The Church Workers Pension Fund

Annual Report and Financial Statements 2016

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church Workers Pension Fund ("CWPF", 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 1953 in accordance with the Church of England Pensions Board (Powers) Measure 1952 and operates as a centralised occupational pension scheme.

The CWPF has two distinct sections:

- the Defined Benefit Scheme; and
- Pension Builder Scheme.

The Pension Builder Scheme is further divided into two sub-sections:

- Pension Builder Classic; and
- Pension Builder 2014.

The two Pension Builder sub-sections are hybrid: part defined benefit, due to guaranteed pension benefits; but also have defined contribution elements, due to the amount of benefit being dependent on accumulated pension contributions.

Some employers participate in more than one section. Employers include diocesan boards of finance, cathedral chapters, mission agencies and other bodies connected with the ministry and mission of the Church of England.

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.

Other than the Scheme's liability driven investments ("LDI"), and Defined Benefit Scheme's insurance policy (see below), the Scheme's investments are principally held in a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"). The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since it was established in 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification. The CEIFP's annual report and financial statements are attached at Appendix 3.

The CEIFP has two pools with differing risk and return characteristics that the Schemes can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures in Appendix 3 for more information.

<u>Pension Builder 2014</u>
The Pension Builder 2014 sub-section has been operating since February 2014. There are now 185 participating employers. It was set up to help small employers comply with auto-enrolment legislation. It is a scheme that guarantees to pay out at least the value of the contributions paid in plus any bonuses, which are dependent on the investment returns. This guarantee means Pension Builder 2014 is classified as a cash balance scheme both in respect of tax and pensions legalisation.

<u>Pension Builder Classic</u>
There are 150 employers participating in this sub-section. It is a scheme which guarantees pension benefits for its members. The scheme provides guaranteed increases to pensions in line with limited price indexation ("LPI") in respect of contributions paid after 5 April 1997. Discretionary bonuses are applied to all benefits and to all pensions in payment relating to contributions paid before 6 April 1997. Bonuses may be declared by the Trustee, but are dependent on the funding level of the section each year.

<u>Defined Benefit Scheme</u>
The Defined Benefit Scheme currently has 78 participating employers. Employers have some flexibility as to the benefit structure for members. The scheme provides a guarantee that pensions will increase in line with LPI.

The scheme is managed in two sections: an employer section and a life risk section, each section with an investment strategy that reflects its purpose (see note 12 to the financial statements for more detail). The employer section receives contributions and invests in return seeking assets until the point of retirement. At point of retirement, an amount is transferred to the life risk section, which pays pensions. This section is invested in liability matching assets and return seeking assets.

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
During 2016, the Trustee implemented an LDI strategy, with the establishment of a separate LDI account for the Scheme. The account is managed by BlackRock, with advice from the Board's Investment Consultant, Mercer.

The CEIFP's Liability Matching Pool sold its broadly-based index-linked Gilt portfolio in early May 2016, and the proceeds were distributed to the participant pension schemes. This equated to the Scheme disposing of 76% of its Liability Matching Pool units, of which the proceeds were used to invest in a pooled fund outside the CEIFP which tracks the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index, which boosts the Scheme's inflation and interest protection.

Information about the performance of the LDI account is given in 'Investment Management' in the following pages.

Financial developments (continued)

For information about the CEIFP's own financial developments in the year, see its Trustee's Report in Appendix 3.

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.

Membership

The change in membership during the year for each section of the Scheme is as follows:

Defined Benefit Scheme	Active	Deferred	Pensioners*	Beneficiaries*	Total
At 1 January	553	1,697	1,858	170	4,278
New members joining	12	-	-	-	12
Members retiring	(29)	(79)	108	-	-
Members leaving with refunds	(3)	-	-	-	(3)
Members leaving prior to pension age	(41)	41	-	-	-
Transfers Out	-	(1)	-	-	(1)
Deaths	(1)	(3)	(32)	(9)	(45)
New spouse and dependent pensions	-	-	-	22	22
Total at 31 December	**491**	**1,655**	**1,934**	**183**	**4,263**

* Included within the above are 1,535 (2015: 1,564) pensioners and 168 (2015: 156) beneficiaries whose benefits are partly provided by an insurance policy.

Pension Builder Classic	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,473	1,592	1,192	99	4,356
New members joining	481	-	-	-	481
Members retiring	(28)	(53)	81	-	-
Members leaving with refunds	(68)	-	-	-	(68)
Members leaving prior to pension age	(140)	140	-	-	-
Transfers Out	-	(8)	-	-	(8)
Deaths	(2)	(11)	(38)	(4)	(55)
New spouse and dependent pensions	-	-	-	6	6
Other	(8)	(3)	(3)	-	(14)
Total at 31 December	**1,708**	**1,657**	**1,232**	**101**	**4,698**

Pension Builder 2014	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,300	111	12	-	1,423
New members joining	591	-	-	-	591
Members retiring	(7)	-	7	-	-
Members leaving with refunds	(82)	-	-	-	(82)
Members leaving prior to pension age	(97)	97	-	-	-
Other	(20)	1	(1)	-	(20)
Total at 31 December	**1,685**	**209**	**18**	**-**	**1,912**

Pension Increases

Increases to pensions in payment in the CWPF are made in line with the Retail Prices Index ("RPI") up to a limit of 2.5% or 5.0%. The increase in RPI in the year to 30 September 2016 was 2.0%.

No discretionary bonuses were paid in respect of Pension Builder Classic and Pension Builder 2014. Bonuses are not applicable to the Defined Benefit Scheme.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's Actuary. The Scheme does not accept transfers.

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. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the employers and set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme's Actuary who carries out a full actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

Actuarial liabilities (continued)

A full actuarial valuation of the Scheme as at 31 December 2016 is currently underway. The most recent valuation was carried out as at 31 December 2013 which showed that on that date:

	Defined Benefit Scheme	Pension Builder Classic*
	£m	£m
Technical provision	310.4	86.6
Value of assets	297.5	87.1
(Deficit)/Surplus	(12.9)	0.5

* at the most recent valuation date, the Pension Builder 2014 was not yet in existence.

The method and significant actuarial assumptions used to determine the technical provisions for the Defined Benefit Scheme and the Pension Builder Classic are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method
The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rate	
for employer pools (pre-retirement)	5.6%
for life risk section (post-retirement)	4.1%
RPI	0.7%
Pay increases	CPI + 1.2%
Pension increases:	
Increasing in line with CPI (capped at 3.0%)	2.4%
Increasing in line with RPI (capped at 2.5%)	2.3%
Increasing in line with RPI (capped at 5.0%)	3.4%
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables in line with the CMI 2013 core projections with long-term annual rate of improvement of 1.5% for both males and females

As a result of the actuarial valuation the Trustee agreed future contribution rates and “recovery periods” (the period over which the identified deficit is targeted to be eliminated) with each participating Defined Benefit Scheme employer. Whilst the majority of employers agreed a recovery period of 5 years or less, a 10 to 13 year period was agreed with six employers and a 17 year period with one employer, each case being considered on its merits. Contribution rates were revised and implemented from 1 April 2015.

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, 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 incorporates the investment strategy and is supplemented by the Investment Policy Implementation Document (“IPID”), copies of which may be obtained on request. See page 16 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
In 2014 the Trustee decided to reduce the defined benefit liability risk by purchasing an insurance contract (“buy in”) from Prudential. The contract transferred 70% of the pension risk at the contract date from the employers to the insurer. It removed significant investment risk from the assets backing that part of the payments and the risk associated with longevity too.

Following the implementation of the LDI strategy, the Scheme now holds £28.5 million of its liability matching assets outside the CEIFP in its own LDI account. Apart from a cash reserve (held to meet the monthly pension commitments), all other assets are held in the CEIFP return seeking or liability matching pools.

The CEIFP’s custody arrangements are described in the CEIFP’s Trustee Report in Appendix 3. The Trustee has appointed Northern Trust Company Limited (“Northern Trust”) to keep custody of the Scheme's investments, other than pooled investment vehicles (“PIV”), where the manager makes its own arrangements for the custody of underlying investments.

Investment performance
At the end of 2016, the Scheme held 70.8% (2015: 69.3%) of its net assets in the CEIFP’s Return Seeking Pool, which comprises equities, property unit trusts, active currency, corporate bonds and cash; and 1.5% (2015: 6.8%) in the CEIFP’s Liability Matching Pool. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 3.

The remaining 5.6% (2015: 0%) of the Scheme’s investments excluding the insurance policy, were in its own LDI account. Index-linked Gilts posted very strong returns over the year, with the FTSE Over 5-Year Index-linked Gilt index appreciating by 27.4% in 2016. The Scheme’s LDI returns were particularly strong, with a gain of 22.5% from May to December 2016.

Investment performance (continued)

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 Church Workers 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.

In respect of the Schedule of Contributions

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the Schedule of Contributions.

Where breaches of the Schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

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 Workers 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 Church Workers 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 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 International Standards on Auditing (UK and Ireland) ("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

	Note	Pension Builder 2014	Pension Builder Classic	Defined benefit scheme	**2016 Total**	Pension Builder 2014	Pension Builder Classic	Defined benefit scheme	**2015 Total**
		£000	£000	£000	**£000**	£000	£000	£000	**£000**
Contributions									
Employer contributions	4	2,924	4,208	6,342	**13,474**	2,523	3,673	7,951	**14,147**
Employee contributions	4	851	1,233	230	**2,314**	658	1,108	279	**2,045**
Other income	4	171	170	400	**741**	138	109	307	**554**
Total contributions and other income		3,946	5,611	6,972	**16,529**	3,319	4,890	8,537	**16,746**
Benefits									
Benefits paid or payable	5	(70)	(3,873)	(10,442)	**(14,385)**	(99)	(3,615)	(10,283)	**(13,997)**
Payments to and on account of leavers	6	(35)	(51)	-	**(86)**	(41)	(63)	(1)	**(105)**
Transfers out		(59)	(523)	(103)	**(685)**	(51)	(305)	(138)	**(494)**
Administrative expenses	7	(383)	(650)	(494)	**(1,527)**	(239)	(705)	(471)	**(1,415)**
Total benefits and other expenses paid		(547)	(5,097)	(11,039)	**(16,683)**	(430)	(4,688)	(10,893)	**(16,011)**
Net additions/(withdrawals) from dealings with members		3,399	514	(4,067)	**(154)**	2,889	202	(2,356)	**735**
Returns on investments									
Deposit interest		-	8	6	**14**	-	-	3	**3**
Income from insurance policies		-	-	4,869	**4,869**	-	-	4,954	**4,954**
Change in market value of investments	10	1,193	19,384	52,187	**72,764**	4	1,766	(1,103)	**667**
Net returns on investments		1,193	19,392	57,062	**77,647**	4	1,766	3,854	**5,624**
Net increase in fund		4,592	19,906	52,995	**77,493**	2,893	1,968	1,498	**6,359**
Opening net assets		4,463	98,472	328,755	**431,690**	1,570	96,504	327,257	**425,331**
Closing net assets		9,055	118,378	381,750	**509,183**	4,463	98,472	328,755	**431,690**

Notes 1 to 16 form part of these Financial Statements.

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

	Notes	Pension Builder 2014	Pension Builder Classic	Defined benefit scheme	**2016 Total**	Pension Builder 2014	Pension Builder Classic	Defined benefit scheme	**2015 Total**
		£000	£000	£000	**£000**	£000	£000	£000	**£000**
Investments									
Pooled investment vehicles (CEIFP)	10	8,901	93,456	265,987	**368,344**	4,366	97,837	226,346	**328,549**
Pooled investment vehicles (other)	10	-	24,867	3,673	**28,540**	-	-	-	-
Insurance policies	10	-	-	111,480	**111,480**	-	-	101,190	**101,190**
Total investments		8,901	118,323	381,140	**508,364**	4,366	97,837	327,536	**429,739**
Current assets	8	342	464	734	**1,540**	337	657	1,291	**2,285**
Current liabilities	9	(188)	(409)	(124)	**(721)**	(240)	(22)	(72)	**(334)**
Net current assets		154	55	610	**819**	97	635	1,219	**1,951**
Total net assets available for benefits		9,055	118,378	381,750	**509,183**	4,463	98,472	328,755	**431,690**

The financial statements of The Church Workers Pension Fund summarise the transactions of the schemes 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 scheme year. The actuarial position, which does take account of such defined benefit obligations, is dealt with in the statements by the actuary on page 4.

Notes 1 to 16 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 Workers Pension Fund (the "Scheme") is an occupational pension scheme established under trust on 1 January 1953 by The Church of England Pensions Board (the current Trustee).

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of preparation of financial statements

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 4.

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) Contributions

Employer contributions, which consist of both normal and deficit contributions are accounted for on an accruals basis in the payroll month to which they relate.

Employee contributions are accounted for on an accruals basis in the month deducted from payroll.

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

b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

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

c) Transfers to/from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on an accruals basis, which is generally when funds are transferred unless the Trustee of the receiving scheme have agreed to accept the liability in advance of receipt of funds.

d) Administrative and other expenses

Administrative and investment management expenses are accounted for on an accruals basis. The costs are split between each section of the Scheme according to each section's use of management and administration time.

e) Income from insurance policies, investment income and expenditure

Most of the Scheme's investments are units in the CEIFP, which is an accumulation fund. The CEIFP's net investment income, after paying management and transaction fees is retained within the fund for reinvestment. The value of the Scheme's holding in CEIFP units consequently is affected by the change in market value of investments, comprising of all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

Income arising from insurance policies is shown separately in the Fund Account and is accounted for on the accruals basis.

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.

Notes to the financial statements (continued)

3. Accounting policies (continued)

f) Investment valuation

The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, provided by the custodian Northern Trust. These prices are calculated using the number of units held and the fair value of the CEIFP's underlying investment assets and liabilities. Where separate bid and offer prices are available for the underlying investment assets and liabilities, 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.

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 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 advised by the fund manager 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.

Insurance policies

Insurance policies are valued by the Scheme's Actuary, Lane Clark and Peacock LLP, at the amount of the related obligation using the actuarial method. This is determined by the most recent scheme funding valuation assumptions updated for market conditions at the reporting date.

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.

g) Foreign currencies

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

4. Contributions

Pension Builder 2014:

	2016 £000	2015 £000
Employer contributions		
Normal	2,904	2,522
AVC	20	-
Section 75	-	1
Total employer contributions	2,924	2,523
Employee contributions		
Normal	540	401
AVC	311	257
Total employee contributions	851	658
Other income		
Contributions for life cover	171	138
Total other income	171	138

Pension Builder Classic:

	2016 £000	2015 £000
Employer contributions		
Normal	4,037	3,589
AVC	83	-
For supplemental pensions	81	1
Section 75	7	83
Total employer contributions	4,208	3,673
Employee contributions		
Normal	554	503
AVC	679	605
Total employee contributions	1,233	1,108
Other income		
Contributions for life cover	170	109
Total other income	170	109

Notes to the financial statements (continued)

4. Contributions (continued)

Defined Benefit Scheme:

	2016	2015
	£000	£000
Employer contributions		
Normal	3,992	4,540
Deficit	2,350	3,399
For supplemental pensions	-	12
Total employer contributions	6,342	7,951
Employee contributions		
Normal	230	259
AVC	-	20
Total employee contributions	230	279
Other income		
Contributions for administration costs	400	307
Total other income	400	307

Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 April 2015 up to a maximum of 17 years.

5. Benefits paid or payable

Pension Builder 2014:

	2016	2015
	£000	£000
Lump sums on retirement	46	19
Lump sums on death	-	80
Commutations	24	-
Total benefits	70	99

Pension Builder Classic:

	2016	2015
	£000	£000
Pensions	3,121	3,125
Lump sums on retirement	533	342
Lump sums on death	98	73
Commutations	121	75
Total benefits	3,873	3,615

Defined Benefit Scheme:

	2016	2015
	£000	£000
Pensions	8,341	7,913
Lump sums on retirement	2,063	2,296
Lump sums on death	38	74
Total benefits	10,442	10,283

6. Payments to and on behalf of leavers

Pension Builder 2014:

	2016	2015
	£000	£000
Refunds of contributions in respect of non-vested leavers	35	41
Total benefits	35	41

Pension Builder Classic:

	2016	2015
	£000	£000
Refunds of contributions in respect of non-vested leavers	51	63
Total benefits	51	63

Notes to the financial statements (continued)

6. Payments to and on behalf of leavers (continued)

Defined Benefit Scheme:

	2016 £000	2015 £000
Refunds of contributions in respect of non-vested leavers	-	1
Total benefits	-	1

7. Administrative expenses

The administrative expenses comprise a recharge from the Board for costs it bears on the Scheme's behalf. A breakdown of the costs which make up this recharge is listed below:

	2016 £000	2015 £000
Actuarial fees	212	244
Audit fees	28	23
Pension levy	49	47
Legal advice	65	148
Investment services	195	37
Administrative expenses	978	916
Total administrative expenses	1,527	1,415

Administrative expenses are split between each section of the Scheme as follows:

	2016 £000	2015 £000
Pension Builder 2014	383	239
Pension Builder Classic	650	705
Defined Benefit Scheme	494	471
Total administrative expenses	1,527	1,415

8. Current assets

Pension Builder 2014:	2016 £000	2015 £000
Debtors		
Employer contributions	333	292
Other	4	-
Total debtors	337	292
Cash	5	45
Total current assets	342	337

Pension Builder Classic:	2016 £000	2015 £000
Debtors		
Employer contributions	444	390
Trustee	-	211
Other	5	8
Total debtors	449	609
Cash	15	48
Total current assets	464	657

Defined Benefit Scheme:	2016 £000	2015 £000
Debtors		
Employer contributions	554	607
Trustee	-	453
Other debtors	-	3
Total debtors	554	1,063
Cash	180	228
Total current assets	734	1,291

Amounts owed from the Trustee represent money charged by the Board in advance towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

Notes to the financial statements (continued)

9. Current liabilities

Pension Builder 2014:

	2016	2015
	£000	£000
Creditors		
Unpaid benefits	2	-
Trustee	186	239
Other	-	1
Total creditors	188	240

Pension Builder Classic:

	2016	2015
	£000	£000
Creditors		
Unpaid benefits	40	-
Tax payable – NI and PAYE	147	-
Trustee	222	-
Other	-	22
Total creditors	409	22

Defined Benefit Scheme:

	2016	2015
	£000	£000
Creditors		
Unpaid benefits	12	41
Trustee	112	-
Other	-	31
Total creditors	124	72

Amounts owed to the Trustee represent money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

10. Investment assets

The tables below shows the movement in CEIFP units and other investments in the year:

Pension Builder 2014:

	At 1 January	Additions	Disposals	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)					
Return seeking pool	4,366	3,342	-	1,193	8,901
Total investments	4,366	3,342	-	1,193	8,901

Pension Builder Classic:

	At 1 January	Additions	Disposals	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)					
Return seeking pool	72,298	1,094	(5)	13,411	86,798
Liability matching pool	25,539	-	(20,343)	1,462	6,658
Total pooled investment vehicles	97,837	1,094	(20,348)	14,873	93,456
Pooled investment vehicles (bonds)	-	20,481	-	4,386	24,867
Bonds	-	19,704	(19,829)	125	-
Total investments	97,837	41,279	(40,177)	19,384	118,323

Defined benefit scheme:

	At 1 January	Additions	Disposals	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)					
Return seeking pool	222,573	1,415	(15)	41,016	264,989
Liability matching pool	3,773	-	(2,991)	216	998
Total pooled investment vehicles	226,346	1,415	(3,006)	41,232	265,987
Pooled investment vehicles (bonds)	-	3,025	-	648	3,673
Bonds	-	2,912	(2,929)	17	-
Insurance policies: Prudential buy-in	101,190	-	-	10,290	111,480
Total investments	327,536	7,352	(5,935)	52,187	381,140

Notes to the financial statements (continued)

10. Investment assets (continued)

Transaction expenses
Transaction costs relating to the CEIFP are borne by the CEIFP.

From May 2016 the Scheme has incurred £30,000 in fees from Blackrock. Custody charges are negligible.

The Blackrock managed *Aquila Life over 5 years Index Linked Fund* is registered in the UK.

11. Fair Value of Investment assets

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown in Appendix 3.

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, ie for which market data is unavailable

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at fair value within these categories as follows:

Pension Builder 2014:

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			8,901
Total investments	-	-	-	8,901

At 31 December 2015	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIPF)	(see hierarchy in the CEIFP in Appendix 3)			4,366
Total investments	-	-		4,366

Pension Builder Classic:

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			93,456
Pooled investment vehicles (other)	-	-	24,867	24,867
Total investments	-	-	24,867	118,323

At 31 December 2015	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIPF)	(see hierarchy in the CEIFP in Appendix 3)			97,837
Total investments	-	-	-	97,837

Defined benefit scheme:

At 31 December 2016	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			265,987
Pooled investment vehicles (other)	-	-	3,673	3,673
Insurance policies	-	-	111,480	111,480
Total investments	-	-	115,153	381,140

At 31 December 2015	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			226,346
Insurance policies	-	-	101,190	101,190
Total investments	-	-	101,190	327,536

Notes to the financial statements (continued)

12. 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 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 £000**	**2015 £000**
Pension Builder 2014						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					8,901	4,366
Total Pension Builder 2014 investments					8,901	4,366
Pension Builder Classic						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					86,798	72,298
Liability matching pool					6,658	25,539
Pooled investment vehicles (other)	◑	○	◑	◑	24,867	-
Total Pension Builder Classic investments					118,323	97,837
Defined Benefit Scheme						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					264,989	222,573
Liability matching pool					998	3,773
Pooled investment vehicles (other)	◑	○	◑	◑	3,673	-
Insurance policies	●	○	●	○	111,480	101,190
Total Defined Benefit Scheme investments					381,140	327,536

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

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described below 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 for its directly held investments and through the CEIFP for its pooled CEIFP investments, which are described in Appendix 3.

These investment objectives and risk limits for directly held investments are implemented through the investment management agreement in place with the Scheme's investment manager. The agreement sets 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 manager through day to day monitoring of the portfolio and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

Investment strategy

Pension Builder 2014

The Pension Builder 2014 is invested wholly in the CEIFP in its return seeking pool, on account of so few of its members drawing a pension, and hence the Trustee has adopted a strategy that seeks to ensure sufficiency of assets in the future. The investment risks faced by the CEIFP are described in Appendix 3.

Pension Builder Classic

The investment strategy for the Pension Builder Classic is to hold investments split 25% and 75% between liability matching and return seeking assets. The weighting has been chosen by the Trustee after seeking advice from its investment advisors to ensure sufficiency of assets in the future whilst also ensuring there is sufficient liquidity to meet current pension obligations.

Until May 2016, this was achieved by holding all investments in the CEIFP. From May 2016, most of the liability matching investments are now held directly in PIVs, with a smaller proportion remaining in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

Defined Benefit Scheme

The defined benefit scheme is managed in two funds: an employer section and a life risk section.

Employer section

The employer section holds funds for members before their retirement and is nominally divided into employer pools. The investment strategy is to hold 100% of the fund in return seeking assets, which are held wholly in the CEIFP.

Life risk section

The life risk section holds funds for pensioners and funds their payments. Since 2014 an insurance contract has been held which pays out 70% of the section's pensions in payment at the contract date, and their future increases. This provides a lower risk environment for participating employers. The Trustee's investment strategy for this section of the Scheme is to hold 25% of the fund (excluding the value of the insurance policy) in return seeking assets and 75% of liability matching assets. This strategy ensures that the section's pension payments are matched to the investment returns and risks.

Until May 2016, the strategy was achieved by holding all investments in the return seeking pool or liability matching pool within the CEIFP. From May 2016, most of the liability matching investments are now held directly in PIVs, with a small proportion remaining in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

Credit risk

The insurance policy counterparty is responsible for making payments to the Scheme in line with the contract and there is a risk they default on their obligations. The Trustee has mitigated this risk by carrying out suitably rigorous due diligence on the contract before it was signed and on an on-going basis monitor any changes to the operating environment of the counterparty.

Interest rate risk

The Scheme is subject to interest rate risk due to its buy in insurance policy. The insurance policy will increase in value as interest rates fall and decrease in value as interest rates rise. The nature of the arrangement however is such that the insurance policy is designed to move in the opposite direction to the value of obligations to pay future benefits to members.

Notes to the financial statements (continued)

13. Concentration of investments

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

	2016 £000	%	2015 £000	%
Pension Builder 2014:				
CEIFP return seeking pool	8,901	98.3	4,366	97.8
Pension Builder Classic:				
CEIFP return seeking pool	86,798	73.3	72,298	73.4
Aquila Life over 5 years Index Linked Fund	24,867	21.1	-	-
CEIFP liability matching pool	6,658	5.6	25,539	25.9
Defined Benefit Scheme:				
CEIFP return seeking pool	264,989	69.4	222,573	67.7
Prudential buy-in	111,480	29.2	101,190	30.8

14. Employer related investments

There were no direct employer-related investments during the year. Unpaid contributions at the balance sheet date normally constitute employer-related investments unless they are subsequently paid on time and therefore do not constitute employer-related investments.

15. Related party transactions

Two Board members (2015: two) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

16. Post balance sheet events

There were no post balance sheet events.

Actuary's Certificate

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Actuary's certification of the calculation of technical provisions

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

Name of scheme: **Church Workers' Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 31 March 2015.

Signature: ....

Date: 31 March 2015

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street
London
W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme The Church Workers' Pension Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to be met by the end of the period specified in the recovery plan dated 31 March 2015.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 March 2015.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: AWA .... **Date:** 31 March 2015

Name: Aaron Punwani **Qualification:** FIA

Address: 95 Wigmore Street
London W1U 1DQ

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

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 31 March 2015 and their Recovery Plan dated 31 March 2015 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

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Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedules of Contributions dated 16 December 2014.

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

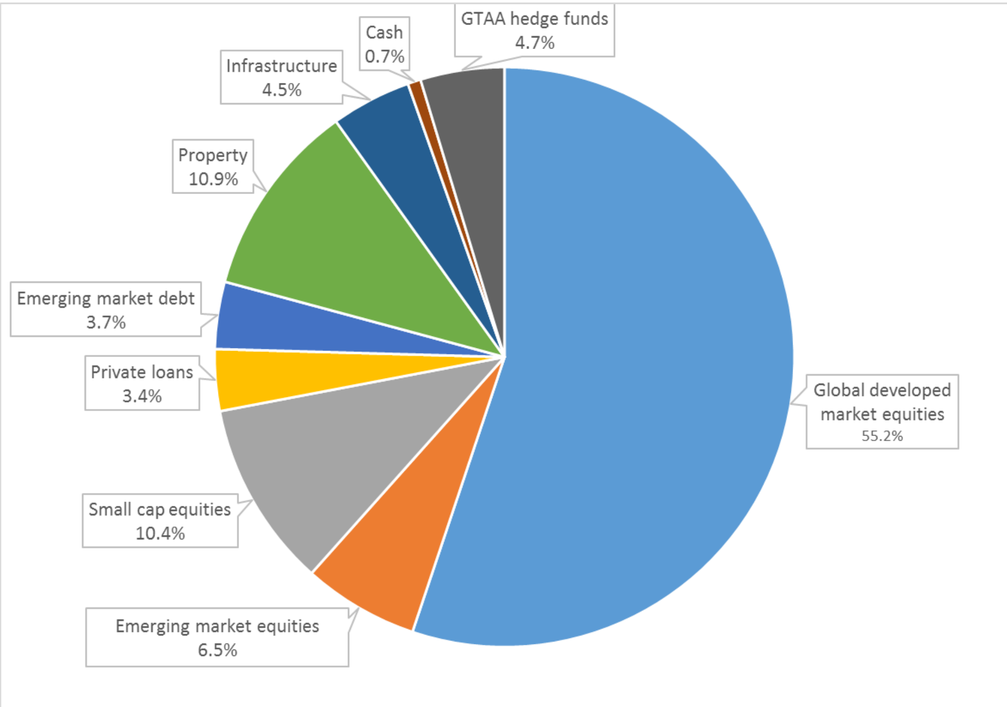
The Fund's assets returned 21.2% in aggregate over 2016. The Return Seeking Pool returned 19.1% over the year, and the Liability Matching Pool 11.2%. This was the strongest return overall for the Board's pension scheme assets since performance records began in 2003.

	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

	at 1 January	at 31 December
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.