Clergy (Widows and Dependants) Pension Fund

Annual Report and Financial Statements 2016

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of the Clergy (Widows and Dependants) Pension Fund ("CWDPF" or the "Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2016.

Scheme constitution and management

The Scheme was established in 1954 by Section 13 of the Clergy Pensions Measure 1954 to provide benefits to the widows and dependents of the clergy. It is currently governed by the Clergy Pensions Measure 1961. The Scheme was closed to new entrants in 1967 and no contributions have been received since 1988. Benefits are payable to widows and dependants following the death of Clergymen who were ordained before 1968 and who were contributing members of the Scheme.

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

Although the Scheme disinvested fully from The Church of England Investment Fund for Pensions ("CEIFP" or the "Fund") in 2015, it remains a non-participating member of the Fund. The Scheme has been a member of the CEIFP since its establishment in 1985. The CEIFP's purpose is to pool assets to take advantage of economies of scale and reduce risk through diversification, which the smaller participating pension schemes would not have access to on their own.

Rule changes

There were no changes to the Scheme's rules during 2016. A full copy of the Scheme's rules is available on request.

Financial developments

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

During 2016, the Scheme moved its investments from a bond and cash portfolio managed by Insight Investment Management (Global) Limited to a portfolio of index-linked Gilts and cash that has been structured so that its cash flow, resulting from coupon payments and redemptions, matches the expected benefit payments from the Scheme. The portfolio is now managed by BlackRock, with advice from the Board's Investment Consultant, Mercer.

Membership

The change in membership during the year is as follows:

	Beneficiary pensioners
At 1 January	1,130
New spouse or dependents beneficiaries	48
Deaths	(92)
Total at 31 December	**1,086**

Pension increase

As a result of the actuarial valuation as at 31 December 2015 it was possible to increase pensions and prospective benefits by 10.0% with effect from 1 April 2015. During 2016, the Board adopted a policy to review the Scheme as at 31 December each year, and if the funding position allows, award annual pension increases in April each year in line with Retail Price Index ("RPI") over the 12 months to 30 September in the preceding year. The first annual increase of 2.0% was effective from 1 April 2017.

The maximum pension payable under the fund to the widow of a member ordained after 1947 is £1,614 per annum (2015: £1,614 per annum), increasing to £1,646 per annum in April 2017.

Actuarial liabilities

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

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. However, the terms of the CWDPF are such that the Pensions Act 2004 does not apply to it. The Board's practice has been to operate this Scheme in the same way as the other pension schemes for which it is trustee.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2015 on the Projected Unit Method, and an annual update was performed as at 31 December 2016. This showed that on that date:

	Update on actuarial valuation At 31 December 2016	Full actuarial valuation At 31 December 2015
Funding target	£27.0 million	£25.3 million
Net assets available for benefits	£26.6 million	£24.9 million
Funding surplus/(deficit)	£(0.4) million	£(0.4) million
Funding level	98%	98%
Key assumptions:		
Future bonuses	In line with RPI for on-going basis 0% for solvency basis	
Net single equivalent discount rate	-1.9%	-0.7%
Mortality base table	90% of S2NMA and S2NFA tables for members with contingent benefits 80% of S2NMA and S2NFA tables for beneficiaries with pensions in payment	

The next valuation is due to be carried as at 31 December 2018.

Trustee's report (continued)

Investment management

Investment strategy and principles

The Trustee has delegated the day-to-day management to an Investment Committee, which in turn has professional in-house staff, and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which describes the investment strategy and is supplemented by the Investment Policy Implementation Document ("IPID"), copies of which may be obtained on request. See page 10 where the investment risks and the strategies in place to mitigate these risks are described in the context of the financial statements and Scheme's risks.

Management and custody of investments

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

Investment performance

The Fund's assets are invested entirely in a portfolio of index-linked Gilts and cash that has been structured so that its cash flow, resulting from coupon payments and redemptions, matches the expected benefit payments from the Fund. The portfolio is managed by BlackRock, with advice from the Board's Investment Consultant, Mercer. During the year, the fund return was 12.8%.

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

Further Information

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

Approval

The Trustee's Report was approved by the Trustee on 30 June 2017 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary & Chief Executive

Statement of Trustee's Responsibilities

In respect of the financial statements

The Church of England Pensions Board is Trustee of the Clergy (Widows and Dependants) Pension Fund.

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to the Scheme's members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, and making any estimates and judgements on a prudent and reasonable basis.

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

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

The Trustee is also jointly responsible for the maintenance and integrity of the www.churchofengland.org website.

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

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

Report on the financial statements

Our opinion
In our opinion the Clergy (Widows and Dependants) Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

What we have audited
The Clergy (Widows and Dependants) Pension Fund's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2016;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice"), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee
As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show 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) ("ISAs (UK & 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 the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). 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 Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2017

Fund Account
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Benefits			
Benefits paid or payable	4	(1,403)	(1,414)
Administrative expenses	5	-	-
Total benefits and other expenses paid		(1,403)	(1,414)
Net withdrawals from dealings with members		(1,403)	(1,414)
Returns on investments			
Investment income	6	160	84
Change in market value of investments	7	3,001	(155)
Investment management expenses		(6)	(3)
Net returns on investments		3,155	(74)
Net increase/(decrease) in the fund		1,752	(1,488)
Opening net assets		24,893	26,381
Closing net assets		26,645	24,893

Notes 1 to 14 form part of these financial statements.

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

	Notes	2016 £000	2015 £000
Investments			
Bonds	7	24,670	21,679
Pooled investment vehicles	7	1,886	3,138
Total investments		26,556	24,817
Current assets	8	104	182
Current liabilities	9	(15)	(106)
Net current assets		89	76
Total net assets		26,645	24,893

The financial statements of the Clergy (Widows and Dependants) Pension Fund summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Scheme, which does take into account such obligations, is described on page 3.

Notes 1 to 14 form part of these financial statements.

These financial statements were approved by the Trustee on 30 June 2017 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

Notes to the financial statements

1. Legal status

Clergy (Widows and Dependants) Pension Fund (the "Scheme") was established in 1954 by section 13 of the Clergy Pensions Measure 1954 to provide benefits to the widows and dependents of the clergy. It is currently governed by the Clergy Pensions Measure 1961. Subsequent Clergy Pension Measures provided for similar benefits to be paid from the clergy pension scheme, and as a result this Scheme closed and is applicable only to widows and dependents of clergy who were serving in or before 1967. No contributions have been received since 1988.

2. Basis of preparation

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

In accordance with section 34.38(b) of FRS 102, the actuarial liability to pay future retirement benefits is not included in the financial statements. The actuarial position does take account of this liability and is described in the report on actuarial liabilities on page 3.

3. Accounting policies

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

a) Benefits paid or payable

Beneficiary pensions in payment are accounted for in the period to which they relate.

Other benefits are accounted for on an accruals basis on the date death as appropriate.

b) Investment income and expenditure

Investment income

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

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

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

Investment expenditure

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

c) Investment valuation

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

Pooled investment vehicles

Unitised investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before year end. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund is normally considered a suitable approximation.

Bonds

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

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

d) Foreign currencies

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

Notes to the financial statements (continued)

4. Benefits paid or payable

	2016	2015
	£000	£000
Pensions paid	1,387	1,364
Section 14 payments upon death	16	50
Total benefits paid	1,403	1,414

5. Administrative expenses

All costs relating to the administration of the Scheme are paid by the Board in the first instance. Following agreement with the responsible bodies in 2002, the administration expenses incurred in respect of the Scheme are borne by the responsible bodies, as part of their contribution rate to the Church of England Funded Pensions Scheme ("CEFPS"). Responsible bodies are organisations responsible for paying the stipends of office holders and their pension contributions.

6. Investment income

	2016	2015
	£000	£000
Bonds	154	83
Pooled investment vehicles	5	-
Interest on deposits	1	1
Total investment income	160	84

7. Investments

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

	At 1 January	Additions	Disposals	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Bonds	21,679	22,185	(22,185)	2,991	24,670
Pooled investment vehicles (cash)	3,138	3,091	(4,353)	10	1,886
Total investments	24,817	25,276	(26,538)	3,001	26,556

Because the Scheme is closed to new contributions, is 'super mature', and fully funded, it does not require its assets to grow in the same way as a less mature scheme would. As a result, it has been following a programme to de-risk its assets. In 2015 the Scheme disinvested fully from the pooled Church of England Investment Fund for Pensions and transferred its assets to Insight Sterling Liquidity Fund. In May 2016, these assets were transferred to management by Blackrock. The portfolio is constructed specifically to match the expected beneficiary payments of the scheme, as an entirely de-risked portfolio. Concentration of investments is shown in note 12.

Transaction expenses

From May 2016 the Scheme has incurred £4,000 in fees from Blackrock, having previously incurred a direct management charge of 0.04% p.a. of the value of the gilts in the portfolio and 0.06% p.a. of the value of its investment in the Insight Sterling Liquidity Fund. Custody charges are negligible.

All the Fund's investments are registered in the UK apart.

8. Current assets

	2016	2015
	£000	£000
Debtors (accrued income)	20	21
Cash	84	161
Total current assets	104	182

Notes to financial statements (continued)

9. Current liabilities

	2016 £000	2015 £000
Creditors		
Benefits payable	15	15
Other creditors	-	4
Total creditors	15	19
Cash	-	87
Total current liabilities	15	106

10. Fair Value of Investments

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

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

The Scheme's investment assets and liabilities have been included within these categories as follows:

	1 £000	2 £000	3 £000	Total £000
At 31 December 2016				
Bonds	-	24,670	-	24,670
Pooled investment vehicles (cash)	1,811	-	75	1,886
Total investments	1,811	24,670	75	26,556
At 31 December 2015				
Bonds	-	21,679	-	21,679
Pooled investment vehicles (cash)	3,138	-	-	3,138
Total investments	3,138	21,679	-	24,817

11. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 as follows:

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

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

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

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

The agreements set out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

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

Notes to financial statements (continued)

11. Investment risk disclosures (continued)

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

	Credit risk	Market risk			Total	Total
		Currency	Interest rate	Other price	2016	2015
					£000	£000
Bonds	●	○	●	●	24,670	21,679
Pooled investment vehicles (cash)	◑	◑	◑	◑	1,886	3,138
Total investments					26,556	24,817

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

Credit Risk

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

	2016	2015
	£000	£000
Bonds	24,670	21,679
Pooled investment vehicles (cash)	1,886	3,138
Total investments exposed to credit risk	26,556	24,817

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

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

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

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

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

Currency Risk

The Scheme is subject to a small amount of currency risk because its pooled investment vehicle (cash) is invested in international currencies.

Interest rate risk

The Scheme is subject to interest rate risk due to the bonds held. If interest rates fall, the value of the bonds will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly if interest rates rise the values of the bonds will fall, as will the actuarial liabilities because of an increase in discount rate.

Other price risk

The Scheme's investments are subject to price risk which principally relates to bonds. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Notes to financial statements (continued)

12. Concentration of investments

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

	2016		2015	
	£000	%	£000	%
UK Government 0.125% Index Linked 22/11/2019	3,077	11.5	2,891	11.6
UK Government 1.875% Index Linked 22/11/2022	3,155	11.8	2,876	11.6
UK Government 0.125% Index Linked 22/03/2024	3,096	11.6	2,731	11.0
UK Government 1.25% Index Linked 22/11/2027	2,823	10.6	2,457	9.9
UK Government 1.25% Index Linked 22/11/2017	2,461	9.2	2,428	9.8
UK Government 0.125% Index Linked 22/03/2029	2,391	9.0	2,029	8.2
UK Government 1.25% Index Linked 22/11/2032	2,190	8.2	1,852	7.4
UK Government 0.75% Index Linked 22/03/2034	1,740	6.5	1,437	5.8
UK Government 1.125% Index Linked 22/11/2037	1,609	6.0	1,317	5.3
Blackrock AM(IE) Liability SOLS	1,811	6.8	-	-
Insight Liquidity fund	-	-	3,138	12.6

13. Related party transactions

None of the Board members (2015: none) who has retired from service under the Scheme is in a receipt of a pension on normal terms.

All costs relating to the administration of the Scheme are paid by the Board in the first instance. Following agreement with the responsible bodies in 2002, the administration expenses incurred in respect of the Scheme are borne by the responsible bodies, as part of their contribution rate to the CEFPS. The exact amount incurred by the CEFPS on behalf of the Scheme is not separately identifiable.

14. Post balance sheet events

At the February 2017 Session of the General Synod of the Church of England, the Draft Pensions (Pre-consolidation) Measure received Second Consideration. It is expected to receive Third Consideration at the July 2017 session before being put before Parliament. Royal Assent is expected to be given in late 2017. No substantive changes are expected to be made to the Draft Measure before it is enacted.

If enacted, the Measure will enable the Board to transfer all the assets of the Scheme to the Church of England Funded Pension Scheme ("CEFPS"). It will also put an obligation on the Board to continue to pay any beneficiaries (existing or future) either out of the CEFPS or by alternative arrangements e.g. through an insurance policy.

Appendix 1
The Church of England Pensions Board:
Structure and administrative information 2016

Contents

Structure and history

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

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

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

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

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

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

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

Management

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

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

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

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

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

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

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

Trustee and advisors

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

Board Members

(1 January 2016 to 30 June 2017)

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

Appointed by the Archbishops of Canterbury and York
Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Canon David Froude ACIB

Appointed by the Church Commissioners
Jeremy Clack FIA

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

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

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield
The Revd Paul Boughton ACA
The Revd Nigel Bourne
The Revd Canon David Stanton

Elected by the House of Laity of the General Synod
Jane Bisson
Roger Boulton
Canon Nicolete Fisher
Alan Fletcher FCII
Emma Osborne
Brian Wilson FIA

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

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

Committee Members

Audit and Risk Committee

Canon David Froude ACIB (Chair)
Jane Bisson
Ian Boothroyd
The Revd Paul Boughton ACA
The Revd Canon David Stanton
The Revd Richard Battersby (co-opted)
David Hunt FCA (co-opted)

Board Development Committee

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

Pensions Committee

Roger Mountford (Chair)
The Revd Fr Paul Benfield
Ian Boothroyd
Canon Sandra Newton
Maggie Rodger
Brian Wilson FIA
Ben Preece-Smith (co-opted)

Housing Committee

Canon Sandra Newton (Chair)
The Revd Nigel Bourne
Ian Clark
Canon Nicolete Fisher
The Rt Revd Alan Wilson, Bishop of Buckingham
James Berrington (co-opted)
Jeremy Gray (co-opted)
Jon Head (co-opted)
Henrietta Podd (co-opted)

Investment Committee

Alan Fletcher FCII (Chair)
Roger Boulton
Jeremy Clack FIA
Richard Hubbard
Roger Mountford
Emma Osborne
Simon Baynes (co-opted)
Matthew Beesley (co-opted)
Peter Parker TD DIA (co-opted)
Jonathan Rodgers (co-opted)

Professional Advisers

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

Enquiries

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

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

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

Appendix 2

Ethical Investment Approach of the National Church Institutions

Ethical Investment Policy Approach of the National Church Institutions

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

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

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

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

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

Stewardship

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

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

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

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

Engagement

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

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

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

Investment exclusions

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

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

Ethical Investment

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

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

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

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

2016 highlights

In the past year, the Pensions Board has:

- Voted on 28,783 resolutions at 2,219 company meetings globally

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

- Held engagement meetings with 20 companies on ethical, environmental, social and governance issues, often in collaboration not only with the Church Commissioners but also with other church investors and pension funds.

- Co-filed shareholder resolutions at Anglo American, Glencore and Rio Tinto AGMs on climate change which were subsequently recommended to shareholders and passed with considerable majorities. As a result of these resolutions the companies have begun to significantly increase their disclosure on climate change around operational emissions management, asset portfolio resilience against 2035 scenarios, low carbon energy R&D and investment, executive incentivisation during the low carbon transition, and public policy activity relating to climate change.

- Launched the Transition Pathway Initiative (TPI) at the London Stock Exchange with Asset Owners and Funds with over £2 trillion in Assets under Management. The initiative supports the London School of Economics Grantham Research Institute to analyse companies on two sets of assessments, i) management capacities and ii) future projected performance against a 2 degree pathway and a current government policy pledge pathway.

Ethical investment agenda 2018

The next year will have a major focus on rolling out the analysis by the Transition Pathway Initiative (TPI) and utilising this as the basis for collaborative engagement with companies within which we are invested. 2018 will also see the introduction of the extractive industries policy which will provide a basis for structured engagement with the sector. We will also continue to focus on executive remuneration and governance within companies through the use of our shareholder vote,

Further information about the work of the EIAG is contained in its annual report. The EIAG's reporting year runs from 1 April to 31 March and its annual report is published in July and available on the Church of England's website.

The Church of England Investment Fund for Pensions

Annual Report and Financial Statements 2016

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Investment Fund for Pensions ("CEIFP", or the "Fund") is pleased to present its annual report for the year ended 31 December 2016.

Scheme constitution and management

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

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

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

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

Unitisation

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

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

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

Financial developments

The Board agreed a new asset allocation target for the RSP during the year. This will increase the diversification of the RSP and reduce the volatility of its valuation.

The new target has a reduced allocation to public traded equities, and within that reduced allocation the equity portfolio will be restructured and the bias to the UK market eliminated. There is an increase in exposure to investments that rely more on contractual income and that are less liquid, such as infrastructure, various forms of debt, and private equity.

In accordance with the new target, the passively managed UK index tracking equity mandate managed by Legal & General was closed during the year and the proceeds were invested in a basket of equity index futures that replicate the MSCI World Index. This pool of liquidity will be used to fund the new investments arising from the new asset allocation target.

Two new equity mandates, where the managers will aim for their portfolios to have considerably less volatility than global equities, will be funded in early 2017. The Board has also planned a programme of investment in global infrastructure with a range of managers that will take place over the next five years or so. The first appointment, of EQT Infrastructure Partners, was made at the end of 2016. Further appointments will follow in 2017.

The Board also reviewed a number of existing investments during the year and subsequently increased the RSP's allocation to emerging market sovereign debt and actively managed global equities. The investment in loans to smaller companies in the US that was agreed in 2015 was gradually made during 2016 and this is now largely complete.

The implementation of liability driven investments ("LDI") for the Board's schemes was completed in 2016, with the establishment of separate LDI pools for each scheme. Currently, the CWDPF and the CEFPS have bespoke portfolios, while the CAPF and CWPF invest in a pooled gilt fund that tracks the FTSE Actuaries UK Index-linked Gilts Over 5 Year Index. Consequently, the LMP is invested solely in corporate bonds.

Trustee's report (continued)

Financial developments (continued)

At the end of 2016, the Fund's assets were split between 18 managers running 19 mandates in all:

Fund manager	**Description**
Return Seeking Pool	
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Senior Loans	Portfolio of private loans in the US
Bridgewater	Pooled GTAA fund
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
Edinburgh Partners	Global equities
EQT Infrastructure Partners	Pooled infrastructure fund (from December 2016)
First State Investments	Pooled infrastructure fund
Legal & General	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Trilogy Global	Emerging market equities
T Rowe Price	Emerging market equities
Winton	Pooled GTAA fund
Liability Matching Pool	
Insight	High quality corporate bonds
BlackRock	Index linked gilts and Liability Driven Investment frameworks

Investment Performance

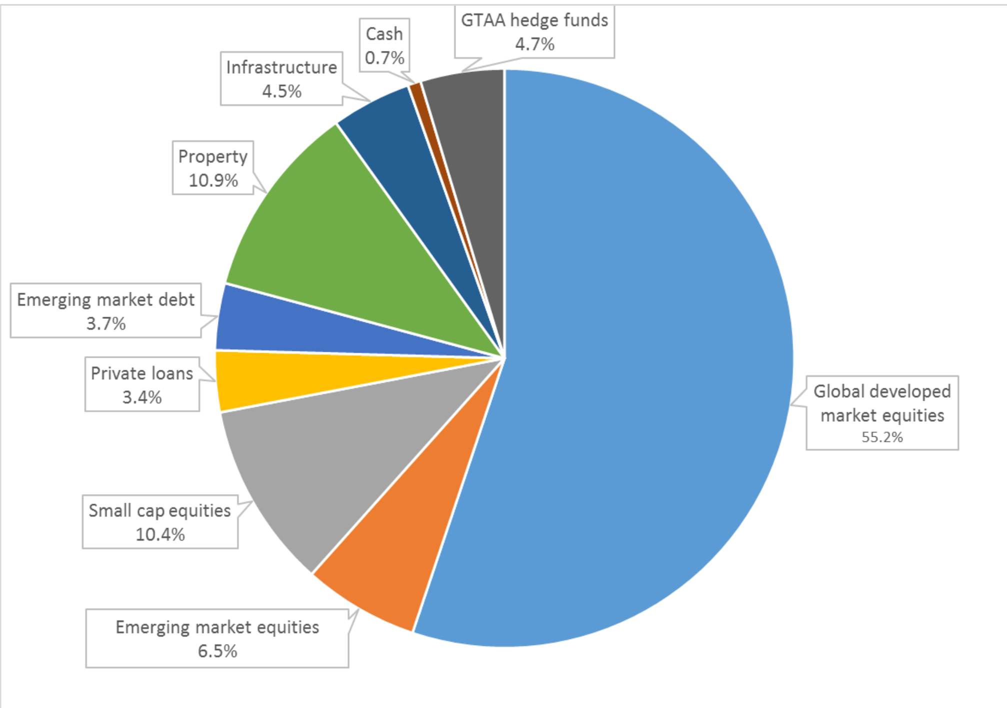
The Fund's assets returned 21.2% in aggregate over 2016. The Return Seeking Pool returned 19.1% over the year, and the Liability Matching Pool 11.2%. This was the strongest return overall for the Board's pension scheme assets since performance records began in 2003.

	1 yr % p.a.	**3 yr % p.a.**	**5 yr % p.a.**	**10 yr % p.a.**
Total assets, made of:				
Return Seeking Pool	19.1	9.8	11.7	5.9
Liability Matching Pool*	11.2	9.4	5.7	8.3

**Corporate bonds only from 5 May 2016*

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

Return Seeking Pool
At the year end, the asset mix of the Return Seeking Pool's investments was as follows:



Trustee's report (continued)

Investment Performance (continued)

The longer term returns to 31 December 2016 of the broad asset classes invested in by the Return Seeking Pool are set out below (all figures are net of fund management fees):

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Return Seeking Pool overall return	**19.1**	**9.8**	**11.7**	**5.9**
Pool benchmark (consolidation of manager benchmarks)	*21.4*	*10.5*	*11.8*	*6.2*
RPI + 3% - comparator	*5.5*	*4.8*	*5.7*	*5.8*
Global Equities	**20.8**	**9.9**	**12.9**	**6.5**
Global Equity consolidated benchmark	*25.4*	*11.5*	*13.4*	7.1
Property	**11.2**	**12.5**	**10.0**	**2.2**
Consolidated Property benchmark	*2.8*	*10.4*	*8.3*	*1.0*
Global Tactical Asset Allocation	**4.6**	**6.8**	**5.4**	**-**
3 month UK LIBOR	*0.7*	*0.7*	*0.8*	-
Infrastructure	**26.1**	**9.2**	**-**	**-**
European CPI + 5%	*6.2*	*5.4*	-	-
Fixed Income (emerging market sovereign debt and private debt)	***33.3***	-	-	-
Consolidated Fixed Income benchmark	*30.9*	-	-	-

Equities posted very strong returns over 2016, with the MSCI World Index gaining 27.4% in Sterling terms, for example, despite what would normally have been expected to be a difficult and uncertain period for markets.

It is disappointing that collectively our equity fund managers have missed our consolidated benchmark in 2016, but markets tend to perform very strongly, as they did last year, when riskier stocks do well. For 2016 that was profit-free internet companies, and oil and commodity stocks. Institutional quality fund managers and their strategies tend to be exposed to less risky stocks, and, as one would expect, those used by the Board are generally like that. The flip-side is that we expect our managers to outperform falling or less strongly performing markets.

The chief sources of the underperformance in equities in 2016 were the small cap managers Copper Rock (8.9% below benchmark) and Arrowstreet (2.2% below benchmark); GTAA manager Winton (3% absolute loss); and global equity manager Edinburgh Partners (5.2% below benchmark). Although the small cap managers had a difficult year in 2016, their long term records are extremely strong and we currently have no concerns about them. Copper Rock has returned 19.9% p.a. and Arrowstreet 19.7% p.a. since the inception of their mandates in late 2012.

Within the GTAA hedge fund allocation Winton's returns have some tendency to be negatively correlated with Bridgewater's. Overall, the allocation generated a return of 4.6% over 2016, with Bridgewater returning 11.7% in 2016.

Infrastructure (+24.4%), US private debt (+16.1%), emerging market sovereign debt (+32%), and property (+11.2%) all posted very good returns.

The weakening of Sterling against other major currencies had a significant impact on investment returns for 2016. Directly, in terms of boosting the value of investments valued in other currencies, and indirectly in the anticipation of the overseas profits of UK companies being translated into larger Sterling amounts driving UK equity indices. Our returns were helped directly by around 3% over 2016, after taking into account the effect of our currency programme, which seeks to hedge half our US Dollar, Euro and Yen exposures.

We choose to invest in line with an agreed ethical investment policy, which prohibits certain types of investment. Over 2016 the effect was again positive; ethically adjusted indices had better returns than the unadjusted indices. The ethically adjusted MSCI World index returned 28.1%, which was 0.7% more than its standard counterpart.

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

The longer term returns to 31 December 2016 are set out below (all figures are net of fund management fees):

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Liability Matching Pool	**11.2**	**9.4**	**5.7**	**8.3**
Pool benchmark (consolidation of manager benchmarks)	*12.2*	*9.9*	*6.0*	*7.9*

Investment management
The Trustee has delegated the day to day management of investments to an Investment Committee, who in turn have professional external investment managers and advisors. The Trustee set the investment strategy for the Fund after taking advice from the Fund's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy and is supplemented by the Investment Policy Implementation Document, copies of which may be obtained from the contact for enquiries or website, given in Appendix 1. The investment risks and strategies in place to mitigate these risks are described in the context of the financial statements and Fund's risks in the notes to the financial statements.

Trustee's report (continued)

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

Management charges
Each manager charges fees based on the value of the funds it is managing. In 2016 these fees (including those charged by Northern Trust as custodian) were £5.3m (2015: £4.2m). This equated to 0.30% (2015: 0.24%) of the average value of the funds under management.

Approval
The Trustee's Report was approved by the Trustee on 30 June 2017 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary and Chief Executive

Statement of Trustee's Responsibilities

In respect of the financial statements

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

The Trustee is responsible for preparing the financial statements in accordance with UK Generally Accepted Accounting Practice including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") which:

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

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

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

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, and making any estimates and judgements on a prudent and reasonable basis.

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

The Trustee is also jointly responsible for the maintenance and integrity of the www.churchofengland.org website.

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

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

Report on the financial statements

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

- give a true and fair view of the financial transactions of the Common Investment Fund during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

What we have audited
The Church of England Investment Fund for Pensions financial statements comprise:

- the net assets statement as at 31 December 2016;
- the statement of total return for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee
As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they 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) ("ISAs (UK & 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 the Clergy Pensions Measure 1961 and the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). 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 Common Investment Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2017

Statement of total return
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Change in market value of investments	6	238,832	(912)
Change in market value of cash and cash equivalents		6,461	(464)
Total change in market value		245,293	(1,376)
Income	4	48,726	40,260
Expenses	5	(5,335)	(4,219)
Changes in net assets attributable to unit holders from investment activities		288,684	34,665

Statement of changes in net assets attributable to unit holders
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Opening net assets attributable to unit holders		1,733,064	1,672,838
Amounts receivable on issue of units	11	44,072	52,223
Amounts payable on cancellation of units	11	(219,046)	(26,682)
Net assets before change from investment activities		1,558,090	1,698,379
Changes in net assets attributable to unit holders from investment activities	11	288,684	34,685
Closing net assets attributable to unit holders		1,846,774	1,733,064

Statement of net assets attributable to unit holders
as at 31 December 2016

	Notes	2016 £000	2015 £000
Investment assets			
Equities	6	991,235	1,008,055
Bonds	6	132,857	309,019
Pooled investment vehicles	6	406,251	297,820
Derivative	8	8,211	945
Other investment balances	6	1,595	1,807
Investment cash	6	316,173	117,836
Total investment assets		1,856,322	1,735,482
Current assets			
Debtors		4,710	4,671
Total current assets		4,710	4,671
Total assets		1,861,032	1,740,153
Investment liabilities			
Derivatives contracts	8	(14,258)	(7,089)
Total liabilities		(14,258)	(7,089)
Total net assets attributable to unit holders	12	1,846,774	1,733,064
Participants' funds	11		
The Church of England Funded Pensions Scheme		1,396,782	1,305,903
Clergy (Widows and Dependants) Pensions Fund		-	-
The Church Workers Pensions Fund		368,344	328,549
The Church Administrators Pensions Fund		81,648	98,612
		1,846,774	1,733,064

The notes 1 to 14 form part of these financial statements.

These financial statements were approved by the Trustee on 30 June 2017 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

Notes to the financial statements

1. Legal status

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

2. Basis of preparation

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

3. Accounting policies

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

a) Income and expenditure

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

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

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

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

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

b) Investment valuation

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

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

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

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

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

- **Venture capital and partnerships** which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end. Where the value of a venture capital or partnership is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The NAV should be determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

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

c) Foreign currencies

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

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

d) Unitisation

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

Notes to the financial statements (continued)

4 Income

	2016	**2015**
	£000	**£000**
Equities	29,697	26,601
Bonds	6,976	7,020
Pooled investment vehicles	11,055	6,025
Other investments	84	56
Cash and Cash equivalents	914	558
Total income	48,726	40,260

5 Expenses

	2016	**2015**
	£000	**£000**
Investment managers' fees	5,335	4,219
Total expenditure	5,335	4,219

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

6 Investments

	at 1 January	Purchases and derivative payments	Disposals and derivative receipts	Change in market value	at 31 December
	£000	£000	£000	£000	£000
Equities	1,008,055	350,787	(591,320)	223,713	991,235
Bonds	309,019	27,983	(231,394)	27,249	132,857
Pooled investment vehicles	297,820	94,301	(26,859)	40,989	406,251
Net derivative contracts (note 8)	(6,144)	90,620	(37,201)	(53,322)	(6,047)
Other Investments	1,807	146	(561)	203	1,595
	1,610,557	563,837	(887,335)	238,832	1,525,891
Investment cash	117,836				316,173
Total investments	1,728,393				1,842,064

Analysed between:		
Investment assets	1,735,482	1,856,322
Investment liabilities	(7,089)	(14,258)
Total investments	1,728,393	1,842,064

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

	2016			**2015**		
	Commission	Other charges	Total	Commission	Other charges	Total
	£000	£000	£000	£000	£000	£000
Equities	443	226	669	359	145	504
Bonds	-	-	-	1	-	1
	443	226	669	360	145	505

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

a) Pooled investment vehicles

	2016	2015
	£000	£000
Equities	9,093	392
Bonds	-	1
Property	173,919	162,418
Cash	5,664	2,467
Hedge funds	82,775	79,163
Infrastructure	74,444	53,379
Private debt	60,356	-
Total pooled investment vehicles	406,251	297,820

Notes to the financial statements (continued)

7 Investment analysis

Investments of over 5% of net assets
There are no individual investments of more than 5% of the Fund's net assets (2015: none).

Employer related investments
There were no employer related investments as at 31 December 2016 (2015: none).

8 Derivatives

	2016			2015		
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Futures – equities	2,811	(47)	2,764	528	(211)	317
Futures – bonds	213	(4)	209	13	(13)	-
Forward foreign currency contracts	5,187	(14,207)	(9,020)	404	(6,865)	(6,461)
Total derivatives	8,211	(14,258)	(6,047)	945	(7,089)	(6,144)

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

Forwards are used to mitigate currency risk by hedging 50% of equities assets denominated in US Dollar, Japanese Yen and Euro. They are also used as an active strategy focussing on emerging market currencies.

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

	2016			2015		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*18,330*	445	-	*3,905*	166	-
Equities futures: Overseas	*257,320*	2,366	(47)	*49,603*	362	(211)
Total equities futures	***275,650***	**2,811**	**(47)**	***53,508***	**528**	**(211)**
Bonds: UK	*7,801*	183	-	*4,437*	-	(8)
Bonds: Overseas	*(6,851)*	30	(4)	*(3,948)*	13	(5)
Total bonds futures	***950***	**213**	**(4)**	***489***	**13**	**(13)**

All contracts have expiry dates of three months after the year end. Included within cash balances is an asset of £20,608,000 (2015: £3,911,000) in respect of initial and variation margins arising on futures contract open at the year end.

Notes to the financial statements (continued)

8 Derivatives (continued)

b) Forwards foreign currency contracts

Outstanding forward foreign currency contracts at year end are summarised as follows:

Currency Bought/Sold	Value of Currency bought	Value of Currency sold	Assets at 31 Dec 16	Liabilities at 31 Dec 16
	£000	£000	£000	£000
GBP/AUD	12,122	(12,072)	50	-
GBP/CAD	937	(944)	-	(7)
GBP/CNY	1,750	(1,782)	-	(32)
GBP/EUR	117,500	(115,926)	2,059	(485)
GBP/HKD	3,665	(3,762)	-	(97)
GBP/JPY	33,192	(30,546)	2,698	(52)
GBP/MYR	1,577	(1,593)	-	(16)
GBP/NZD	1,644	(1,640)	4	-
GBP/SEK	746	(755)	-	(9)
GBP/SGD	2,813	(2,834)	-	(21)
GBP/USD	315,394	(328,124)	-	(12,730)
HUF/USD	6,419	(6,456)	30	(67)
JPY/USD	191	(190)	1	-
MXN/USD	1,858	(1,871)	2	(15)
MYR/USD	3,738	(3,772)	-	(34)
PLN/USD	4,762	(4,786)	28	(52)
RON/USD	1,130	(1,141)	-	(11)
TRY/USD	4,108	(4,100)	17	(9)
TWD/USD	1,910	(1,928)	-	(18)
USD/BRL	4,434	(4,672)	-	(238)
USD/GBP	188	(185)	3	-
USD/IDR	4,518	(4,563)	-	(45)
USD/PEN	7,239	(7,411)	-	(172)
USD/PLN	66	(66)	-	-
USD/THB	4,044	(4,023)	21	-
USD/TRY	1,349	(1,323)	29	(3)
USD/TWD	1,931	(1,910)	21	-
USD/ZAR	2,832	(2,926)	-	(94)
ZAR/USD	3,810	(3,586)	224	-
	545,867	(554,887)	5,187	(14,207)

Over-the-counter contracts in place at 31 December 2016 were with Deutsche Bank, Goldman Sachs, JP Morgan Chase, Northern Trust and UBS AG, and had expiry dates of up to three months after the year end.

9 Fair value hierarchy

In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

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

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

The Fund's investment assets and liabilities have been included at fair value within these categories as follows as at 31 December 2016:

Level	1	2	3	Total 2016
Investment assets	**£000**	**£000**	**£000**	**£000**
Equities	988,430	-	2,805	991,235
Bonds	-	126,017	6,840	132,857
Pooled investment vehicles	12,463	251,011	142,777	406,251
Derivatives contracts	7,661	550	-	8,211
Other investments	1,595	-	-	1,595
Investment cash	303,412	12,761	-	316,173
Total investment assets	1,313,561	390,339	152,422	1,856,322
Investment liabilities				
Derivatives	(11,420)	(2,838)	-	(14,258)
Total investment liabilities	(11,420)	(2,838)	-	(14,258)
Total investments	1,302,141	387,501	152,422	1,842,064

Notes to the financial statements (continued)

9 Fair value hierarchy (continued)

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2016**
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,301,035	319,339	151,467	1,771,841
Liability Matching Pool	1,106	68,162	955	70,223
Total investments	1,302,141	387,501	152,422	1,842,064

As at 31 December 2015:

Level	**1**	**2**	**3**	**Total 2015**
Investment assets	**£000**	**£000**	**£000**	**£000**
Equities	1,005,132	-	2,923	1,008,055
Bonds	-	299,902	9,117	309,019
Pooled investment vehicles	11,355	214,831	71,634	297,820
Derivatives contracts	945	-	-	945
Other investments	1,807	-	-	1,807
Investment cash	117,836	-	-	117,836
Total investment assets	1,137,075	514,733	83,674	1,735,482
Investment liabilities				
Derivatives	(7,089)	-	-	(7,089)
Total investment liabilities	(7,089)	-	-	(7,089)
Total investments	1,129,986	514,733	83,674	1,728,393

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2015**
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,126,057	250,821	79,566	1,456,444
Liability Matching Pool	3,929	263,912	4,108	271,949
Total investments	1,129,986	514,733	83,674	1,728,393

10 Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 as follows:

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

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

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

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

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

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

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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

	Credit risk	Market risk			Total	Total
		Currency	Interest rate	Other price	**2016**	**2015**
					£000	**£000**
Equities	○	◑	○	●	991,235	1,008,055
Bonds	●	◑	●	●	132,857	309,019
Pooled investment vehicles	◑	◑	◑	◑	406,251	297,820
Derivatives contracts (net)	●	◑	◑	◑	(6,047)	(6,144)
Other investments	●	◑	○	○	1,595	1,807
Investment cash	●	◑	○	○	316,173	117,836
Total investments					1,842,064	1,728,393

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

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

The Fund's two investment pools are unitised: a return seeking pool and liability matching pool. The proportion of units is dependent on the individual requirements of each of the investing schemes. Please see the respective investment risk disclosures for further information about the investment strategy of each scheme.

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

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

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

	2016	2015
	£000	**£000**
Bonds	132,857	309,019
Pooled investment vehicles	406,251	297,820
Derivatives: forwards	(9,020)	(6,461)
Other investments	1,595	1,807
Investment cash	316,173	117,836
Total investments exposed to credit risk	847,856	720,021

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

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

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

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

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

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

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

Currency Risk

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

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

	Gross exposure £000	Hedged £000	**Net exposure 2016 £000**	**Net exposure 2015 £000**
Pounds sterling	575,973	487,730	**1,063,703**	**1,177,370**
US Dollars	743,991	(322,088)	**421,903**	**283,032**
Euros	187,962	(113,215)	**74,747**	**50,858**
Japanese Yen	92,380	(29,420)	**62,960**	**47,504**
Other currencies	250,778	(23,007)	**227,771**	**176,090**
Total investments (excluding forwards)	1,851,084	-	**1,851,084**	**1,734,854**
Forwards			(9,020)	(6,461)
Total investments			**1,842,064**	**1,728,393**

Interest rate risk

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

Other price risk

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

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

11. Member schemes' participation

The Fund has two pools, the Return Seeking Pool consisting mostly of equities and cash, and the Liability Matching Pool consisting mostly of bonds or index linked investments and cash.

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

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

Return Seeking Pool:

	At 1 January £000	**Amounts receivable on issue of units £000**	**Amounts payable on cancellation of units £000**	**Change in net assets from investment activities £000**	**At 31 December £000**
The Church of England Funded Pensions Scheme	1,100,249	37,600	(1,076)	206,362	**1,343,135**
Clergy (Widows & Dependants) Pension Fund	-	121	(120)	(1)	-
The Church Workers Pension Fund					
Defined Benefit Scheme	222,573	1,415	(15)	41,016	**264,989**
Pension Builder Classic	72,298	1,094	(5)	13,411	**86,798**
Pension Builder 2014	4,366	3,342	-	1,193	**8,901**
The Church Workers Pension Fund	299,237	5,851	(20)	55,620	**360,688**
The Church Administrators Pension Fund	60,054	500	(4)	11,049	**71,599**
Total Return Seeking Pool	1,459,540	44,072	(1,220)	273,030	**1,775,422**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Liability Matching Pool:

	At 1 January £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December £000
The Church of England Funded Pensions Scheme	205,654	-	(163,776)	11,769	**53,647**
Clergy (Widows & Dependants) Pension Fund	-	-	-	-	**-**
The Church Workers Pension Fund					
Defined Benefit Scheme	3,773	-	(2,991)	216	**998**
Pension Builder Classic	25,539	-	(20,343)	1,462	**6,658**
Pension Builder 2014	-	-	-	-	**-**
The Church Workers Pension Fund	29,312	-	(23,334)	1,678	**7,656**
The Church Administrators Pension Fund	38,558	-	(30,716)	2,207	**10,049**
Total Liability Matching Pool	273,524	-	(217,826)	15,654	**71,352**
Total assets	1,733,064	44,072	(219,046)	288,684	**1,846,774**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2016 (2015: nil).

As at 31 December 2016, the Board had made the following commitments

	2016 £m	2015 £m
Pooled investment vehicles (property)	6.5	17.5
Pooled investment vehicles (infrastructure)	22.7	15.0
Pooled investment vehicles (private debt)	21.1	80.9
Total commitments	50.3	113.4

13. Related parties

Four Board members (2015: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

14. Post balance sheet events

There were no post balance sheet events.