Church Administrators Pension Fund Report on actuarial valuation as at 31 December 2014

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

Church Administrators Pension Fund
Report on actuarial valuation as at 31 December 2014

As instructed, I have carried out an actuarial valuation of the Church Administrators Pension Fund ("the Fund") as at 31 December 2014. I now present my report, which is addressed to the Church of England Pensions Board ("the Board") as Trustee of the Fund.

The main purpose of the report, required by the Pensions Act 2004, is to set out the results and outcomes from the valuation and it also summarises some of the key risks faced by the Fund, as shown in appendix 1. Fund members will receive a summary funding statement relating to the valuation in due course.

The Board is responsible for the choice of assumptions for the valuation, and for then setting an appropriate level of future contributions, in consultation with the sponsoring employers, the Church of England Pensions Board, Church of England Central Services, the Archbishops' Council and the Church Commissioners for England ("the employers"). The main results and agreed contribution are summarised in chart 1 and table 1, with further detail in the following sections, appendices and attached key documents.

Chart 1: Summary of main results as at 31 December 2014

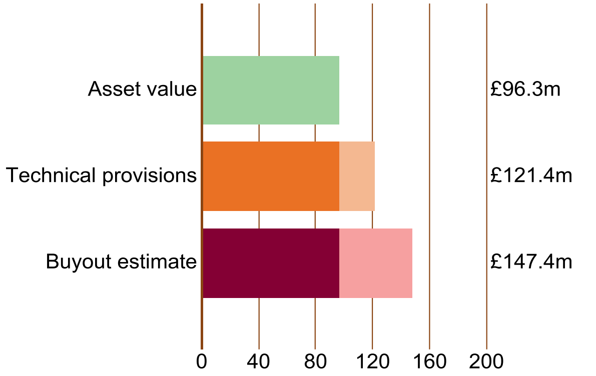


Table 1: Summary of agreed employer contributions

In respect of	
Deficit against technical provisions of £25.1m	£2,616,000 pa from 1 January 2015 to 31 December 2015; then £2,500,000 pa (increasing at 3.3% pa) from 1 January 2016 to 30 June 2025; plus £230,000 pa from the Archbishops' Council (increasing in line with RPI inflation) from 1 January 2015 to 31 December 2016.
Future service accrual	19.1% of Pensionable Salaries each month
Other	£210,000 pa to meet administrative expenses, plus PPF levies.

Table of Contents

Appendices

Key documents

Certification of the calculation of technical provisions

Statement of funding principles

Recovery plan

Schedule of contributions

1. Benefits, contributions, data and assets

For the valuation we have relied on various sources of information, as shown in table 2.

In summary, current active members accrue CARE pension benefits on a scale of 1/125 of Pensionable Salary for each year of pensionable service payable from age 65, and they pay contributions of 1.5% of Pensionable Salary. There are provisions for the indexation of pensions and death benefits, and various benefit and contribution scales have applied in the past. The CARE benefit scale is not contracted-out of the State Second Pension.

The valuation and this report relate solely to the defined benefits section of the Fund, except where specified otherwise.

Table 2: Sources of information

Item	Source	Summarised
Benefit and contribution structure	Trust Deed and Rules dated 22 July 2010	Opposite
Membership data	Board, as Fund administrators	Appendix 2
Audited accounts for 3 years to the valuation date	Board	Revenue account: Appendix 3 Assets: Appendix 4

2. Funding objective and actuarial assumptions

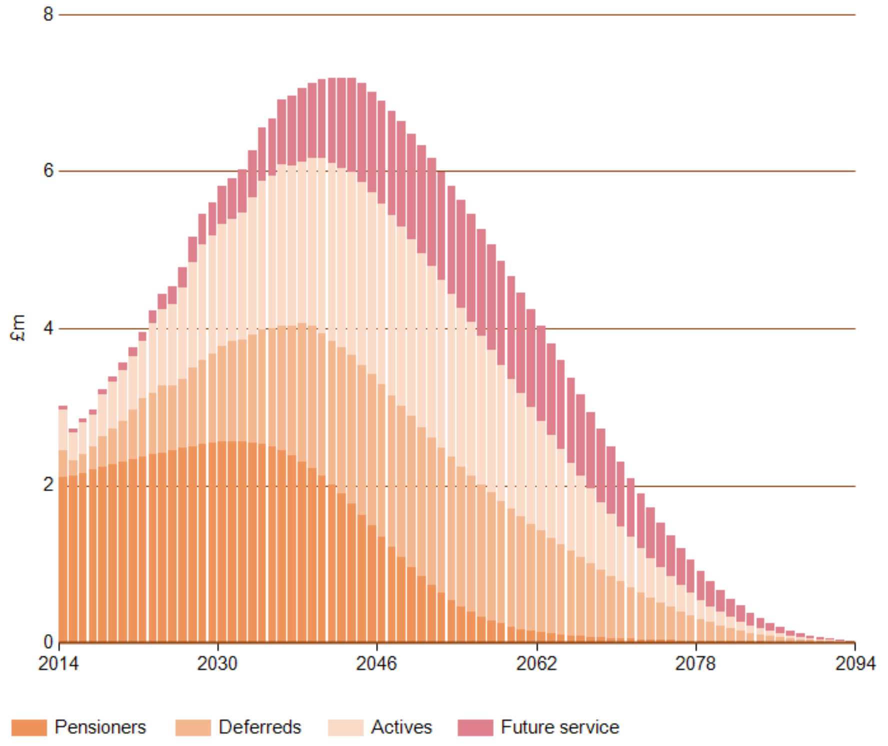
The Fund's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions.

The Board took advice from me and have determined the method and assumptions to use for this valuation in consultation with the employers.

The valuation adopts the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

The benefit cashflows, which are primarily linked to price inflation, projected from the valuation date are shown in chart 2.

Chart 2: Projected benefit cashflows



The valuation includes an assumption about future investment strategy. This assumption is that assets backing pensions in payment are invested in a portfolio consisting of 100% liability-matching assets and that all other benefits are backed by a portfolio of return-seeking assets, including equities. This is a lower risk investment strategy than the previous valuation, as the previous valuation assumed a gradual switch to 100% liability-matching assets (by 2023) for pensions in payment.

The assumptions are set out in the Fund's statement of funding principles, a copy of which is enclosed.

The Fund faces a number of risks, as described in appendix 1.

In particular, the actual returns on the Fund's assets may prove to be higher or lower than those anticipated in the calculation of the technical provisions. The greater the returns anticipated, the greater is the chance that actual returns will be lower, leading to the need for additional employer contributions in the future.

Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

Therefore, in determining the assumptions, the Board took account of their assessment of the strength of the covenants of the employers, and in particular the likely ability to pay additional contributions in the future if future experience proves to be less favourable than the assumptions.

The key differences in the assumptions compared with the previous valuation are as follows:

- The assumed de-risking of the assets has been accelerated such that the Fund's pensions in payment are backed fully by matching assets, rather than the being de-risked gradually over the period to 2023.
- The allowance for salary growth has been reduced from 1.5% pa in excess of RPI to 1.2% pa in excess of CPI (which is equivalent to 0.5% pa in excess of RPI under the valuation assumptions).
- The rate of return anticipated from gilts has reduced from 3.1% pa to 2.5% pa as a result of the fall in market yields.
- The mortality assumption used for this valuation results in slightly longer assumed life expectancy than the assumption adopted at the previous valuation.

In 2012 the Government published draft regulations with the intention that, once enacted, trustees will need to remove any inequalities in Scheme benefits arising from unequal Guaranteed Minimum Pensions ("GMPs"). In 2013 the Government reiterated this intention and announced that it would work on the use of GMP conversion to achieve equality.

The impact of any measures to remove inequalities arising from GMPs will be highly dependent on which groups of members are involved, the methodology adopted and the degree to which there is backdating. No allowance has been made for any additional liabilities that may arise from the potential requirement to adjust benefits to remove such inequalities.

3. Technical provisions and future service contribution rate

As at the valuation date the calculated technical provisions were £121.4m and resulting deficit was £25.1m, as shown in chart 3.

The deficit as at the previous valuation was £32.4m.

The projected deficit at this valuation, had experience been in line with the assumptions made and allowing for contributions paid over the period, would have been £26.0m. The actual deficit at the current valuation is therefore £0.9m lower, and the main reasons for this are shown in chart 4.

“Changes in market conditions” refers to the change in the yields on fixed interest and index-linked gilts over the period.

The future service contribution rate calculated to be sufficient to meet the increase in the technical provisions arising from the accrual of an additional three years’ service, after allowing for member contributions, is 19.1% of Pensionable Salaries.

Appendix 5 shows the effect on the valuation of changing some of the key assumptions.

Chart 3: Assets and technical provisions

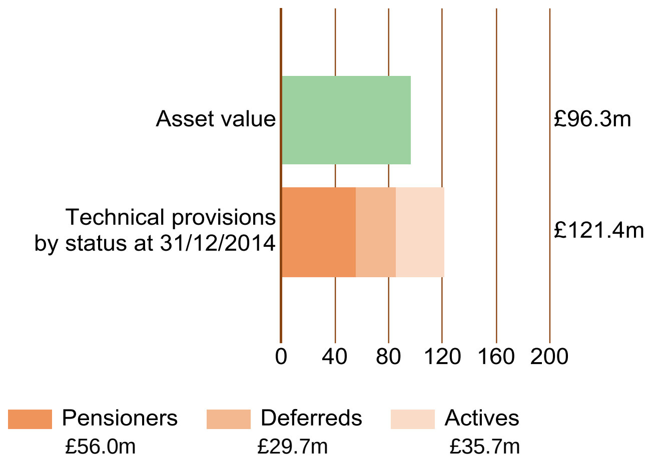
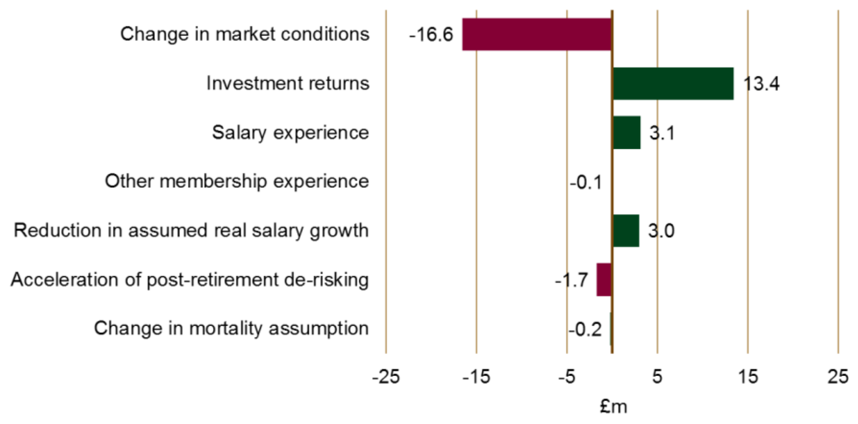


Chart 4: Experience over the three years



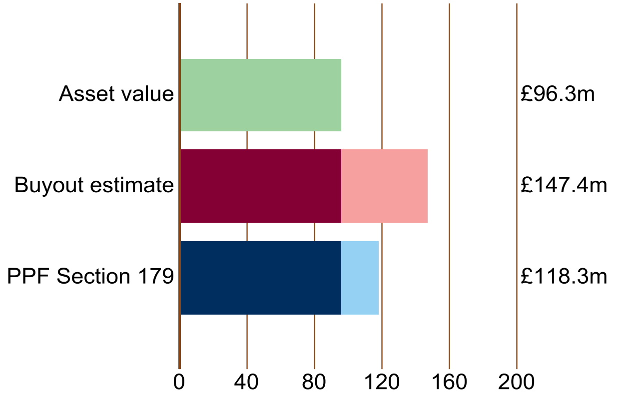
4. Discontinuance

This section considers the position were the employers to have ceased sponsoring the Fund on the valuation date. In this situation, the pensionable service of active members would cease and they would become entitled to leaver benefits. The results are shown in chart 5.

We have considered the solvency of the Fund by estimating the "buy-out" cost as at the valuation date, ie the cost of securing the benefits for all members by the purchase of annuity policies from an insurance company and winding up the Fund.

We have not obtained actual quotations, but have produced our estimate using the assumptions described in appendix 6. These assumptions differ from those set out in the statement of funding principles and they result in an estimated buy-out cost that is higher than the technical provisions.

Chart 5: Discontinuance measures



In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy-out with an insurer. The ultimate shortfall on buy-out could be very different from our estimate for various reasons, including:

- additional funding may be available from the employers;
- market conditions will be different from those applying at the valuation date;
- the insurers will set their terms taking into account their view of the life expectancy of the Fund's members;
- there may have been changes in the level of competition in the insurance market; and
- the actual expenses of winding-up are likely to be different from the allowance made.

The £51m deficit on buy-out compares with £41m as at the previous valuation. This movement is the result of similar factors to those described in section 3 (apart from the change in assumed salary growth), together with changes in the insurance market.

Where a scheme is discontinued because of the insolvency of the employer, the Pension Protection Fund ("PPF") is required to assess whether the scheme is eligible to enter the PPF. This includes assessing whether the scheme is insufficiently funded.

In broad terms, if the PPF is satisfied that the scheme's assets are insufficient to buy out benefits equal to PPF compensation with an insurance company then the assets would be transferred to the PPF which would then pay members PPF compensation in place of scheme benefits. If the assets are sufficient, the scheme can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, with the balance being applied to secure benefits above that level in accordance with the scheme's rules.

As a proxy for the financial assessment that would be required by the PPF in these circumstances, we have taken the provisional results (still subject to review) of the separate statutory "section 179" valuation of the Fund as at the valuation date, as shown in chart 5.

On this basis, it seems likely that, had the Fund discontinued at the valuation date with no further contributions from the employers or other sources, the Fund would have had a shortfall and so met the financial test for entering the PPF.

5. Contribution policy and implications for funding

The Board has determined in consultation with the employers that the employers will pay contributions as shown in the recovery plan and schedule of contributions (enclosed with this report) and summarised in table 1 above.

The projected funding levels three years after the valuation date are shown in table 4. These projections are on the basis that:

- contributions are paid as set out in the schedule of contributions;
- future experience is in line with the assumptions set out in the statement of funding principles; and
- there is no change in the annuity market

Experience from the valuation date is likely to be different from the assumptions made. Therefore, the time taken to pay off the deficit is likely to be shorter or longer than projected.

Table 4: Approximate projected funding levels

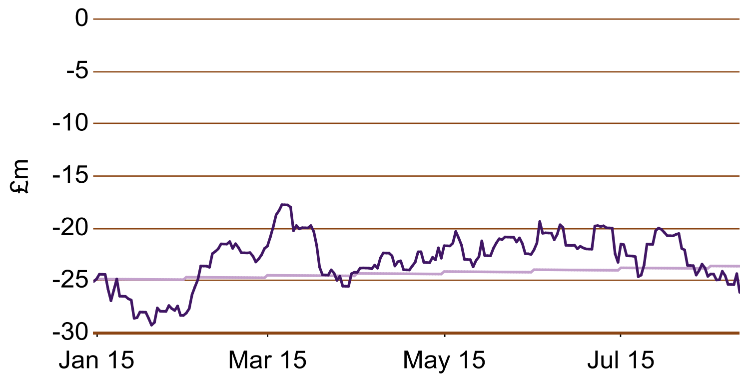
Measure	31 December 2014	31 December 2017
Technical provisions	79%	85%
Solvency	65%	69%

6. Experience since the valuation date

The valuation considers the financial position of the Fund as at the valuation date. Since that time there have been significant fluctuations in investment markets which have affected the value of the assets and the technical provisions.

Chart 6 shows an approximate projection of how the deficit against the technical provisions has varied since the valuation date.

Chart 6: Estimated deficit



7. Certification

Under the Pensions Act 2004, I am required to certify that the technical provisions have been calculated in accordance with the legislation, and my certificate is enclosed.

I am also required to certify that the schedule of contributions is consistent with the statement of funding principles and that payment of contributions at the agreed rates could have been expected to lead to the Fund having sufficient assets to cover its technical provisions by the end of the recovery period.

My certificate forms part of the schedule of contributions, which is also enclosed.

Aaron Punwani FIA
Partner
Appointed Scheme Actuary

30 October 2015

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The use of our work

Our work (including any calculations) has been provided to assist you and is only appropriate for the purposes described. Unless otherwise indicated, it is not intended to assist any other party nor should it be used to assist with any other action or decision.

Our work is provided for your sole use. It is confidential to you, although we acknowledge that you are required to pass it to the employer sponsoring the scheme. You should not provide our work, in whole or in part, to any other third party unless you are legally obliged to do so by statute or regulation (eg in relation to the disclosure of information to scheme members).

We accept no liability to any third party to whom our work has been provided (with or without our consent), unless the third party has asked us to confirm our liability to them, and we have done so in writing.

Professional Standards

This report is part of the work in connection with the valuation of the scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. The work in preparing this report is subject to and complies with those principles set out in the Technical Actuarial Standard on reporting actuarial information (version 2), on data (version 1), on modelling (version 1), together with the Pensions Technical Actuarial Standard (version 2).

Appendices

Some risks faced by the Fund

Risk	Comments
Employers	The employers are not able to make the required contributions, and in particular are not able to pay increased contributions if experience is unfavourable. If this happened, then it is unlikely that the Fund would be able to pay the benefits in full.
Investment strategy	Changes in asset values are not matched by changes in the technical provisions. The technical provisions are linked to gilt yields, but the Fund assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the deficit would increase.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the technical provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved.
Gilt yields	Asset values and the technical provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Fund's holding in gilts and its technical provisions in terms of their nature (ie fixed or inflation-linked) and/or their duration.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated.
Mortality	Fund members live longer, and so benefits are paid longer, than anticipated.
Regulatory	In future the Fund may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions has not been allowed for in the valuation.

Church Administrators Pension Fund

Membership details

The following table shows the membership details as at 31 December 2014. Figures as at 31 December 2011 are shown in brackets.

	Number		Average age		Pensionable Salaries / Pensions £'000 pa	
Active members	192	(275)	52	(50)	7,504	(10,260)
Deferred members	345	(344)	48	(46)	764	(616)
Pensioners and dependants	473	(402)	67	(66)	2,109	(1,570)
Total	1,010	(1,021)				

Notes:

- The average annual increase in Pensionable Salary (as used for our valuation) for those who were active members on 31 December 2011 and 31 December 2014 was 1.7% pa over the three years.
- The pension figures for deferred members have been obtained by totalling members' deferred pensions as at the date of leaving service.
- The pension figures for pensioners and dependants have been obtained by totalling members' pensions in payment at the valuation date. For the avoidance of doubt, the pensions do not include the pension increase due on the following day.
- There have been discretionary increases to benefits since the previous valuation, in line with Board and employers' stated policy. Pensions in payment have been increased as follows since the previous actuarial valuation:

	1 January 2012	1 January 2013	1 January 2014
Service prior to 6 April 1997	5.2%	2.2%	2.7%

	1 January 2012	1 January 2013	1 January 2014
Service from 6 April 1997	5.2%	2.6%	3.2%

Consolidated revenue account

	£m	£m
Opening fund as 31 December 2011		67.1
Income		
Employer's contributions	11.6	
Members' contributions (excluding voluntary)	0.4	
Other income	0.8	
Total income		12.8
Expenditure		
Pensions	(5.5)	
Lump sum commutations	(1.8)	
Other expenses	(1.0)	
Total expenditure		(8.3)
Change in value of investments		24.7
Closing fund at 31 December 2014		96.3

Note: Assets in respect of the Defined Contribution section of the Fund and members' AVCs have been excluded from the above figures.

Investment strategy and composition of assets

The table below sets out the benchmark asset allocations under the Board's investment strategy as at the valuation date and the actual holdings as at the valuation date.

	Benchmark holding	Market value at 31 December 2014	
Asset type		**£m**	**%**
Return-seeking pool	39.9	57.8	60
Liability-matching pool	56.4	38.7	40
Cash and net current assets	0.0	-0.2	0
Total assets	96.3	96.3	100

Notes:

- Assets in respect of the Defined Contribution section of the Fund and members' AVCs have been excluded from the above figures.
- Over the period since the previous valuation, the average rate of return earned on the assets was approximately 10.5% pa by reference to market values.

Sensitivity to assumptions

The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.

The results are particularly sensitive to the advance credit for future investment returns. By way of illustration, the effect of changing this assumption is shown in the table opposite.

The results are also sensitive to the pensioner mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future. To the extent that the mortality assumption under-estimates life expectancies, the technical provisions will be too low, all other things being equal.

As an illustration, if it were assumed that life expectancies were one year longer than implied by the mortality assumption adopted, the technical provisions would be broadly 2-3% higher.

Advance credit for return-seeking asset returns above gilts	% pa	Deficit £m	Future service contribution rate %
Actual rate used	2.0	25.1	19.1
Higher rate	3.0	19.6	17.3
Lower rate	1.0	31.5	21.1
No credit	0.0	38.9	23.5

Key assumptions used for assessing solvency

We have based our estimate of the Fund's solvency on our in-house insurer buy-out pricing model. The model is based on similar but simplified principles to those adopted by insurance companies to set their prices. It is calibrated against actual quotations and final transaction prices for other pension schemes.

The main financial assumptions for our buy-out estimate as at the valuation date are shown in the table opposite.

The demographic assumptions are the same as those adopted for the calculation of the technical provisions, except as shown opposite.

We have included an allowance for the insurance company's costs in administering the benefits of £0.4m, and separately we have included a provision of £2.5m for expenses that would be incurred by the Board in winding up the Fund.

This basis has no relevance beyond establishing an estimate of the hypothetical buy-out cost and my statutory estimate of solvency as at the valuation date.

Financial assumptions (equivalent average rate)

Assumption	% pa
Discount rate	2.4
Rate of price inflation (RPI)	3.3
Rate of price inflation (CPI) before retirement	2.9
Rate of price inflation (CPI) after retirement	3.1
Pension increases:	
- increasing in line with RPI capped at 5%	3.1
- Increasing in line with CPI capped at 3%	2.4

Main demographic assumptions

Assumption	
Post-retirement mortality	75% of S2NA; CMI 2013 core projection from 2007 with long-term annual rate of improvement of 1.5%/1.5% (males/females)
% with dependants	85%
Commutation	None
GMP equalisation reserve	None

Key documents

3076164

Actuary's certification of the calculation of technical provisions

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

Name of scheme: **Church Administrators Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2014 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 30 October 2015.

Signature: .... **Date:** 30 OCTOBER 2015

Name: Aaron Punwani **Qualification:** FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer: Lane Clark & Peacock

Church Administrators Pension Fund ("the Fund")
Statement of Funding Principles

This statement has been produced by the Church of England Pensions Board, as Trustee of the Fund, to comply with Section 223 of the Pensions Act 2004.

It sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Fund should aim to hold, from time to time, in order to make provision for the Fund's liabilities; and
- how we intend to achieve the objective of holding this amount of money in the Fund (this is known as meeting the "statutory funding objective").

This statement has been prepared as part of the Fund's actuarial valuation as at 31 December 2014. We have taken advice from the Scheme Actuary, Aaron Punwani, when drawing up this statement and have agreed it with the Fund's participating employers.

1. Technical provisions

We have decided that the technical provisions should be calculated using the method and assumptions set out in Appendix 1 to this document.

We chose this method and these assumptions after consulting the employers sponsoring the Fund, as required by law. In arriving at them, we took advice from the Scheme Actuary and took account of various relevant factors (in particular the ability of the employers to support the Fund).

2. Recovery plan

If the value of the Fund's assets is less than the technical provisions, we are required to set a recovery plan, in consultation with the employers, that is designed to eliminate the difference by the payment of additional "deficit" contributions.

The objective is to aim for any difference to be eliminated within an appropriate period, set after considering the financial strength of the employers and their ability to pay the resulting contributions. For this valuation, the recovery period has been set as the period to 30 June 2025.

In calculating the necessary contributions allowance is made for returns from the Fund's investments at the rates set out in Appendix 1. For the 2014 valuation, these returns are the same as those anticipated when calculating the technical provisions, which is a more conservative approach than that adopted at the 2011 valuation.

3. Discretionary benefits

Under Rule 33.3 of the Fund's Rules, benefits in payment may be increased at the discretion of the Trustee and with the agreement of the employers. The Rules provide for guaranteed pension increases at different rates for various tranches of benefits.

In setting the technical provisions we have made allowance for discretionary increases to some benefits as set out in Appendix 1. We have agreed with the employers to target paying such benefits. To the extent that any additional discretionary benefits were to be granted in future, appropriate arrangements would need to be made at that time to meet the cost of doing so.

4. Payments to the employer

Rule 41.6 of the Fund's Rules permits payments to the employers under specific circumstances, and such payments are not permitted under the terms of the Pensions Act 1995 unless very stringent conditions are met. The Trustee does not anticipate making any payments to the employers.

5. Contributions other than from the employers who sponsor the Fund or the members

Active members contribute to the Fund at rates set out in the Rules. There are no arrangements in place for any contributions to be paid to the Fund other than from the employers and members.

6. Cash equivalent transfer values

Under current legislation, the Trustee may reduce transfer values to take account of the funding level of the Fund. If all members had requested transfer values at the last valuation date, the assets of the Fund would not have been sufficient to pay everyone.

Although the assets would currently not be sufficient to pay full transfer values to everyone, as described above, there is a recovery plan in place with the aim of enabling the Fund to cover its technical provisions, which would have been more than sufficient to pay full transfer values to everyone at the date of the valuation. Therefore, we have decided not to reduce transfer values, although we will keep the matter under review.

7. Reviewing the valuation position and this statement

We will normally commission a full actuarial valuation every three years. Under Rule 35.5 of the Fund we can request full valuations more frequently than every three years and we may do so, for example if we are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions.

This is the fourth statement that we have produced. It replaces the previous statement, which was signed on 25 March 2013.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

This statement of funding principles was prepared on 30 October 2015.

Signed on behalf of the Pensions Board (as Trustee)

Signature: Bernadette J. Kenny

Name: BERNADETTE KENNY

Position: CEO PENSIONS BOARD

Date: 30-10-15

Signed on behalf of the Archbishops' Council

Signature:

Name: WILLIAM FITTALL

Position: SECRETARY GENERAL

Date: 30-10-15

Signed on behalf of the Pensions Board (as an employer)

Signature: Bernadette J. Kenny

Name: BERNADETTE KENNY

Position: CEO PENSIONS BOARD

Date: 30-10-15

Signed on behalf of the Church Commissioners

Signature:

Name: ANDREW BROWN

Position: SECRETARY

Date: 30-10-15

Signed on behalf of Church of England Central Services

3076068 Signature: ……………………………………………

Page 4 of 9 Name: D I THEODORESON

Position: CHIEF FINANCE OFFICER

Date: 30-10-15

Church Administrators Pension Fund
Statement of Funding Principles
Actuarial method and assumptions

1. Technical provisions

The method and assumptions for calculating the technical provisions and future service contributions rate are set out below.

Actuarial method

Projected unit method with a three year control period.

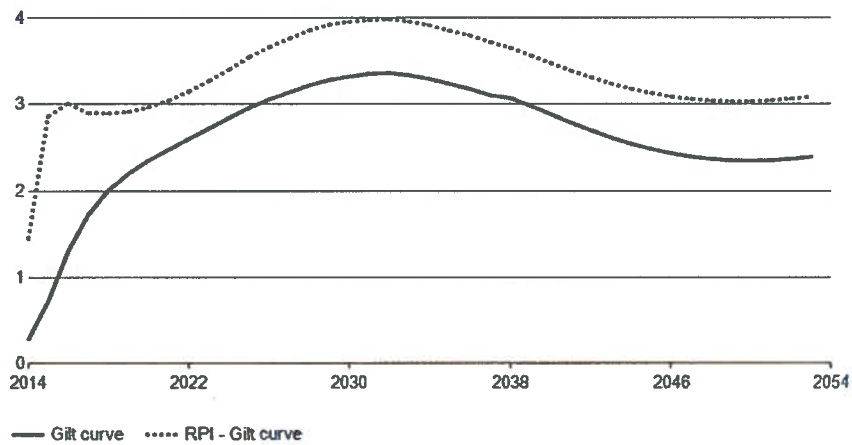
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the latest available yield curve as at the valuation date for fixed interest gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curve and the valuation date) and extrapolated for later durations.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as implied by the latest available yield curves as at the valuation date for fixed interest and index-linked gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curves to the valuation date) and extrapolated for later durations.
- Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less 0.7% pa.

For illustration, as at 31 December 2014, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 31 December 2014



For illustration, as at 31 December 2014 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*2.5% pa*
RPI inflation	*3.3% pa*

Investment returns

Projected future benefit payments (as described below) are discounted on rates derived as described below:

- The future investment strategy will be as follows:
  - assets backing pensions already in payment (from time to time) will be invested in a portfolio consisting of 100% liability-matching assets; and
  - the balance of the assets will be invested in return-seeking assets;
- Advance credit is taken for an additional return on the return-seeking portfolio over the return from gilts (an anticipated "equity risk premium") of 2.0% pa (net of investment management expenses) in each future year.

For illustration, as at 31 December 2014 the resulting single equivalent average discount rates were:

	Discount rate
Return-seeking assets	*4.5% pa*
Liability-matching assets	*2.5% pa*

Other assumptions

Future benefit payments are projected using the assumptions set out below.

- Revaluation of deferred pensions as follows:

Increases to deferred pensions	CCSS members*	CAPF members
Pre 4/97 excess over GMP	Benefits in respect of service prior to 2000 are provided through the CCSS, not the CAPF	CPI*
4/97 to 12/99 pensions		RPI up to 5% pa**
1/00 to 12/07 pensions	CPI**	RPI up to 5% pa**
Post 1/08 pensions	RPI up to 5% pa**	RPI up to 5% pa**

*CCSS members refer to the new members who joined in 2000 from the NCIs other than the Archbishops' Council

**Subject to an underpin of statutory revaluation, which is linked to CPI

For illustration, as at 31 December 2014 the resulting single equivalent average assumed rates of revaluation were:

Pension increase in deferment	*Assumption*
RPI subject to a maximum of 5% pa (with CPI underpin)	*3.3% pa*
CPI	*2.6% pa*

- Pension increases to pensions in payment as follows:

Increases to pensions in payment	CCSS members	CAPF members
GMP	Benefits in respect of service prior to 2000 are provided through the CCSS, not CAPF	Statutory
Pre 4/97 excess over GMP		CPI
4/97 to 12/99 pensions		RPI up to 5% pa
1/00 to 12/07 pensions	RPI up to 5% pa with a minimum of CPI	RPI up to 5% pa
Post 1/08 pensions	RPI up to 5% pa	RPI up to 5% pa

For illustration, as at 31 December 2014 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	*Assumption*
CPI	*2.6% pa*
CPI subject to a maximum of 3% pa (relevant to GMPs)	*2.2% pa*
RPI subject to a maximum of 5% pa (with CPI underpin)	*3.3% pa*
RPI subject to a maximum of 5% pa	*3.1% pa*

- Allowance for discretionary increases to pensions in payment has been made in line with the employers' pension increase policy in force at the valuation date, as summarised in the above tables (note these increases are in some cases more generous than the minimum increases required under the rules of the Fund).
- General increases each year in pensionable salaries at CPI plus 1.2% pa (which on the above assumptions is equivalent to RPI plus 0.5% pa), with no explicit promotional scale.
- No annual withdrawal of active members before retirement or death.
- Retirements of active members assumed to occur at age 62, retirements of deferred members assumed to occur at age 60 with a reduction for early payment in respect of benefits earned from 1 January 2008.
- Ill-health retirements allowed for via an addition of 0.5% of pensionable salaries to the future service contribution rate.
- No allowance for commutation of pension at retirement.
- For mortality post-retirement and pre-retirement:

- 95% of the S2NA tables; and
- projected from 2007 in line with the CMI 2013 core projections with a long-term annual rate of improvement of 1.5% (males) / 1.5% (females).

- 90% of current pensioners are assumed to have a spouse or civil partner as at the valuation date. 90% of other members assumed to be married or have a civil partner on death in service or at retirement.
- Spouses/civil partners assumed to be three years younger (male members) or three years older (female members) than the member.
- An allowance of £210,000 pa towards expenses.
- Pension Protection Fund (PPF) levies are to be paid in full by the employers.
- No allowance for the possible costs of removing GMP inequalities.

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Church Administrators Pension Fund ("the Fund")
Recovery Plan

The actuarial valuation of the Fund as at 31 December 2014 revealed a deficit of £25.1m.

This Recovery Plan has been prepared by the Church of England Pensions Board, as Trustee of the Church Administrators Pension Fund after obtaining the advice of Aaron Punwani, the Scheme Actuary, in accordance with Section 226 of the Pensions Act 2004.

1. Steps to be taken to ensure that the statutory funding objective is met

The Trustee and the employers have agreed to eliminate the funding shortfall by the payment of the following contributions (in addition to the agreed contributions to meet accruing benefits).

Contributions to be made to the Fund

Amount	Dates
£2,616,000 pa	payable monthly by the employers from 1 January 2015 to 31 December 2015 inclusive
£2,500,000 pa	payable monthly by the employers, increasing each 1 January at 3.3% pa, from 1 January 2016 to 30 June 2025 inclusive
£230,000 pa	from the Archbishops' Council, increasing on 1 January 2016 in line with the change in the Retail Price Index over the year to 30 September 2015, payable from 1 January 2015 to 31 December 2016

2. Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 30 June 2025. This is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Fund's Statement of Funding Principles dated 30 October 2015.
- The return on existing assets and new contributions during the period are as set out in the Statement of Funding Principles dated 30 October 2015.

3. Agreement by the Trustee and the employers

This recovery plan was prepared on 30 OCTOBER 2015.

Signed on behalf of the Pensions Board (as Trustee)

Signature:..

Name: ....BERNADETTE KENNY.....

Position: ...CEO PENSIONS BOARD....

Signed on behalf of the Pensions Board (as an employer)

Signature:..

Name: ....BERNADETTE KENNY.......

Position: ....CEO PENSIONS BOARD..

Signed on behalf of the Church Commissioners

Signature:..

Name: ....ANDREW BROWN..................

Position: ....SECRETARY..........................

Signed on behalf of the Archbishops Council

Signature:..

Name: ....WILLIAM FITTALL.............

Position: ....SECRETARY GENERAL....

Signed on behalf of Church of England Central Services

Signature:..

Name: ....D. I. THEODORESON........

Position: ....CHIEF FINANCIAL OFFICER

Church Administrators Pension Fund ("the Fund")
Schedule of Contributions

Name of Employers: The Church of England Pensions Board
The Church Commissioners for England
The Archbishops' Council
Church of England Central Services

This Schedule of Contributions has been prepared by the Church of England Pensions Board ("the Board"), as Trustee of the Fund, in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377), after obtaining the advice of Mr Aaron Punwani FIA, the actuary to the Fund. It sets out the contributions, other than the members' additional voluntary contributions, payable to the Church Administrators Pension Fund for the period from the date that the Actuary certifies this Schedule until 30 June 2025, subject to review at future valuations.

The Board and the employers have agreed this Schedule, as indicated below by authorised signatories.

1. Defined Contributions Section

Contributions from scheme members

Members of the Defined Contribution section do not have to pay contributions; they can, however, opt to pay contributions.

Contributions from the employers

The compulsory contributions from the employers, as a percentage of Pensionable Salaries, are:

Contributions from employers	
Up to age 30	8%
Ages 30 to 39	10%
Ages 40 to 49	11%
Ages 50 to 59	13%
Ages 60 and over	15%

In addition to this, for each 1% paid by the member, the employer will pay a matching contribution, up to a maximum of 3% of Pensionable Salaries.

The employers will separately pay insurance premiums in respect of life assurance policies for those in the Defined Contribution section.

2. Defined Benefits Section

The following contributions (shown as a percentage of members' Pensionable Salaries, subject to the Earnings Cap) are payable to the Fund:

	From 1 January 2015
Contributions from active members who joined the Fund after 31 December 1987	1.5%
Contributions from the employers	19.1%

The 19.1% employer contribution rate shown is applicable for a three-year period, until the next triennial valuation has been completed. The rate will be recalculated every three years to reflect prevalent economic conditions and the membership profile at each valuation, and a revised rate will be payable. All other things being equal, this rate will increase over time to reflect an increase in the average age of the members.

Contributions are payable monthly and are due within 19 working days of the end of each calendar month.

In addition the employers will pay £210,000 pa towards expenses and will meet the cost of Pension Protection Fund levies in full.

In addition to the above the following amounts will be paid in respect of the funding shortfall, in accordance with the agreed Recovery Plan:

- The employers will pay £2,616,000 pa, payable monthly, from 1 January 2015 to 31 December 2015, inclusive; then
- The employers will pay £2,500,000 pa, payable monthly, from 1 January 2016 to 30 June 2025, inclusive, increasing each 1 January at 3.3% pa – these additional contributions will be made by each employer in proportion to Pensionable Salaries of those in the Defined Benefits Section; plus
- The Archbishops' Council will continue to pay further contributions to 31 December 2016, equal to £230,000 for the calendar year 2015, and adjusted on 1 January 2015 in line with the change in the Retail Prices Index over the year to 30 September 2015 in line with the previous agreement.

The employers will also pay any additional contributions as decided by the Board, on the advice of the Actuary, and in accordance with the Fund Rules, to meet benefit augmentations.

This Schedule of Contributions replaces the previous Schedule of Contributions with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Board (as Trustee of the Fund)

Signature: .... authorised signatory

Name: BERNADETTE KENNY..

Position: CEO PENSIONS BOARD...................... Date: 30-10-15

on behalf of the Board (as an employer)

Signature: .... authorised signatory

Name: BERNADETTE KENNY..

Position: CEO PENSIONS BOARD...................... Date: 30-10-15

on behalf of the Church Commissioners

Signature: .... authorised signatory

Name: ANDREW BROWN..

Position: SECRETARY.. Date: 30-10-15

on behalf of the Archbishops' Council

Signature: .... authorised signatory

Name: WILLIAM FITTALL..

Position: SECRETARY GENERAL........................ Date: 30-10-15

on behalf of Church of England Central Services

Signature: .... authorised signatory

Name: D I THEODORESON..

Position: CHIEF FINANCIAL OFFICER...................... Date: 30-10-15

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Actuary's certification of schedule of contributions

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

Name of scheme: **Church Administrators Pension Fund**

Adequacy of rates of contributions

1. 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 2014 to be met by the end of the period specified in the recovery plan dated 30 October 2015.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 October 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: [signature] **Date:** 30 OCTOBER 2015.

Name: Aaron Punwani **Qualification:** FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer: Lane Clark & Peacock

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 30-10-15 and their Recovery Plan dated 30-10-15 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.