stipend.

The next full actuarial valuation of the Scheme is being carried out as at 31 December 2012.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the Scheme (except for AVC benefits).

Financial Review

Total employers' contributions for the year amounted to £69.5m. There are 190 "Responsible bodies" participating in the scheme of which the majority pay by direct debit. There were no delays in payment of contributions that were considered serious enough to warrant a report being made to the Pensions Regulator.

Transfers out of the Scheme totalled £1.1m.

The value of the fund at the year end was £909.8m (£784.8m in 2011).

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. At the end of 2012, the CEFPS held 94.2% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash; with the remaining 5.8% held in the liability-matching pool.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 13 to 19.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 72 to 74.

Members' voluntary contributions

Voluntary contributions are not invested in the pooled investment fund; they are invested separately. The vehicles offered are chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the provider.

The position was reviewed by both the Investment Committee and the Board in 2010 when Legal & General Assurance Society Limited ('L&G') was selected as the sole AVC provider for future contributions received after 1 April 2011.

Members are provided a wider range of investment choices:

- a core lifestyle arrangement with two options including ethically invested funds; and
- a menu consisting of a more comprehensive range of UK and global passively managed funds including both UK and global ethically invested funds, balanced equity funds, corporate bond funds, gilts funds, and a cash fund.

The fund providers produce annual statements which are passed on to the individual members. At the end of 2012, 1,373 had contributions invested under the voluntary arrangements of whom 1,194 were current contributors.

Supplementary pensions

At 31 December 2012 there were 179 supplementary pensions in payment to pensioners on low incomes compared with 191 in 2011. The total amount in payment at the year end was £387k (£412k in 2011). The cost of this provision continues to be met by the Church Commissioners.

Communication with Scheme Members

All new entrants are sent a booklet introducing the Scheme to them. Benefit statements outlining individual prospective retirement benefits are issued each year to all members. Copies of benefit statements and the current booklet are available on request, as is information about the benefits payable on retirement at different ages.

Pensioners receive a letter outlining the basis of increases to pensions in payment, together with a note of their own revised pension.

Some theological colleges organise meetings on financial matters, and some dioceses arrange such meetings and also hold pre-retirement seminars. Whilst senior staff are unable to offer financial advice, they do take part in these meetings to outline the retirement provisions under the scheme.

Copies of booklets and information about the Scheme are available to download from the Church of England website (www.churchofengland.org).

The Board is always considering further ways of improving communication with scheme members.

The Clergy (Widows and Dependants) Pension Fund (CWDPF)

The widows fund was closed to new entrants in 1967 and no contributions were received during the year. At the end of the year, there were 1,218 pensions in payment (1,231 in 2011).

As a result of the actuarial valuation as at 31 December 2009 it was possible to increase pensions and prospective benefits by 3.75% with effect from January 2011. The maximum pension payable under the scheme to the widow of a member ordained after 1947 is now £1,405 per annum.

The next valuation of the Fund is being carried out as at 31 December 2012.

Financial Review

Given that this is a closed scheme, no contributions were received during the year. The total benefits payable in 2012 were £1.4m (£1.4m in 2011).

The value of the fund's assets at the year end was £23.7m (£23.7m in 2011).

The Scheme's investment strategy is to hold 25% of its assets in the return-seeking pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 75% in index-linked securities and other deposit funds.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 13 to 19.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 75 to 76.

Ordination of Women (Financial Provisions) Measure

The Ordination of Women (Financial Provisions) Measure came into effect in February 1994. The Board was appointed to administer the provision “as to the relief of hardship incurred by persons resigning from ecclesiastical service by opposition to the ordination of women as priests, and for connected purposes”, and authorised the Church Commissioners to meet the costs.

The Measure defined those who are entitled to apply for three types of pension –

- Housing assistance
- A resettlement grant
- Periodical payments, of specified duration and amount.

It also contained discretionary powers covering the possibility either of additional payments to those eligible for the specific provisions or of payments to those not so eligible. Applications for assistance had to be made by 21 February 2004.

Payments under the Measure cease, in accordance with its provisions, as a result of:

- income from new employment,
- reaching pension age, or
- expiry of the period determined by the stated formula.

At 31 December 2012, of the 441 cases set up since the Measure came into effect, four still receive periodical payments.

The housing assistance under the Measure is the same as that available in the Board’s CHARM scheme. The numbers seeking assistance with alternative accommodation have continued to be at a low level. When the individual starts to draw their Church pension, they are transferred to the CHARM scheme. On death, the widow or civil partner would continue to be housed under the CHARM scheme.

Church Workers Pension Fund (CWPF)

Introduction

The Scheme was introduced in 1953 and operates as a centralised occupational pension scheme. There are two distinct sections –

- Defined benefits; and
- Pension Builder.

The overall number of employers was 256, with 67 participating in the defined benefits section, 189 in the Pension Builder section, and 38 in both.

Employers include diocesan boards of finance, cathedral chapters, mission agencies and others connected with the ministry and mission of the Church of England.

Scheme Rules

The Trust Deed and Scheme Rules were revised early in 2013. As part of this revision, the name of the Defined Contributions Scheme Section was changed to the Pensions Builder Scheme.

The Pension Builder Scheme is a ‘hybrid’ pension scheme which means that it provides benefits that combine characteristics of defined benefit and defined contribution schemes. The change in name to the Pension Builder Scheme more accurately reflects the way benefits are earned by members.

A full copy of the scheme rules is available on request.

Benefits

Under the defined benefits scheme, employers have some flexibility as to the benefit structure they provide.

Those selecting the Pension Builder scheme choose the level of contributions paid. Such contributions provide an amount of pension payable at the member’s normal pension age (a “deferred annuity”) calculated using conversion tables provided by the actuary. Bonuses are added from time to time depending on the investment returns earned by the fund.

Pension Increases

Defined Benefits Scheme

The defined benefits scheme provides a guarantee that pensions will increase in line with limited price indexation (LPI), with a further provision for discretionary increases up to the full rise in RPI, if the financial position of the fund permits. Benefits arising from service prior to April 2006 increase in line with RPI up to 5%. Benefits arising from service from April 2006

increase in line with RPI up to 2.5%, except that some participating employers have specifically opted to retain the 5% cap.

The increase in the RPI for the year to 30 September 2012 was 2.6%. Pensions in payment on 1 January 2013 increased therefore by 2.6% for service prior to April 2006 and by 2.5% for service thereafter; except where the participating employer had decided specifically not to limit increases to 2.5%, where the increase was 2.6% for all service.

Pension Builder Scheme (formerly Defined Contributions Scheme)

The Pension Builder scheme provides increases to pensions in payment in the form of bonuses as decided by the Board. Certain benefits though carry guarantees depending on the period during which contributions were received. For contributions received between April 1997 and March 2006 pensions increase in line with RPI up to 5%. Pensions from contributions received from April 2006 increase in line with RPI up to 2.5%. No guarantees apply for pensions from contributions received before April 1997 or for deferred pensions.

On the advice of the actuary, no bonus was awarded from 1 January 2012 or 1 January 2013.

Deferred pensions for members who have not yet retired were not increased from 1 January 2013.

Benefits payable

The total benefits payable under the CWPF were £11.8m (£11.0m in 2011).

Membership statistics

Details of the membership of CWPF at 31 December 2012 are set out in the table below, together with details at 31 December 2011 for comparative purposes.

	At 31 December 2012	At 31 December 2011	% Change
Active Members	2,498	2,516	-0.7%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	2,983	2,686	11%
Pensions in payment	2,933	2,584	13.5%

Over the past ten years, the total membership has increased by approximately 52%.

Actuarial Valuation

The last triennial valuation of the scheme was carried out as at 31 December 2010 and completed in the first part of 2012. The actuarial statement and certificate are set out in Appendix One.

In reaching its decisions regarding the funding of the Scheme, the key points taken into account by the Board were:

- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, future salary increases will be in line with the increase in Retail Prices Index plus 1.5%;
- The expected return on equities being 6.2% per annum and the return on gilts being 4.2%.

Defined Benefits Scheme

The Board's objectives for the defined benefits scheme's valuation are to set an appropriate future contribution policy for the employer sub-sections and to ensure that there are sufficient assets attributed to the Life Risk Pool.

The valuation revealed that the Defined Benefits Scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £261.0m at the valuation date, compared with a market value of £220.7m. There was therefore a deficiency of £40.3m.

The Board agreed "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating employer. Whilst the majority of employers agreed a recovery period of 5 years, a 10 year period was agreed with a small number of employers and a 15 to 20 year period with three employers, each case being considered on its merits.

The deficit in the Life Risk Pool, from which pensions in payment are made, was £6.7m. The bulk of this deficiency was rectified by making a levy on each participating employer's section, related to the amounts transferred to the Life Risks Section in respect of members who have retired.

Contribution rates were revised and implemented from 1 January 2012.

Pension Builder Scheme

The Board's key objectives for the Pension Builder Scheme valuation are to set appropriate policies for granting future bonuses and for setting premium rates.

The valuation revealed that the Pension Builder Scheme's "technical provisions" amounted to £66.3m at the valuation date, compared with a market value of £68.6m. There was therefore a small surplus.

The technical provisions in respect of the Pension Builder Scheme are In the light of the actuarial valuation results, where no guarantee applied, the Board decided that no bonus could be awarded as at 1 January 2012.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board had generally ceased accepting transfers into the Scheme.

Financial Review

Total contributions for 2012 amounted to £24.3m (£16.4m for 2011). There are 256 employers participating in the scheme of which 243 pay by direct debit.

Transfers out of the Scheme totalled £0.3m.

The value of the fund at the year end was £339.9m (£307.1m in 2011).

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions.

Each section of the CWPf aims to hold its assets in the following proportions:

	Return-Seeking Pool	Liability- Matching Pool
Defined Benefits Scheme (employer section)	100%	
Defined Benefits Scheme (Life Risk Section)	25%	75%
Pension Builder Scheme	75%	25%

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 13 to 19.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 77 to 78.

Church Administrators Pension Fund (CAPF)

Introduction

This scheme was established in 1985 to provide pensions for the lay staff of the General Synod.

With effect from 1 January 2000, the staff of the national church bodies and episcopal staff who had previously been covered under the Church Commissioners Superannuation Scheme (CCSS) were transferred to this fund. All liabilities in respect of benefits payable from their pensionable service up to 31 December 1999 remain with the Church Commissioners.

There are two distinct sections –

- Defined Benefits; and
- Defined Contributions.

The defined benefits section of the CAPF was closed to new entrants with effect from 1 July 2006. In 2010, the defined benefits replaced the final salary arrangement with one based on career average earnings, and contracted into the State Second Pension Scheme.

New staff who wish to join the scheme are offered membership of the defined contributions section. The funds are managed by Legal & General and the scheme is administered in-house.

Scheme Rules

There were no changes to the Scheme rules made in 2012.

A full copy of the scheme rules is available on request.

Benefits

The CCSS was a replica of the Principal Civil Service Pension Scheme, and that basis continues to be applied for calculating benefits for the members who transferred from CCSS for service to 31 December 2007. For other members of the defined benefits section of the scheme the basis of benefits reflects the CCSS with some relatively minor differences of detail for service up to 31 December 2007.

In 2008 the scheme's normal pension age was increased from 60 to 65 for service from 1 January 2008.

Pension Increases

Increases to pensions in payment in the CAPF were complicated by the announcements of the Government on the change of indexation for public sector pension schemes. Increases to pensions for those previously in the CCSS were in line with increases in Principal Civil Service Pension Scheme. This had previously been in line with RPI, but the Government amended this to the Consumer Prices Index (CPI).

The increase in RPI in the year to 30 September 2012 was 2.6%; CPI increased by 2.2% for the same period.

The evolution of the scheme also made the pension increases complex. For those members of the scheme not previously in the CCSS, pension increases are at the discretion of the principal employer, the Archbishops' Council, after discussion with the Board as trustee, having regard to the requirements of primary legislation.

In early 2011, the employers decided that, for pensions arising from service prior to 6 April 1997, the increases for non-CCSS members of the scheme will be on the same basis as for CCSS members, ie, linked to CPI; and that for pensions arising from service between 6 April 1997 and 31 December 2007, former CCSS members' pensions would be increased where necessary on a discretionary basis in line with increases to other members' pensions, ie, by RPI to 5%, but still subject to the discretion to match full RPI if that was affordable.

Accordingly, the following increases were awarded –

- Service prior to 6 April 1997 2.2%
- Service from 6 April 1997 2.6%

Benefits Payable

The total benefits payable under the CAPF were £2.2m (£2.2m in 2011).

Membership Statistics

Details of the membership of the CAPF at 31 December 2012 are set out in the table below, together with details at December 2011 for comparative purposes.

	At 31 December 2012	At 31 December 2011	% Change
Active Members			
• Defined Benefits Section	246	279	-11.8%
• Defined Contributions Section	287	256	12.1%
Deferred Members (ie, scheme members below retirement age but not in pensionable service)	354	343	3.2%
Pensions in payment	422	398	6.0%

Actuarial Valuation

The last triennial valuation of the Scheme was carried out as at 31 December 2011 and completed early in 2013. The actuarial statement and certificate are set out in Appendix One.

The valuation revealed that the defined benefit section's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £99.5m at the valuation date, compared with a market value of assets of £67m. There was therefore a deficiency of £32.4m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were –

- This was a closed scheme with a much reduced active membership since the last valuation;
- The modifications to the benefit structure of the defined benefit section to be implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by the increase in Retail Prices Index plus 1.5%;
- The anticipated rate of return on equities being 5.1% per annum in the calculation of the technical provisions and 6.1% in the recovery plan.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 12 years.

The future service contribution rate was set at 16.0% with effect from 1 April 2013 rising to 16.3% from 1 April 2016.

In addition to the contributions, the employers participating in the Scheme are paying £2.4m per annum from 1 January 2013 to 30 June 2025, increasing each 1 January by 5.0%, this sum being made by each employer in proportion to pensionable salaries. The Archbishops' Council are also paying further contributions to 31 December 2016, equal to £209k for the calendar year 2013 and adjusted each calendar year in line with price inflation. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

The Defined Contributions section has an age-related contribution structure, with the employers contributing between 8% and 15% of pensionable salary depending on the age of the member. In addition to this, for each 1% paid by the member, the employers pay a matching contribution up to a maximum of 3% of pensionable salary.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the defined benefits section of the Scheme.

Financial Review

Total contributions for 2012 amounted to £5.2m (£5.0m for 2011).

Transfers into the scheme totalled £8,000 for the year. Transfers out of the CAPF totalled £9,000.

The value of the fund at the year end was £79.2m at 31 December 2012 (£71.0m in 2011).

The scheme's assets (other than those in relation to the Defined Contributions section) are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CAPF's strategy is to hold 40% of its assets in the Return-Seeking Pool comprising equities, property unit trusts, active currency, corporate bonds and cash, and 60% in the Liability-Matching Pool, consisting mostly of UK Government Bonds, moving to 100% liability-matching assets over a period of 12 years (to 2023)

The contributions under the Defined Contributions section are separately invested with Legal and General.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 13 to 19.

Full details of the financial position of the scheme are set shown in the audited accounts which are set out on pages 79 to 81.

The Church of England Pensions Board

Pension Funds – Financial Statements

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Summary of contributions payable in the year	91

Independent Auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

We have audited the accounts of the Church of England Funded Pension Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund, the Church Administrators Pension Fund ("the pension schemes") and the Church of England Investment Fund for Pensions ("the investment fund") for the year ended 31 December 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for the preparation of the accounts and being satisfied that they show a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with section 41 of the Pensions Act 1995 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.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension schemes' and investment fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion the accounts:

- show a true and fair view of the financial transactions of each pension scheme during the year ended 31 December 2012, and of the amount and disposition at that date of their assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- show a true and fair view of the financial transactions of the investment fund during the year ended 31 December 2012, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

July 2013

The Church of England Funded Pensions Scheme

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Contributions and benefits			
Members' contributions - additional voluntary		1,866	1,217
Employers			
Normal		42,710	41,924
Deficit Funding	4	26,727	26,233
Augmentations	4	106	177
Transfers in - individual		920	403
		<u>72,329</u>	<u>69,954</u>
Benefits and other outgoings			
Pensions		(15,298)	(13,270)
Lump sums			
Retirement		(8,596)	(6,998)
Death		(1,101)	(839)
Transfers out		(1,097)	(496)
Purchase of annuities from AVC policies		(168)	(278)
Administration expenses	5	(2,165)	(2,351)
		<u>(28,425)</u>	<u>(24,232)</u>
Net additions from dealing with members		<u>43,904</u>	<u>45,722</u>
Return on Investments			
Bank deposit interest		10	11
Appreciation/(Depreciation) of units in CEIFP	2	80,205	(16,644)
Change in market value of AVCs	3	946	207
Net return on investments		<u>81,161</u>	<u>(16,426)</u>
Net increase in fund during the year		125,065	29,296
Net assets at the start of the year		784,762	755,466
Net assets at the end of the year		<u>909,827</u>	<u>784,762</u>

NET ASSETS STATEMENT AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Investments			
Value of units in CEIFP	1	889,634	766,736
AVC investments	3	14,139	13,136
Investment assets		<u>903,773</u>	<u>779,872</u>
Current assets and liabilities			
Debtors	7	438	83
Cash		7,774	5,755
Creditors	8	(2,158)	(948)
Net assets at the end of the year		<u>909,827</u>	<u>784,762</u>

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The notes on pages 73 to 74 and pages 87 to 89 form part of these Accounts.
See note 1 on page 87 for the link to the actuarial position.

The Church of England Funded Pensions Scheme

NOTES

1. The assets of the Church of England Funded Pensions Scheme (CEFPS) are invested in the Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of investments of pension funds administered by the Board. The proportion of CEIFP units attributable to the scheme as at 31 December 2012 was 67.25% (2011 : 66.24%).
2. Appreciation and depreciation in the value of units in CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses, and investment management expenses.
3. Additional Voluntary Contributions by members are separately invested with the Legal and General Assurance Society Limited, the Prudential Assurance Company Limited, or the Equitable Life Assurance Society. With effect from April 2011, all Additional Voluntary Contributions are invested in a new Group AVC Scheme with Legal & General which provides wider investment choice and a single administration platform.

	Value at 1 January 2012 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December 2012 £'000
Legal & General Group AVC Scheme	1,437	3,053	(843)	127	3,774
Legal & General Company Sponsored I	6,078	-	(1,305)	556	5,329
Prudential	3,885	-	(624)	189	3,450
Equitable Life	1,736	-	(224)	74	1,586
	<u>13,136</u>	<u>3,053</u>	<u>(2,996)</u>	<u>946</u>	<u>14,139</u>

4. Deficit funding contributions are payable in respect of the funding shortfall at the rate of 14.7% p.a. of pensionable stipend from 1 January 2011 to 31 December 2022 in accordance with the agreed recovery plan.

Augmentations by employers relate to payments to augment the benefits of retiring members.

5. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the scheme. See note 3 on page 88.
6. This scheme is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.
7. Debtors

	2012 £'000	2011 £'000
Contributions - Employer	118	79
Other	320	4
	<u>438</u>	<u>83</u>

Contributions due at the year end were received by the due date in accordance with the Schedule of Contributions.

The Church of England Funded Pensions Scheme

NOTES (CONTINUED)

8. Creditors

	2012	2010
	£'000	£'000
Unpaid benefits	2,074	754
Other	84	194
	<u>2,158</u>	<u>948</u>

9. In addition to the pension benefits included in these accounts, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 1998:

	2012	2011
	£'000	£'000
Clergy pensions (inc supplementary pensions)	82,775	79,773
Widows' and children's pensions	27,894	27,079
Lump sums on retirement	9,237	7,385
	<u>119,906</u>	<u>114,237</u>

Clergy (Widows and Dependants) Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Benefits and other outgoings			
Pensions		(1,411)	(1,436)
Net withdrawals from dealing with members		(1,411)	(1,436)
Return on Investments			
Appreciation of units in CEIFP	3	1,354	885
Change in market value		(30)	18
Income from index linked securities		1	90
Interest on cash deposits		64	5
Investment management fees		(3)	(4)
Net return on investments		1,386	994
Net decrease in fund during the year		(25)	(442)
Net assets at the start of the year		23,713	24,155
Net assets at the end of the year		23,688	23,713

NET ASSETS STATEMENT AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Investments	1 & 2	23,488	23,543
Current assets - Debtors		26	23
Cash		232	196
Current liabilities – Creditors		(58)	(49)
Net assets at the end of the year		23,688	23,713

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The notes on page 76 and pages 87 to 89 form part of these Accounts.

See note 1 on page 87 for the link to the actuarial position.

Clergy (Widows and Dependants) Pension Fund

NOTES

1. The analysis of the fund's investments is as follows:

	Value at 1 January 2012 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December 2012 £'000
Units in Church of England Investment Fund for Pensions (CEIFP)	19,292	-	-	1,354	20,646
Index-linked securities (UK quoted)	2,551	-	-	(30)	2,521
	21,843	-	-	1,324	23,167
Investment funds on deposit	1,700				321
	<u>23,543</u>				<u>23,488</u>

2. The proportion of the CEIFP units attributable to the fund as 31 December 2012 was 1.56% (2011: 1.67%).
3. Appreciation and depreciation in the value of the units in the CEIFP takes account of investment income, including tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses and investment management expenses.
4. This fund is now a closed fund. No pension scheme contributions have been receivable since 1 December 1988.
5. The administration costs in relation to the fund have not been separately identified from those of the Church of England Funded Pensions Scheme and are borne by that scheme.
6. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.

Church Workers Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2012 Total £'000	2011 Total £'000
Contributions and benefits					
Members' contributions					
Normal		526	310	836	764
Additional voluntary	3	634	-	634	609
Employers' contributions					
Normal		3,447	7,633	11,080	10,673
Deficit Funding	4	-	11,630	11,630	4,307
Augmentation	4	36	86	122	26
Transfers in - individual		-	-	-	9
Other income		1	1	2	11
		<u>4,644</u>	<u>19,660</u>	<u>24,304</u>	<u>16,399</u>
Pensions		(3,196)	(6,222)	(9,418)	(8,977)
Lump sums					
Retirement		(807)	(1,513)	(2,320)	(1,952)
Death		(89)	(19)	(108)	(89)
Early Leavers - refunds of contributions		(5)	-	(5)	(2)
- state scheme premiums		-	-	-	(1)
Transfers out - individual		(193)	(138)	(331)	(381)
- group		-	-	-	(545)
Purchase of annuities		-	-	-	(131)
Administration expenses	5	(465)	(691)	(1,156)	(1,212)
		<u>(4,755)</u>	<u>(8,583)</u>	<u>(13,338)</u>	<u>(13,290)</u>
Net additions/(withdrawals) from dealing with members		<u>(111)</u>	<u>11,077</u>	<u>10,966</u>	<u>3,109</u>
Return on Investments					
Bank deposit interest		1	3	4	5
Appreciation of units in CEIFP	2	5,606	16,230	21,836	14,119
Net return on investments		<u>5,607</u>	<u>16,233</u>	<u>21,840</u>	<u>14,124</u>
Net increase in fund during the year		5,496	27,310	32,806	17,233
Net assets at the start of the year		<u>70,448</u>	<u>236,641</u>	<u>307,089</u>	<u>289,856</u>
Net assets at the end of the year		<u><u>75,944</u></u>	<u><u>263,951</u></u>	<u><u>339,895</u></u>	<u><u>307,089</u></u>

NET ASSETS STATEMENT AS AT 31 DECEMBER 2012

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2012 Total £'000	2011 Total £'000
Investments					
Value of units in CEIFP	1	75,212	263,609	338,821	304,772
Current assets and liabilities					
Debtors	7	980	1,001	1,981	1,218
Cash		-	44	44	1,355
Creditors	8	(248)	(703)	(951)	(256)
Net assets at the end of the year		<u><u>75,944</u></u>	<u><u>263,951</u></u>	<u><u>339,895</u></u>	<u><u>307,089</u></u>

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The notes on page 78 and pages 87 to 89 form part of these Accounts.

See note 1 on page 87 for the link to the actuarial position.

Church Workers Pension Fund

NOTES

1. The assets of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP units attributable to the fund as at 31 December 2012 was 25.61% (2011: 26.33%).
2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised gains and losses and investment management expenses.
3. The Additional Voluntary Contributions Scheme operates on a deferred annuity basis whereby Additional Voluntary Contributions by members are invested in the defined contributions scheme of the fund. Accordingly, the assets held in this respect are pooled with the main fund assets and are not separately identifiable from these assets.
4. 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 January 2009 up to a maximum of 15 years.

Augmentation contributions by employers relate to payments of back dated service contributions £52k (2011 : £14k) defined contributions scheme £nil (2011 : £14k) and defined benefits scheme £52k (2011 : £nil) and to augment the benefits of retiring members of the defined benefits scheme £34k (2011 : £10k) and defined contribution scheme of £12k (2011: £nil) as well as top up payments to cover extra hours worked by defined contribution members £24k (2011 : £2k).

5. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the fund. See note 3 on page 88.
6. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.
7. Debtors

	2012	2011
	£'000	£'000
Contributions - Employer	1,406	1,078
- Employee	-	95
Other	575	45
	<u>1,981</u>	<u>1,218</u>

Contributions due at the year end were received by the due date in accordance with the Schedule of Contributions.

8. Creditors

	2012	2011
	£'000	£'000
Unpaid benefits	261	89
Other	690	167
	<u>951</u>	<u>256</u>

Church Administrators Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2012 Total £'000	2011 Total £'000
Contributions and benefits					
Members' contributions					
Normal		-	137	137	149
Additional voluntary	4	219	105	324	263
Employers' contributions					
Normal		1,103	1,152	2,255	2,163
Deficit funding	5	-	2,463	2,463	2,345
Augmentation	5	-	25	25	37
Transfers in - normal		8	-	8	25
Other contributions	6	-	208	208	211
		<u>1,330</u>	<u>4,090</u>	<u>5,420</u>	<u>5,193</u>
Pensions		-	(1,681)	(1,681)	(1,486)
Lump sums					
Retirement		(74)	(432)	(506)	(663)
Death		-	-	-	(13)
Early Leavers - refunds of contributions		-	(1)	(1)	(4)
Purchase of Annuities		(55)	-	(55)	-
Transfers out		(9)	-	(9)	(16)
Administration expenses	7	-	(389)	(389)	(250)
		<u>(138)</u>	<u>(2,503)</u>	<u>(2,641)</u>	<u>(2,432)</u>
Net additions from dealing with members		<u>1,192</u>	<u>1,587</u>	<u>2,779</u>	<u>2,761</u>
Return on Investments					
Bank deposit interest		-	1	1	1
Appreciation of units in CEIFP	2	-	4,967	4,967	2,405
Change in value of units in DC Scheme		454	-	454	(127)
Change in value of AVC policies			21	21	-
Net return on investments		<u>454</u>	<u>4,989</u>	<u>5,443</u>	<u>2,279</u>
Net increase in fund during the year		1,646	6,576	8,222	5,040
Net assets at the start of the year		3,638	67,389	71,027	65,987
Transfer between sections		-	-	-	-
Net assets at the end of the year		<u>5,284</u>	<u>73,965</u>	<u>79,249</u>	<u>71,027</u>

NET ASSETS STATEMENT AS AT 31 DECEMBER 2012

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2012 Total £'000	2011 Total £'000
Investments					
Value of units - In CEIFP	1	-	73,709	73,709	66,648
Invested with Legal and General	3	5,282	-	5,282	3,635
AVC policies	4	-	282	282	253
		<u>5,282</u>	<u>73,991</u>	<u>79,273</u>	<u>70,536</u>
Debtors	8	-	-	-	53
Cash		2	160	162	451
Creditors	9	-	(186)	(186)	(13)
Net assets at the end of the year		<u>5,284</u>	<u>73,965</u>	<u>79,249</u>	<u>71,027</u>

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The notes on pages 80 to 81 and pages 87 to 89 form part of these Accounts.

See note 1 on page 87 for the link to the actuarial position.

Church Administrators Pension Fund

NOTES

1. The assets of the defined benefits scheme of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP attributable to the fund at 31 December 2012 was 5.58% (2011: 5.76%).
2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains or losses and investment management expenses.
3. The investments of the defined contributions scheme are held with Legal & General Investment Management. The movements in investments during the year were:

	2012 £'000	2011 £'000
Market value at 1 January 2012	3,635	2,647
Purchases at cost	1,330	1,124
Disposals	(137)	(9)
Change in market value of investments	454	(127)
Market value at 31 December 2012	5,282	3,635
Allocated to members	5,277	3,628
Not allocated to members	5	7
	<u>5,282</u>	<u>3,635</u>

The Defined Contributions scheme's investments at 31 December 2012 were invested in the following Legal & General managed funds:

	2012 £'000	2011 £'000
Global Equity 60:40 Index	-	2,976
Global Equity MW(30:70)	4,280	-
UK Equity Index	147	94
Ethical UK Equity Index	198	119
Ethical Global Equity Index	54	-
Overseas Equity Consensus Index	219	127
Over 15y Gilts Index	14	13
Over 5y Index- linked	220	183
Property	91	69
Cash	59	54
	<u>5,282</u>	<u>3,635</u>

Investments purchased by the Defined Contributions scheme are allocated to provide benefits to individuals on whose behalf corresponding contributions are paid. The Investment Manager, Legal & General Assurance Society Ltd, holds the investments on a pooled basis for the Board. The Board, as scheme administrator, allocates investment units to members. The Board may also hold investment units representing the value of employer contributions that have been retained by the scheme that relate to members leaving the scheme prior to vesting.

4. Additional Voluntary Contributions by members of the Defined Contributions scheme and the employer contributions under this scheme are separately invested with the Legal and General Assurance Society Limited. Additional Voluntary Contributions by members of the defined benefits scheme consist of contributions paid for the purchase of added years £97k (2011: £104k) and contributions of £8k (2011: £8k) paid by certain members into separate AVC policies with Equitable Life Assurance Society, Scottish Widows plc and Standard Life Assurance Limited. Contributions for added years are pooled with the main fund assets and are not separately identifiable from those assets.

	Value at 1 January 2012 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December 2012 £'000
Standard Life	156	8	-	14	178
Scottish Widows	74	-	-	5	79
Equitable Life	23	-	-	2	25
	<u>253</u>	<u>8</u>	<u>-</u>	<u>21</u>	<u>282</u>

Church Administrators Pension Fund

NOTES (CONTINUED)

5. Deficit funding contributions are payable at the rate of £2,050k per annum across all employers from 1 July 2010, increasing annually at 5% p.a. until 30 June 2025, in respect of the funding shortfall. The Archbishops' Council is required to pay a further contribution of £184,056 p.a. from 1 January 2010 to 31 December 2016 adjusted each 1 January in line with the change in the Retail Price Index.

Augmentation contributions by employers relate to payments to augment the benefits of retiring members.

6. Other contributions consist of payments by employers for administration expenses and in respect of the pension protection fund levy.
7. Administration expenses consist mainly of charges made by the Church of England Pensions Board to administer the fund. See note 3 on page 88. All administration costs for both the DB and DC sections of the Church Administrators Pension Fund are borne by the DB section.

8. Debtors

	2012	2011
	£'000	£'000
Contributions - Employer	-	3
Other	-	50
	<u>-</u>	<u>53</u>

9. Creditors

	2012	2011
	£'000	£'000
Unpaid benefits	95	6
Other	91	7
	<u>186</u>	<u>13</u>

10. In addition to the pension benefits included in these accounts, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 2000:

	2012	2011
	£'000	£'000
Pensions	4,911	4,760
Lump sums on retirement	400	573
	<u>5,311</u>	<u>5,333</u>

11. The fund is a registered pension scheme for the purpose of Part 4 of the Finance Act 2004 and is therefore exempt from most taxes.

The Church of England Investment Fund for Pensions

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Net receipts from member schemes		<u>57,001</u>	<u>60,500</u>
Return on investments			
Dividends receivable		21,190	23,625
Index-linked interest receivable		1,952	1,484
Income from pooled investment vehicles		3,708	3,684
Interest on cash deposits		<u>748</u>	<u>899</u>
		27,598	29,692
Changes in market value of investments		83,808	(26,010)
Investment managers' fees	2	<u>(3,045)</u>	<u>(2,917)</u>
		108,361	765
NET INCREASE IN THE FUND DURING THE YEAR		165,362	61,265
INVESTMENT FUND AT 1 JANUARY		<u>1,157,448</u>	<u>1,096,183</u>
INVESTMENT FUND AT 31 DECEMBER		<u><u>1,322,810</u></u>	<u><u>1,157,448</u></u>

NET ASSETS STATEMENT AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Investments			
Investment assets	3	1,326,230	1,158,838
Investment liabilities	3	<u>(2,730)</u>	<u>(830)</u>
		1,323,500	1,158,008
Current assets and liabilities			
Debtors		-	102
Cash		-	(102)
Creditors	6	<u>(690)</u>	<u>(560)</u>
TOTAL NET ASSETS	8	<u><u>1,322,810</u></u>	<u><u>1,157,448</u></u>

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The notes on pages 83 to 86 form part of these Accounts.

Each of the above accounts of the Pension Funds and the CEIFP have been signed on behalf of the Board.

Jonathan Spencer
Chairman

16 July 2013

The Church of England Investment Fund for Pensions

NOTES

1. The fund was established to allow the pooling of investments of pension funds administered by the Board. The member schemes and their respective holdings are shown in note 9.
2. The fund bears investment management expenses charged by the investment managers and custodians. Administration costs and advisory fees incurred by the Church of England Pensions Board are borne by the member schemes and are included in the administration expenses shown in the schemes' own accounts.
3. Investments

		Value at 1 Jan 2012	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value at 31 Dec 2012
		£000	£000	£000	£000	£000
Equities	3(a)	721,950	245,674	(295,022)	51,479	724,081
Index-linked securities	3(b)	154,851	226,773	(222,456)	26,674	185,842
Pooled investment vehicles	3(c)	224,307	22,223	(4,525)	(14,398)	227,607
Derivatives	3(d)	882	6,440	(24,652)	19,263	1,933
		<u>1,101,990</u>	<u>501,110</u>	<u>(546,655)</u>	83,018	<u>1,139,463</u>
Cash		52,061			778	161,824
Other investment balances	3(e)	<u>3,957</u>			<u>12</u>	<u>22,213</u>
		<u>1,158,008</u>			<u>83,808</u>	<u>1,323,500</u>

Investment assets and liabilities

	Notes	Assets at 31 Dec 12	Liabilities at 31 Dec 12	Total value at 31 Dec 12
		£000	£000	£000
Equities	3(a)	724,081	-	724,081
Index-linked securities	3(b)	185,842	-	185,842
Pooled investment vehicles	3(c)	227,607	-	227,607
Derivatives	3(d)	3,080	(1,147)	1,933
Cash		161,824	-	161,824
Other investment balances	3(e)	<u>23,796</u>	<u>(1,583)</u>	<u>22,213</u>
		<u>1,326,230</u>	<u>(2,730)</u>	<u>1,323,500</u>

3.(a) Equities

	2012	2011
	£000	£000
UK quoted	246,478	290,020
Overseas quoted	<u>477,603</u>	<u>431,930</u>
	<u>724,081</u>	<u>721,950</u>

3(b) Index-linked securities

	2012	2011
	£000	£000
UK public sector	153,431	152,896
Overseas public sector	-	964
UK non-public sector	8,132	518
Overseas non-public sector	<u>24,279</u>	<u>473</u>
	<u>185,842</u>	<u>154,851</u>

The Church of England Investment Fund for Pensions

NOTES (CONTINUED)

3(c) Pooled investment vehicles

	2012 £000	2011 £000
UK managed funds - property	82,975	74,854
UK managed funds - bonds	68,448	86,996
Overseas managed funds - other	75,926	62,455
Other Funds	258	2
	<u>227,607</u>	<u>224,307</u>

All pooled investment vehicles are registered in the UK. The classification of the 2011 Overseas managed funds - property has been amended, and is included within 2011 UK managed Funds - property, in order to be consistent with the 2012 classification.

3(d) Derivatives

	Assets £000	Liabilities £000	2012 Total £000	Assets £000	Liabilities £000	2011 Total £000
Forward foreign currency contracts	2,515	(582)	1,933	1,536	(667)	869
Futures - equities	565	(565)	-	13	-	13
	<u>3,080</u>	<u>(1,147)</u>	<u>1,933</u>	<u>1,549</u>	<u>(667)</u>	<u>882</u>

Forward foreign currency contracts

Currency Bought/Sold	Value of Currency Bought £000	Value of Currency Sold £000	Assets at 31 Dec 12 £000	Liabilities at 31 Dec 12 £000
EUR/GBP	1,357	(1,357)	-	-
GBP/EUR	47,225	(47,788)	1	(564)
GBP/JPY	14,979	(13,438)	1,541	-
GBP/USD	119,573	(118,615)	958	-
USD/GBP	5,169	(5,176)	-	(7)
Other	5,584	(5,580)	15	(11)
	<u>193,887</u>	<u>(191,954)</u>	<u>2,515</u>	<u>(582)</u>

Forward foreign currency contracts are used to hedge the risk of changes in exchange rates which might adversely affect the value of some of the overseas investments.

The fund's policy is to hedge half of its equities exposures to the US Dollar, Japanese Yen and the Euro. All contracts held at the year end have a duration of less than 3 months.

Futures Contracts

Underlying investment	Economic Exposure value at 31 Dec 12 £000	Assets £000	Liabilities £000
US S&P 500 E-mini	75,657	-	(347)
FTSE 100	13,801	-	(59)
JAP Topix	12,136	340	-
CAN S&P 60	7,560	-	(32)
LIFFE Gilt	6,065	16	-
Euro CAC 40	5,819	1	-
Euro DAX Index	5,561	-	(17)
AUS SPI 200	5,454	-	(32)
SOF Index	5,036	-	(61)
Other	14,611	208	(17)
	<u>151,700</u>	<u>565</u>	<u>(565)</u>

Futures are bought or sold to allow the fund to change its exposure to a particular market or asset class more quickly than by holding the underlying stocks.

The Church of England Investment Fund for Pensions

NOTES (CONTINUED)

3(d) Derivatives (continued)

Contracts in place at 31 December 2012 were with Citibank, JPMorgan Chase Bank, Northern Trust, Toronto-Dominion Bank, UBS AG, and had expiry dates of up to three months after the year end.

Derivative receipts and payments represent the realised gains and losses on forward and futures contracts.

3(e) Other investment balances

	2012 £000	2011 £000
Assets		
Cash margin	20,485	23
Accrued investment income	3,311	4,097
	<u>23,796</u>	<u>4,120</u>
Liabilities		
Amounts due to broker	-	(13)
Outstanding trades	(1,583)	(150)
	<u>(1,583)</u>	<u>(163)</u>
	<u>22,213</u>	<u>3,957</u>

- Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees which total £480k (2011: £590k). In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles.
- All fund managers operating the pooled investment vehicles are registered in the United Kingdom, with the exception of Winton (British Virgin Islands), Bridgewater and Blackrock (both Cayman Islands), and First State (Luxembourg).
- Property and infrastructure assets are illiquid and that is reflected in the structures and liquidity of funds that invest in them. Some of the funds held by the Board 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 Board'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.
- Commitments - As at 31 December 2012, the Board had made a commitment to invest £6 million (2011: £20 million) in a pooled infrastructure fund managed by First State.
- Creditors

	2012 £'000	2011 £'000
Accrued investment management expenses	690	560
	<u>690</u>	<u>560</u>

9. Unitisation

The Church of England Investment Fund for Pensions ('CEIFP') is a common investment fund for the Church of England's pension funds. It has two pools, the Return Seeking pool consisting mostly of equities and cash, and the Liability Matching pool consisting mostly of fixed income or index-linked investments and cash.

Unitisation is the process of allocating units in the CEIFP to its participants. The participant pension funds purchase or dispose of CEIFP units in accordance with their operational requirements. The value of units to be purchased or disposed of each month is determined for each participant by the Board. The pricing of units is undertaken by The Northern Trust Company who also prepare monthly unitisation reports showing each participant's holding in the CEIFP and transactions during the period.

Net receipts from the participating pension funds are received initially in the Return Seeking pool. Transfers are made between the Return Seeking and Liability Matching pools in accordance with actuarial and investment requirements.

The Church of England Investment Fund for Pensions

NOTES (CONTINUED)

10. Participation in the fund at 31 December 2012

	RETURN SEEKING POOL		LIABILITY MATCHING POOL		TOTAL
	Units	£'000	Units	£'000	£'000
Church Workers Pension Fund					
Defined Benefits Scheme	91,635	172,287	39,285	91,322	263,609
General Fund	73,761	138,680	-	-	138,680
Life Risk	17,874	33,607	39,285	91,322	124,929
Defined Contributions Scheme	30,281	56,933	7,863	18,279	75,212
Total Church Workers Pension Fund	121,916	229,220	47,148	109,601	338,821
Church Administrators Pension Fund	26,837	50,457	10,003	23,252	73,709
Clergy (Widows & Dependants) Pension	7,424	13,959	2,876	6,687	20,646
The Church of England Funded Pensions	445,804	838,171	22,139	51,463	889,634
	601,981	1,131,807	82,166	191,003	1,322,810

The defined benefits scheme of the Church Workers Pension Fund is split between the general fund and the life risk section as these two portions of the fund have different investment strategies.

Notes to the Financial Statements of the Investment and Pension Funds

1. Basis of preparation of financial statements

The individual pension schemes that comprise the 'Pension Funds' are as follows:

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

The financial statements of the Pension Funds have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. 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 obligations, is dealt with in the statements by the actuary on pages 92 to 97 of the annual report and in the reports on the various activities of the Board within pages 54 to 69, and these financial statements should be read in conjunction with this information.

2. Statement of accounting policies

The principal accounting policies, which have been consistently applied, are set out below.

2.1. Investments

The individual pension funds are wholly invested in the Church of England Investment Fund for Pensions, except for the Clergy (Widows and Dependants) Pension Fund, which also has its own segregated investments in index-linked bonds and the Church Administrators Pension Fund Defined Contributions scheme which is separately invested in Legal & General managed funds. Some defined benefit AVC investments are also held directly by the pension funds with other insurance companies.

(a) Valuations

The investments are valued on the following bases:

The listed investments and unit trusts are valued at their closing bid price at 31 December and, where appropriate, foreign currencies are translated into sterling at the rates of exchange on that date.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price.

Fixed interest and Index-linked investments are valued at their clean prices (i.e. excluding accrued interest).

Derivative contracts are valued at fair value. The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Futures contracts are exchange traded and their value is determined using exchange prices at the reporting date. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts.

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.

(b) Investment income

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 fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

Notes to the Financial Statements of the Investment and Pension Funds

2.1. Investments (continued)

(c) Foreign currencies

Assets and liabilities in foreign currencies, other than forward foreign exchange contracts, 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) Investment management expenses are accounted for on an accruals basis.

2.2. Pensions funds

(a) Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the month the employee contributions are deducted from payroll.

Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

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

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or in the absence of an agreement, on a receipts basis.

(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 an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the pension funds, as appropriate.

(c) Transfers to and 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 Pension Funds. They are accounted for on a cash basis, or where the Board agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

3. Administration expenses

Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

The Board's administration fees charged to each fund during the year were:

	2012	2011
	£'000	£'000
Church of England Funded Pensions Scheme *	2,165	2,351
Church Workers Pension Fund – defined benefits scheme	691	747
Church Workers Pension Fund – defined contributions scheme	465	465
Church Administrators Pension Fund**	389	250
	<u>3,710</u>	<u>3,813</u>

*Includes the Board's administration costs for the Clergy (Widows and Dependants) Pension Fund.

** All administration costs for both the DB and DC sections of the Church Administrators Pension Fund are borne by the DB section.

Notes to the Financial Statements of the Investment and Pension Funds

4. Audit fees

The fee, including VAT, for external audit services during the year was £183k (2011 : £120k) for both the Pension Funds and Charitable Funds; the portion allocated to the Pension Funds was £65k (2011 : £51k). This is included in the charges to the Pension Funds in Note 3 above

5. Employer related investments

Other than the late contributions not exceeding £441k (2011: £275k) in total across the pension schemes, there were no other employer related investments.

6. Related party transactions

Certain Board members who have retired from service under the Pension Funds are in a receipt of a pension on normal terms.

Certain Board members are active members of the Pension Funds.

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to December 2012, 20 members claimed a total of £16,507 (2011: £13,535). This cost is apportioned to both the Charitable Funds and the Pension Funds. The Pension Funds' portion is included in the charges to the Pension Funds in Note 3 above.

Other than the above and disclosed elsewhere in these Financial Statements, the Board is not aware of any transactions with related parties that require disclosure in these Financial Statements under Financial Reporting Standard 8 "Related Party Transactions" (2011: £nil).

Independent Auditors' statement to the Church of England Pensions Board about contributions

We have examined the summary of contributions of the Church of England Pensions Board for the year ended 31 December 2012 which is set out on the following page.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions and for monitoring whether contributions are made to each pension scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with section 41 of the Pensions Act 1995 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.

Scope of work on the statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to each pension scheme under the schedules of contributions and the timing of those payments.

Statement about contributions

In our opinion, the contributions required by the schedules of contributions for each pension scheme for the year ended 31 December 2012 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions specified in the summary.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

July 2013

Church of England Pensions Board

Summary of Contributions payable in the year ended 31 December 2012

During the year, the contributions payable to the schemes by the Members and the Employers were as follows:

The Church of England Funded Pensions Scheme

	Members £'000	Employers £'000
The Church of England Funded Pensions Scheme		
Required by the schedule of contributions		
Certified by the scheme actuary on 30th December 2010		
Normal contributions	-	42,710
Deficit contributions	-	26,727
Total	-	69,437
Other Contributions Payable		
AVCs	1,866	-
Augmentations of individual members' benefits	-	106
Total (as per Fund Account)	1,866	69,543

Church Administrators Pension Fund

	Members £'000	Employers £'000
Church Administrators Pension Fund		
Required by the schedule of contributions		
certified by the scheme actuary on 26th March 2010		
Normal contributions – DB	137	1,152
Normal contributions – DC	-	1,103
Deficit contributions	-	2,463
Total	137	4,718
Other contributions payable		
AVCs – DB	105	-
AVCs – DC	219	-
Augmentations of individual members' benefits	-	25
Total (as per Fund Account)	461	4,743

Church Workers Pension Fund

	Members £'000	Employers £'000
Church Workers Pension Fund		
Required by the schedule of contributions		
certified by the scheme actuary on 30th December 2010, 28th March 2012, 29th June 2012, and 28th September 2012		
Normal contributions – DB	310	7,633
Normal contributions – DC	526	3,447
Deficit contributions	-	7,607
Total	836	18,687
Other contributions payable		
Deficit contributions	-	4,023
AVCs	634	-
Augmentations of individual members' benefits	-	122
Total (as per Fund Account)	1,470	22,832

Signed on behalf of the Board:

Jonathan Spencer
Chairman
16 July 2013

Appendix One – Actuarial Certificates



Appendix 9

Actuary's certification of the calculation of technical provisions

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 Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at effective date of valuation on which the calculation is based 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 30 December 2010.

Signature:  **Date:** 30/12/2010

Name: Anona Pearson **Qualification:** FIA

Address: Lane Clark & Peacock LLP
30 Old Burlington Street
London W1S 3NN

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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 Church of England Funded Pensions Scheme

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 2009 to be met by the end of the period specified in the recovery plan dated 30 December 2010.

Adherence to statement of funding principles

1. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 December 2010.

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: 30/12/2010

Name: Aaron Punnam Qualification: FIA

Address: 30 Old Burlington Street London W1S 3NN Name of employer: Lone Clark & Pearce LLP (if applicable)

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected 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 30/12/2010 and their Recovery Plan dated 30/12/2010 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

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Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

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 2010 to be met by the end of the period specified in the recovery plan dated 28 March 2012.

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 2012.

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 2012

Name: Aaron Punwani

Qualification: FIA

Address: 30 Old Burlington Street
London, W1S 3NN

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

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected 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 28 March 2012 and their Recovery Plan dated 28 March 2012 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions dated 30 December 2010. I have also taken account of a further £4.3m of contributions paid to the Fund before 1 April by certain of the employers.



Actuary's certification of the calculation of technical provisions

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 Workers Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 28 March 2012.

Signature: 

Date: 28 March 2012

Name: Aaron Punwani

Qualification: FIA

Address: 30 Old Burlington Street
London
W1S 3NN

Name of employer: Lane Clark & Peacock LLP

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Lane Clark & Peacock LLP Trustee Consulting  Corporate Consulting  Insurance Consulting  Business Analytics 



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Actuary's certification of the calculation of technical provisions

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 Administrators Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the Fund and set out in the Statement of Funding Principles dated 25 March 2013.

Signature: 

Date: 26 March 2013

Name: Aaron Punwani

Qualification: FIA

Address: 30 Old Burlington Street
London
W1S 3NN

Name of employer: Lane Clark & Peacock LLP

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Lane Clark & Peacock LLP: Trustees Consulting, Investment Consulting, Corporate Consulting, Insurance Consulting, Support Services

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Actuary's certification of schedule of contributions

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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: **Church Administrators 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 2011 to be met by the end of the period specified in the recovery plan dated 25 March 2013.

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 25 March 2013.

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: 26 March 2013

Name: Aaron Punwani

Qualification: FIA

Address: 30 Old Burlington Street
London
W1S 3NN

Name of employer: Lane Clark & Peacock LLP

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Notes not forming part of the certification

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In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in their statement of funding principles dated 25 March 2013 and their Recovery Plan dated 25 March 2013 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions dated 26 March 2010.

Appendix Two - List of the Return Seeking Asset Pool's Largest Equity Holdings

		Market Value at 31.12.12 £m	Percentage of the Return Seeking Asset Pool
1	ROYAL DUTCH SHELL	22.1	2.0
2	HSBC	19.2	1.7
3	BP	13.1	1.2
4	BHP BILLITON	12.9	1.1
5	VODAFONE	12.4	1.1
6	GLAXOSMITHKLINE	10.7	0.9
7	SAMSUNG ELECTRONIC	10.4	0.9
8	APPLE	7.6	0.7
9	RIO TINTO	7.1	0.6
10	PFIZER	6.8	0.6
11	NESTLE	6.6	0.6
12	ASTRAZENECA	5.9	0.5
13	MICROSOFT	5.8	0.5
14	BG GROUP	5.5	0.5
15	ABBOTT LABORATORIES	5.2	0.5
16	VISA	5.1	0.5
17	STANDARD CHARTERED	5.1	0.5
18	BARCLAYS	5.1	0.5
19	AUST & NZ BANK	5.0	0.4
20	WALT DISNEY	4.9	0.4

Appendix Three – Board Policies

Ethical Investment Policy of the National Church Institutions

Ethical investment considerations form an integral part of the Church of England's witness and mission. Through its ethical investment policy, the Church of England seeks a constructive engagement with the corporate world in order that responsible business practices and high standards of corporate behaviour are encouraged and supported. The Church of England is also mindful of the need to avoid undermining the credibility, effectiveness and unity of the Church's witness by profiting from, or providing capital to, activities that are materially inconsistent with Christian values.

The Ethical Investment Advisory Group (EIAG) of the Church of England carries out ethical investment research on behalf of the three national investment bodies of the Church of England, the Church Commissioners for England, the CBF Church of England Funds, and the Church of England Pensions Board ("the national Church investment bodies"). It develops policy recommendations, which once agreed by the national Church investment bodies, are then communicated to the wider Church. The General Synod, the Archbishops' Council and the Mission and Public Affairs Council are also represented on the EIAG to provide counsel and wider expertise. The legal authority for investment decisions rests solely with the national Church investment bodies, as well as individual parishes, cathedrals, dioceses and other associated Church of England organisations.

The national Church investment bodies are supportive of companies that seek to develop their businesses successfully and sustainably in the interests of shareholders. The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as:

- responsible employment practices
- best corporate governance practice
- conscientiousness with regard to human rights
- sustainable environmental practice
- sensitivity towards the communities in which business operates

Companies are monitored according to this Statement of Ethical Investment Policy and, where appropriate, by developing an ongoing dialogue and engagement with them. The national Church investment bodies believe this to be the best means of exercising responsible stewardship and shareholder responsibility and of communicating Church concerns. Disinvestment, if recommended, remains the preserve of each national Church investment body, and is only considered if a company's activities fall outside of the Church's ethical investment policy or if, after sustained dialogue, it does not respond positively to the Church's concerns.

The EIAG recommends against investment in any company involved in indiscriminate weaponry. It recommends against investment in any company that derives more than 3% of revenues from the production or distribution of pornography. It

recommends against investment in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover.

The EIAG recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, high interest rate lending or human embryonic cloning.

Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church’s policy and to explain the theology, ethics and reasoning underlying the policies.

The national Church investment bodies also reserve the right to avoid investment in companies whose management practices they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church’s broader criteria. Advice may be offered in respect of all classes of asset under management including domestic and international securities, land and real estate.

Environmental policy of the National Church Institutions

The whole of creation belongs to God. As human beings we are part of the whole and have a responsibility to love and care for what God has entrusted to us as temporary tenants of the planet. We are called to conserve its complex and fragile ecology, while recognising the need for responsible and sustainable development and the pursuit of social justice.

Therefore we, the National Church Institutions, with our wide-ranging involvement in issues that have an environmental and ethical dimension, accept an obligation to set an example in the way we conduct our business.

We commit ourselves to assessing the environmental impact of all our activities and to considering, within our trusteeship obligations, ways in which to minimise and mitigate any environmental damage they may cause.

Health and Safety

Together with the other National Church Institutions with whom we are a common employer, we have duties under the Health and Safety at Work Act 1974 and associated legislation to protect the wellbeing of our staff and others affected by our work.

We are committed to achieving high standards of occupational health and safety management both to meet the legal requirements and in the interests of our organisations. People are vital to the organisation and the effective management of occupational health and safety leading to fewer accidents and less sickness absence is an investment, which helps us achieve our purpose.

We consider that occupational health and safety are a management responsibility of equal importance to productivity and quality and fully accept our moral and legal duties to provide a healthy and safe working environment for all our staff.

Equal Opportunities

The National Church Institutions are committed to being an equal opportunities employer and ensuring that all employees, job applicants, customers and other persons with whom we deal are treated fairly and are not subjected to discrimination. We acknowledge that our employees form one community, using their diverse cultures and talents to serve the objectives and purposes of the Church of England.

The values of our organisations are rooted in those of the Church of England and of Christianity more generally. In serving the Church, we seek to preserve a Christian ethos within our organisations without, save for certain posts, requiring that individual members of staff have a particular religious affiliation. We are committed to respecting the dignity and worth of each individual and fostering a climate of tolerance and diversity. These are an integral part of our Christian ethos.

Against that background, our policy is designed to ensure that current and potential employees are offered the same opportunities regardless of their ethnic background, creed or religion (except where it is necessary for us to employ people who are Christian/Anglican or who are in Holy Orders), nationality, ethnic origin, age, gender, sexual orientation, marital status, domestic circumstances, disability or any other characteristic unrelated to the performance of the job. We seek to ensure that no one suffers as a result of discrimination, either directly or indirectly.

We recognise that an effective equal opportunities policy will help all staff to develop to their full potential, which is clearly in the best interests of both our staff and our organisational objectives. We want to ensure that we not only observe the relevant legislation but also do whatever is necessary to provide genuine equality of opportunity. We will continue to provide training to all staff in respect of equal opportunities, racial awareness and diversity.

We expect all of our employees to be treated and to treat others with respect. Our aim is to provide a working environment free from harassment, intimidation, or discrimination in any form which may affect the dignity of the individual.

We further recognise the benefits of employing individuals from a range of backgrounds as this creates a workforce where creativity and valuing difference in others thrives. We value the wealth of experience within the community in which we operate and which we serve and aspire to have a workforce that reflects this.

Appendix Four – The Church of England Pensions Board Members, Executive Team and Advisers

The Constitution of the Board is laid down in Section 21(3) of the Clergy Pensions Measure 1961 as amended by the Section 8 of the Pensions Measure 1987.

Board Members (1 January 2012 to 16 July 2013)

<i>Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York</i>	<i>Elected by the House of Bishops of the General Synod</i>
Dr Jonathan Spencer CB (Chairman)	The Rt Revd Peter Hancock, Bishop of Basingstoke (from 1 February 2013)
<i>Appointed by the Archbishops of Canterbury and York</i>	The Rt Revd David Walker, Bishop of Dudley (Vice Chairman) (to 31 January 2013)
Roger Mountford	
<i>Appointed by the Archbishops of Canterbury and York after consultation with the representatives of dioceses</i>	<i>Elected by the House of Clergy of the General Synod</i>
Canon David Froude ACIB	The Revd Fr Paul Benfield The Revd Paul Boughton ACA The Revd Nigel Bourne The Revd Canon Ian Gooding
<i>Appointed by the Church Commissioners</i>	<i>Elected by the House of Laity of the General Synod</i>
Jeremy Clack FIA (from 23 February 2012)	
<i>Elected by Employers participating in the Church Workers Pension Fund or the Church Administrators Pension Fund</i>	James Archer ACA Simon Baynes Jane Bisson Dr Graham Campbell FCA Alan Fletcher FCII Brian Wilson FIA
Clive Hawkins (Deputy Vice Chairman) Canon Sandra Newton (Vice Chairman from 1 February 2013)	
<i>Elected by Members of the Church Administrators Pension Fund</i>	<i>Elected by Members of the Church Workers Pension Fund</i>
John Ferguson	Ian Clark Colin Peters (to 12 November 2012)
Secretary and Chief Executive	Bernadette Kenny
Executive Team	Paul Burrage (Accounting Services) Michael Cole (Risk Management and Internal Audit) Peter Dickinson (Pensions Manager) Linda Ferguson (Customer Insight and Strategy) Pierre Jameson (Investments) Lee Marshall (Chief of Staff) Loraine Miller (Housing Manager) Ian Theodoreson (Chief Financial Officer, NCIs)

Audit and Risk Committee

Canon David Froude ACIB (Chairman)
 James Archer ACA
 Jane Bisson (from 20 March 2012)
 Ian Clark (from 25 January 2012)
 David Hunt FCA (co-opted)
 Helen Simmons (co-opted from 25 January 2012)

Housing Committee

The Rt Revd David Walker (Chairman to 31 January 2013)
 Alan Fletcher FCII (Chairman from 1 February 2013)
 Ian Bate (co-opted)
 The Revd Nigel Bourne
 Jane Clarke (co-opted to 8 November 2012)
 John Ferguson
 Canon Ian Gooding (from 20 March 2013)
 Jon Head (co-opted)
 Canon Sandra Newton

Investment Committee

Clive Hawkins (Chairman)
 Simon Baynes
 The Revd Paul Boughton ACA
 Ian Clark
 Debbie Clarke (co-opted)
 Alan Fletcher FCII
 Roger Mountford (from 24 January 2013)
 Peter Parker TD FIA (co-opted from 25 January 2012)
 Colin Peters (to 12 November 2012)
 Mark Powell (co-opted)

Pensions Committee (from 15 May 2012)

Roger Mountford (Chairman)
 The Revd Fr Paul Benfield
 Ian Clark
 John Ferguson
 Canon Sandra Newton
 Graham Shorter (co-opted)
 Brian Wilson FIA

The Board's Chairman, Vice Chairman and Deputy Vice Chairman are ex-officio members of the Housing and Investment Committees.

Professional Advisers

Actuaries
 Investment Advisers
 Investment Custodians
 Corporate Finance Advisers
 Auditors
 Bankers
 Honorary Medical Adviser
 Pensions Fund Investment Managers

Lane Clark & Peacock LLP
 Mercer Ltd
 Northern Trust Company Ltd
 TradeRisks Ltd
 PricewaterhouseCoopers LLP
 Royal Bank of Scotland
 Dr Trevor Hudson
 BlackRock Advisors (UK) Ltd
 Bridgewater Associates LP Ltd
 CB Richard Ellis Investors (CBREI)
 Copper Rock Capital Partners LLC
 First State Investments Fund Management S.à.r.l.
 Insight Investment Management (Global) Ltd
 Legal & General Assurance (Pensions Management) Ltd
 RCM (UK) Ltd
 Trilogy Global Advisors LP
 T Rowe Price International Ltd
 Winton Capital Management Ltd
 CCLA Investment Management Ltd

Charitable Funds Investment Managers

Appendix five – Publications Available

Members' booklets and copies of the Scheme Rules for each of the pension funds, for which we are a trustee, are available on request.

Booklets and information about our retirement housing assistance, and a DVD highlighting the work of our supported housing schemes, are available on request.



Some are also available to download from our website –

www.cepb.org.uk