

Church Workers Pension Fund

Annual Report and Financial Statements 2017

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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 2017.

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 Management and Custody of Investments section on page 5), 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, to which the smaller schemes would not have access on their own. 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.

Pension Builder 2014

The Pension Builder 2014 sub-section has been operating since February 2014. There are now 334 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 legislation.

Pension Builder Classic

There are 161 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.

Defined Benefit Scheme

The Defined Benefit Scheme currently has 80 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 section is managed in two parts: an employer section and a life risk section, each section with an investment strategy that reflects its purpose (see note 13 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 and has an insurance policy which pays 70% of pension in payment at the contract date.

Rule changes

There were no changes to the Scheme's rules during 2017. A full copy of the Scheme's rules is available on request.

Financial developments

There were no significant financial developments within the Scheme during the year.

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.

Trustee's report (continued)

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	491	1,655	1,934	183	4,263
New members joining	13	-	-	-	13
Members retiring	(33)	(72)	105	-	-
Members leaving with refunds	(2)	(3)	-	-	(5)
Members leaving prior to pension age	(66)	66	-	-	-
Transfers Out	-	(6)	-	-	(6)
Deaths	(1)	(1)	(39)	(1)	(42)
New spouse and dependent pensions	-	-	-	21	21
Adjustments/other	-	1	(20)	(7)	(26)
Total at 31 December	402	1,640	1,980	196	4,218

* Included within the above are 1,490 (2016: 1,535) pensioners and 182 (2016: 168) beneficiaries whose benefits are partly provided by an insurance policy.

Pension Builder Classic	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,708	1,657	1,232	101	4,698
New members joining	427	-	-	-	427
Members retiring	(22)	(57)	79	-	-
Members leaving with refunds	(85)	(25)	-	-	(110)
Members leaving prior to pension age	(184)	184	-	-	-
Movements between sections	(29)	-	-	-	(29)
Transfers Out	-	(7)	-	-	(7)
Deaths	(2)	(4)	(46)	(6)	(58)
New spouse and dependent pensions	-	-	-	8	8
Adjustments/other	2	(2)	20	7	27
Total at 31 December	1,815	1,746	1,285	110	4,956

Pension Builder 2014	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,685	209	18	-	1,912
New members joining	652	-	-	-	652
Members retiring	(5)	-	5	-	-
Members leaving with refunds	(111)	(3)	-	-	(114)
Members leaving prior to pension age	(154)	154	-	-	-
Movements between sections	29	-	-	-	29
Deaths	(1)	-	-	-	(1)
Other	1	(1)	-	-	-
Total at 31 December	2,096	359	23	-	2,478

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 2017 was 3.9% (2016: 2.0%). Pensions in payment on 1 April 2018 increased therefore by 3.9% (2017: 2.0%).

No discretionary bonuses were paid in respect of Pension Builder Classic (2016: none). Pension Builder 2014 declared a discretionary bonus of 9.6% (2016: 15.0%) which is payable from 1 April in the following year. 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 determined by the Trustee, after considering actuarial advice and having consulted with the employers, and is 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.

Trustee's report (continued)

Actuarial liabilities (continued)

The most recent valuation was carried out as at 31 December 2016 which showed at that date:

	Defined Benefit Scheme £m	Pension Builder Classic £m	Pension Builder 2014 £m
Technical provision	408.1	132.6	8.6
Value of assets	378.7	118.4	9.1
(Deficit)/Surplus	(29.4)	(14.2)	0.5

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)	4.2% p.a.
for life risk section (post-retirement)	2.35% p.a.
RPI	3.2% p.a.
Pay increases	CPI + 1.2% p.a.
Pension increases:	
Increasing in line with CPI (capped at 3.0%)	2.4% p.a.
Increasing in line with RPI (capped at 2.5%)	2.2% p.a.
Increasing in line with RPI (capped at 5.0%)	3.3% p.a.
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables in line with the CMI 2015 core projections with long-term annual rate of improvement of 1.5% p.a. 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. The majority of employers agreed a recovery plan of seven years or less from 1 April 2018. Only one employer required a recovery plan longer than 10 years (from 1 April 2018) and that recovery plan is due to end on 30 June 2033, and is supported by an Individual Payment Plan agreement.

Investment management

Investment strategy and principles

The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor. 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 ("SIP") has been prepared for the Scheme by the Trustee. This incorporates the investment strategy and is supported by documents that set out how the investment strategy is implemented. Copies of the SIP may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

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.

The Scheme holds £57.5m (2016: £28.5m) of its liability matching assets outside the CEIFP in its own LDI accounts. 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 The 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 2017, the Scheme held 68.6% (2016: 70.8%) of its net assets in the CEIFP's Return Seeking Pool, which comprises public equities, private infrastructure equity, private debt, emerging market sovereign debt, property unit trusts, hedge funds and cash; and 1.5% (2016: 1.5%) in the CEIFP's Liability Matching Pool, which consists solely of corporate bonds. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 3.

Trustee's report (continued)

Investment performance (continued)

The remaining investments other than the insurance policy, representing 10.5% (2016: 5.6%) of the Scheme's net assets, were in its own LDI account. Index-linked Gilts posted modest returns over the year, with the FTSE Over 5-Year Index-linked Gilt index appreciating by 2.5% in 2017. The Scheme's LDI returns were 2.6%. The LDI was implemented less than three years ago so longer term returns are not available.

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

Employer related investments

Details of employer related investments are given in note 15 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 and Statement of Trustee's Responsibilities were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

Statement of Trustee's Responsibilities

The Church of England Pensions Board is Trustee of the Church Workers Pension Fund.

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom 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, and the Trustee is responsible for ensuring, that those financial statements:

- 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
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

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

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

Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England

Report on the audit of the financial statements

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 2017, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the statement of net assets available for benefits as at 31 December 2017; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England (continued)

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2018

Fund Account for the year ended 31 December 2017

	Note	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2017 Total £000	2016 Total £000
Contributions							
Employer contributions	4	3,523	4,541	5,555	-	13,619	13,474
Employee contributions	4	1,041	1,216	222	-	2,479	2,324
Transfers in		-	-	36	-	36	-
Other income	4	222	194	-	416	832	731
Total contributions and other income		4,786	5,951	5,813	416	16,966	16,529
Benefits							
Benefits paid or payable	5	(106)	(3,919)	(2,359)	(8,887)	(15,271)	(14,381)
Payments to and on account of leavers	6	(28)	(23)	-	-	(51)	(86)
Transfers out		(135)	(142)	(534)	-	(811)	(689)
Administrative expenses	7	(565)	(739)	-	(1,001)	(2,305)	(1,527)
Total benefits and other expenses paid		(834)	(4,823)	(2,893)	(9,888)	(18,438)	(16,683)
Net additions/(withdrawals) from dealings with members							
		3,952	1,128	2,920	(9,472)	(1,472)	(154)
Returns on investments							
Deposit interest		-	-	-	3	3	14
Income from insurance policies		-	-	-	4,836	4,836	4,869
Change in market value of investments	11	1,182	10,569	21,603	766	34,120	72,764
Investment management expenses		-	(15)	-	(4)	(19)	-
Net returns on investments		1,182	10,554	21,603	5,601	38,940	77,647
Net increase/(decrease) in fund							
Transfers between sections	8	-	-	(12,475)	12,475	-	-
Opening net assets		9,055	118,378	188,244	193,506	509,183	431,690
Closing net assets		14,189	130,060	200,292	202,110	546,651	509,183

Notes 1 to 17 form part of these Financial Statements.

Statement of Net Assets available for benefits as at 31 December 2017

	Notes	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2017 Total £000	2016 Total £000
Investments							
Pooled investment vehicles (CEIFP)	11	14,056	104,418	199,637	64,873	382,984	368,344
Pooled investment vehicles (other)	11	-	25,526	-	31,975	57,501	28,540
Insurance policies	11	-	-	-	105,200	105,200	111,480
Total investments		14,056	129,944	199,637	202,048	545,685	508,364
Current assets							
Current assets	9	442	515	655	535	2,147	1,540
Current liabilities	10	(309)	(399)	-	(473)	(1,181)	(721)
Net current assets		133	116	655	62	966	819
Total net assets available for benefits							
		14,189	130,060	200,292	202,110	546,651	509,183

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position, which does take account of such defined benefit obligations, is dealt with in the report on actuarial liabilities on page 4, and these financial statements should be read in conjunction with this report. Notes 1 to 17 form part of these financial statements. Note 17 shows the full year comparatives.

These financial statements were approved by the Trustee on 27 June 2018 and signed on its behalf by:

Jonathan Spencer
Chairman

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 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 individual 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").

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 the accruals basis in the payroll month to which they relate.

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

Additional voluntary contributions from members are accounted for, on the 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 the accruals basis on the later of the date of retirement and the date the option is exercised.

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate. Other benefits are accounted for on the 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 the 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 the 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 the 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. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

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.

Notes to the financial statements (continued)

4. Contributions

Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Employer contributions					
Normal	3,486	4,344	3,391	-	11,221
Deficit	-	-	2,153	-	2,153
AVC	37	185	-	-	222
For supplemental pensions	-	12	11	-	23
Total employer contributions	3,523	4,541	5,555	-	13,619
Employee contributions					
Normal	744	610	222	-	1,576
AVC	297	606	-	-	903
Total employee contributions	1,041	1,216	222	-	2,479
Other income					
Contributions for administration costs	-	-	-	416	416
Contributions for life cover	222	194	-	-	416
Total other income	222	194	-	416	832
Year ended 31 December 2016	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Employer contributions					
Normal	2,904	4,037	3,992	-	10,933
Deficit	-	-	2,350	-	2,350
AVC	20	83	-	-	103
For supplemental pensions	-	81	-	-	81
Section 75	-	7	-	-	7
Total employer contributions	2,924	4,208	6,342	-	13,474
Employee contributions					
Normal	540	554	240	-	1,334
AVC	311	679	-	-	990
Total employee contributions	851	1,233	240	-	2,324
Other income					
Contributions for administration costs	-	-	-	390	390
Contributions for life cover	171	170	-	-	341
Total other income	171	170	-	390	731

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 2018 to 30 June 2033.

5. Benefits paid or payable

Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Pensions	-	3,094	-	8,887	11,981
Lump sums on retirement	19	440	2,319	-	2,778
Lump sums on death	30	49	40	-	119
Commutations	57	336	-	-	393
Total benefits paid	106	3,919	2,359	8,887	15,271
Year ended 31 December 2016	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Pensions	-	3,121	-	8,337	11,458
Lump sums on retirement	46	533	2,063	-	2,642
Lump sums on death	-	98	38	-	136
Commutations	24	121	-	-	145
Total benefits paid	70	3,873	2,101	8,337	14,381

Notes to the financial statements (continued)

6. Payments to and on account of leavers

Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Refunds of contributions in respect of non-vested leavers	28	23	-	-	51
Total payments to and on account of leavers	28	23	-	-	51
Year ended 31 December 2016	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Refunds of contributions in respect of non-vested leavers	35	51	-	-	86
Total payments to and on account of leavers	35	51	-	-	86

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:

Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Actuarial fees	53	72	-	343	468
Audit fees	22	20	-	10	52
Pension levy	-	4	-	53	57
Legal advice	13	28	-	16	57
Investment services	3	31	-	72	106
Administrative expenses	474	584	-	507	1,565
Total administrative expenses	565	739	-	1,001	2,305
Year ended 31 December 2016	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Actuarial fees	48	71	-	93	212
Audit fees	7	16	-	5	28
Pension levy	-	24	-	25	49
Legal advice	15	38	-	12	65
Investment services	49	108	-	38	195
Administrative expenses	264	393	-	321	978
Total administrative expenses	383	650	-	494	1,527

8. Transfers between sections

The Defined Benefit section is managed in two parts: an employer section and a life risk section. The employer section receives contributions and holds investments for individual employers until the point of retirement. At point of retirement, an amount is transferred to the life risk section, which pays pensions. This is similar to the employer buying an annuity from the Life Risk section.

Notes to the financial statements (continued)

9. Current assets

At 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Debtors					
Employer contributions	440	483	460	-	1,383
Other	2	20	-	55	77
Total debtors	442	503	460	55	1,460
Cash	-	12	195	480	687
Total current assets	442	515	655	535	2,147
At 31 December 2016					
Debtors					
Employer contributions	333	444	554	-	1,331
Trustee	2	-	-	-	2
Other	2	5	-	-	7
Total debtors	337	449	554	-	1,340
Cash	5	15	(115)	295	200
Total current assets	342	464	439	295	1,540

10. Current liabilities

At 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Unpaid benefits	6	44	-	-	50
Tax payable	1	141	-	-	142
Trustee	302	214	-	473	989
Total creditors	309	399	-	473	1,181
At 31 December 2016					
Unpaid benefits	2	40	13	-	55
Tax payable	-	147	-	-	147
Trustee	186	222	15	96	519
Total creditors	188	409	28	96	721

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).

Notes to the financial statements (continued)

11. Investment assets

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

Pension Builder 2014:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	8,901	3,973	-	1,182	14,056
Total investments	8,901	3,973	-	1,182	14,056

Pension Builder Classic:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	86,798	1,052	-	9,624	97,474
Liability matching pool	6,658	-	-	286	6,944
Total pooled investment vehicles	93,456	1,052	-	9,910	104,418
Pooled investment vehicles (other)					
Bonds	24,867	-	-	659	25,526
Total investments	118,323	1,052	-	10,569	129,944

Defined benefit scheme – Employer section:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	187,833	-	(9,799)	21,603	199,637
Total investments	187,833	-	(9,799)	21,603	199,637

Defined benefit scheme – Life risk section:

	At 1 January 2017 £000	Additions £000	Disposals £000	Change in market value £000	At 31 December 2017 £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	77,156	-	(20,025)	6,701	63,832
Liability matching pool	998	-	-	43	1,041
Total pooled investment vehicles	78,154	-	(20,025)	6,744	64,873
Pooled investment vehicles (other)					
Bonds	3,673	28,000	-	302	31,975
Insurance policies: Prudential buy-in	111,480	-	-	(6,280)	105,200
Total investments	193,307	28,000	(20,025)	766	202,048

Transaction expenses

The Scheme did not directly incur transaction costs. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs. Custody charges are negligible. See Appendix 3 for detail about the CEIFP.

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

12. 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.

Notes to the financial statements (continued)

12. Fair Value of Investment assets (continued)

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 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			14,056
Total investments				14,056
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

Pension Builder Classic:

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			104,418
Pooled investment vehicles (bonds)	-	25,526	-	25,526
Total investments	-	25,526	-	129,944
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 (bonds)	-	24,867	-	24,867
Total investments	-	24,867	-	118,323

Defined benefit scheme – Employer section:

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			199,637
Total investments				199,637
At 31 December 2016	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			187,833
Total investments				187,833

Defined benefit scheme – Life Risk section:

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			64,873
Pooled investment vehicles (bonds)	-	31,975	-	31,975
Insurance policies	-	-	105,200	105,200
Total investments	-	31,975	105,200	202,048
At 31 December 2016	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			78,154
Pooled investment vehicles (bonds)	-	3,673	-	3,673
Insurance policies	-	-	111,480	111,480
Total investments	-	3,673	111,480	193,307

Notes to the financial statements (continued)

13. Investment risk disclosures

The investment objective of the Scheme is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. The Trustee sets the investment strategy for the Scheme as detailed in the Statement of Investment Principles (SIP). FRS 102 requires the disclosure of information in relation to credit and market risk:

- **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 2017 £000	Total 2016 £000
		Currency	Interest rate	Other price		
Pension Builder 2014						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					14,056	8,901
Total Pension Builder 2014 investments					14,056	8,901
Pension Builder Classic						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					97,474	86,798
Liability matching pool					6,944	6,658
Pooled investment vehicles (bonds)	●	○	●	●	25,526	24,867
Total Pension Builder Classic investments					129,944	118,323
Defined Benefit Scheme – Employer section						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					199,637	187,833
Total Defined Benefit Scheme - Employer section investments					199,637	187,833
Defined Benefit Scheme – Life Risk section						
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 3)					
Return seeking pool					63,832	77,156
Liability matching pool					1,041	998
Pooled investment vehicles (bonds)	●	○	●	●	31,975	3,673
Insurance policies	●	○	●	○	105,200	111,480
Total Defined Benefit Scheme - Life Risk section investments					202,048	193,307

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, quarterly written updates from the manager and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager and the Trustee's Investment Consultant also independently assesses and monitors the fund managers.

Notes to the financial statements (continued)

13. Investment risk disclosures (continued)

Investment strategy

Pension Builder 2014

The investment strategy for the Pension Builder 2014 is to wholly invest in the CEIFP return seeking pool. The Trustee takes advice as to the level of bonus it can award members, ensuring sufficient, but not excessive, reserves are held to meet the cost of the investment guarantee. 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.

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain 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 - Employer section

The employer section holds funds for members before their retirement and is nominally divided into employer pools. On retirement, an amount for each member is transferred to the Life Risk section. The investment strategy is to hold 100% of the Employer section in return seeking assets, which are held wholly in the CEIFP.

Defined Benefit Scheme – Life Risk section

The life risk section holds funds for pensioners and funds their payments. An insurance contract is held which pays out 70% of the section's pensions in payment at 1 January 2014, and their future increases. This provides a lower risk environment for participating employers.

The investment strategy for the Life Risk section is to hold 25-30% of the fund in return seeking assets and 70-75% in liability matching assets (liability matching assets include the value of the insurance policy). This strategy ensures that the section's pension payments are matched to the investment returns and risks.

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain 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, Prudential, 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 as the value of obligation to pay future benefits to members changes, the value of the insurance policy changes at the same rate to match the obligation.

14. Concentration of investments

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

	2017 £000	%	2016 £000	%
Pension Builder 2014:				
CEIFP return seeking pool	14,056	99.1	8,901	98.3
Pension Builder Classic:				
CEIFP return seeking pool	97,474	74.9	86,798	73.3
Aquila Life over 5 years Index Linked Fund	25,526	5.3	24,867	21.1
CEIFP liability matching pool	6,944	19.6	6,658	5.6
Defined Benefit Scheme – Employer section:				
CEIFP return seeking pool	199,637	99.7	187,833	99.8
Defined Benefit Scheme – Life Risk section:				
Prudential buy-in	105,200	52.1	111,480	57.6
CEIFP return seeking pool	63,832	31.6	77,156	39.9

Notes to the financial statements (continued)

15. Employer related investments

There were no direct employer-related investments during the year. Within debtors is £16,000 (2016: £1,000) of late employer contributions, which represent 0.003% (2016: 0.0001%) of total net assets

16. Related party transactions

Two Board members (2016: two) who have retired from service under the Scheme are in receipt of a pension on normal terms.

17. Prior year Fund Account and Statement of Net Assets Available for Beneficiaries

Fund Account for the year ended 31 December 2016

	Note	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	2016 Total
		£000	£000	£000	£000	£000
Contributions						
Employer contributions	4	2,924	4,208	6,342	-	13,474
Employee contributions	4	851	1,233	240	-	2,324
Other income	4	171	170	-	390	731
Total contributions and other income		3,946	5,611	6,582	390	16,529
Benefits						
Benefits paid or payable	5	(70)	(3,873)	(2,101)	(8,337)	(14,381)
Payments to and on account of leavers	6	(35)	(51)	-	-	(86)
Transfers out		(59)	(523)	(107)	-	(689)
Administrative expenses	7	(383)	(650)	-	(494)	(1,527)
Total benefits and other expenses paid		(547)	(5,097)	(2,208)	(8,831)	(16,683)
Net additions/(withdrawals) from dealings with members		3,399	514	4,374	(8,441)	(154)
Returns on investments						
Deposit interest		-	8	-	6	14
Income from insurance policies		-	-	-	4,869	4,869
Change in market value of investments		1,193	19,384	29,326	22,861	72,764
Net returns on investments		1,193	19,392	29,326	27,736	77,647
Net increase in fund		4,592	19,906	33,700	19,295	77,493
Transfers between sections		-	-	(11,442)	11,442	-
Opening net assets		4,463	98,472	165,986	162,769	431,690
Closing net assets		9,055	118,378	188,244	193,506	509,183

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

	Notes	Pension Builder 2014	Pension Builder Classic	DBS – Employer section	DBS – Life Risk section	2016 Total
		£000	£000	£000	£000	£000
Investments						
Pooled investment vehicles (CEIFP)	11	8,901	93,456	187,833	78,154	368,344
Pooled investment vehicles (other)	11	-	24,867	-	3,673	28,540
Insurance policies	11	-	-	-	111,480	111,480
Total investments		8,901	118,323	187,833	193,307	508,364
Current assets	9	342	464	439	295	1,540
Current liabilities	10	(188)	(409)	(28)	(96)	(721)
Net current assets		154	55	411	199	819
Total net assets available for benefits		9,055	118,378	188,244	193,506	509,183

Actuary's Certificate

3394126

Actuary's certification of schedule of contributions

Page 1 of 2

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

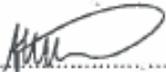
Adequacy of rates of contributions

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 2016 to be met by the end of the period specified in the recovery plan dated 28 March 2018.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 March 2018.

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

Signature:  Date: 28 March 2018

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street
London W1U 1DQ

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