

The Church Commissioners for England announced today publication of their 2016 financial results and annual report.

The Church Commissioners' total return on its investments in 2016 was 17.1%, compared with the previous year's return of 8.2%. Over the past 30 years the fund has achieved an average return of 9.6% per annum.

In 2016, disbursements by the Commissioners totalled £230.7 million, accounting for approximately 15% of the Church's overall mission and ministry costs. This represents an increase in church expenditure of 5.6% from the previous year.

The Church Commissioners' funding is targeted towards mission opportunities and those areas which are most in need, as well as meeting ongoing responsibilities for bishops, cathedrals and clergy pensions.

First Church Estates Commissioner Sir Andreas Whittam Smith congratulated the fund on exceeding its investment target of the rate of inflation plus five percentage points: "We were well ahead of our return target in 2016. In 2016, the fund returned 17.1% whereas inflation plus five percentage points was 7.5%.

"Contributing to this stellar outturn was a strong showing by global equities (+32.9%), partly reflecting the depreciation of sterling. Equally helpful were our interests in private credit strategies (+33.1%), private equity (+26.1%) and timberland (+24.3%). The combined property portfolios delivered a creditable 11.6% in a relatively weak market environment.

"Consistency has truly been a guiding principle for the fund. Our historic performance over a 30 year period shows annual growth of 9.6% per annum, despite periods of turbulence in the financial markets and our own portfolio, an average of 6.0% per annum ahead of inflation."

Andrew Brown, Secretary and Chief Executive of the Church Commissioners, said: "In 2016 we contributed £230.7m to the mission of the Church of England. This represents an increase on the previous year of 5.6%.

"While this is only around 15% of the Church's overall income - most funding comes from the extraordinary generosity of parishioners - we are delighted to be able to play our part.

"Whether funding city centre churches, community projects in low income areas or research programmes to examine how the church can grow, these returns make a tangible difference to the lives of thousands across the country"

### **Investment highlights**

- Notable performance was delivered in global equities, timber and indirect property.
- Exposure in the equities portfolio was reduced by 17.3%, divesting £500m and reinvesting to rebalance the portfolio.
- The private equity portfolio, which invests in unlisted companies, achieved a total return of 26.1% in 2016.

The fixed interest portfolio including investments in global high yield bonds, emerging market debt and structured credit, returned 16.4% in 2016 as credit markets rallied due to continued economic growth and improvements in corporate earnings.

- The private credit portfolio, started in 2012 increased allocations in 2016 generating a combined return of 30.9% in 2016.
- The property portfolio delivered a strong performance in 2016, providing a total return of 11.6%. This includes a high-quality portfolio in global timberland markets, built over the last five years totalling over £360m.
- The Commissioners' forestry estate covers 120,000 acres in the UK, the US and Australia with the timberland and forestry portfolio delivering a return of 24.3%.

### **Responsible Investment, Impact Investing and Engagement**

- In 2016 the Commissioners made their first qualifying impact investments including a \$40m commitment to Equilibrium Capital Management's Waste Water Opportunity Fund which develops anaerobic digestions facilities. Equilibrium estimate that the investment will prevent the emission of over 500,000 tonnes of carbon dioxide equivalent annually.
- Also during 2016 the Church Commissioners established an Engagement department jointly with the Church of England Pensions Board. The team focussed on three areas of intervention at AGMs: executive remuneration, climate change and board diversity.
- During 2016, the Commissioners continued to vote against the majority of remuneration reports and publicly called upon company remuneration committees to better exercise their judgement on executive pay.
- On climate change the Commissioners were instrumental in filing climate disclosure resolutions at Anglo American, Glencore and RioTinto. These were supported by the Boards of the companies and received overwhelming shareholder support.
- A shareholder resolution was also jointly filed with the New York State Common Retirement Fund at ExxonMobil, seeking further disclosure on climate change.
- During 2016, the Commissioners voted 'against' the Chairs of Nomination Committees in instances when female representation was below 25% of the board.
- The Transition Pathway Initiative, an asset owner led initiative supported by asset owners and managers with over £2trillion of assets was spearheaded by the Church of England's national investing bodies including the Church Commissioners for England, in partnership with the UK Environment Agency Pension Fund. Formed in 2016 and launched earlier this year, the initiative assesses how companies are preparing for the transition to a low carbon economy through a public and transparent online tool.

# Notes

The annual report and annual review can be downloaded [here](#).

## About the Church Commissioners for England

The Church Commissioners manage investable assets of some £7.9bn, mainly held in a diversified portfolio including equities, real estate and alternative investment strategies. The Commissioners' work today supports the Church of England as a Christian presence in every community.

The annual objectives of the Church Commissioners include:

- A return on investments of RPI +5%
- Supporting ministry costs in dioceses with fewer resources
- Providing funds to support mission activities
- Paying for bishops' ministry and some cathedral costs
- Administering the legal framework for pastoral reorganisation and settling the future of closed church buildings
- Paying clergy pensions for service prior to 1998
- Running the national payroll for serving and retired clergy

## Accounting change

Under the Pensions Measure 1997 the Commissioners are responsible for paying the pensions for clergy service prior to 1998. In prior years it disclosed the liability in a note to the accounts, but did not bring that liability onto the face of the Balance Sheet as it was following accounting guidance applicable to pension schemes (who are not required to recognise such liabilities). This approach was taken due to the significance of pension activities to the Commissioners as a whole. In 2016 this approach was reviewed and, in light of the Commissioners' broader charitable activities, management determined that a provision for the pension liability should now be recognised in the financial statements through a prior period adjustment. This accounting adjustment has no impact on the Commissioners' long term distribution plans.

At the end of 2016 the liability is estimated by independent actuaries at £1.8bn (end 2015 - £1.7bn). With £7.9bn of investable assets this results in a value of the fund (net of the pension provision) of £6.1bn (2015 - £5.3bn).

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