

Church Workers Pension Fund (“the Fund”)

Actuarial report as at 31 December 2015

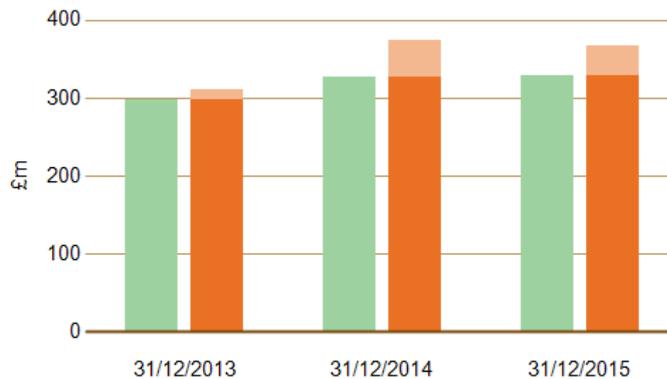
This report is addressed to the Church of England Pensions Board (“the Board”) as Trustee of the Fund and is the second actuarial report since the completion of the actuarial valuation as at 31 December 2013. The purpose of this report is to provide the Board with an estimate of the ongoing funding position as at 31 December 2015 as well as an indication of how the funding position developed from 31 December 2013 to 30 November 2016 for both the Defined Benefit Scheme (“the DBS”) and the Pension Builder Scheme (“the PBS”).

We have undertaken this work assuming that there are no specific decisions for you to take as a result of this report. Appendix 1 sets out further details of the scope of our work.

1. Estimate of funding position as at 31 December 2015

I set out in the table below my estimate of the ongoing funding position as at 31 December 2015 with figures at 31 December 2013 and 31 December 2014 for ease of comparison:

DBS funding position

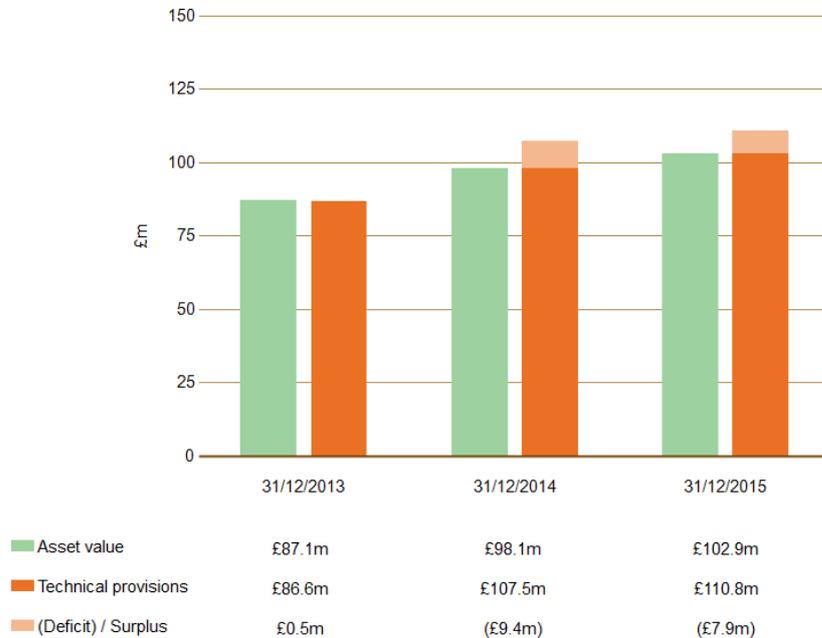


Asset value	£297.5m	£327.3m	£328.8m
Technical provisions	£310.4m	£373.5m	£366.7m
(Deficit) / Surplus	(£12.9m)	(£46.2m)	(£37.9m)

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PBS funding position

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We have estimated the technical provisions as at 31 December 2015 by projecting forward the technical provisions as at 31 December 2013. Our projection allows for:

- changes in the financial assumptions used to calculate the technical provisions;
- an estimate of the effect of actual increases to pensions in payment and to accrued benefits not yet in payment since 31 December 2013;
- the accrual of additional benefits by members over the period;
- net payments into and out of the Fund, as set out in the Fund's accounts; and
- assets at 31 December 2015, as set out in the Fund's accounts.

We have assumed that all other experience over the period was in line with the assumptions. If the Fund's experience was significantly different from the assumptions used or if there were significant events of which we are not aware, then the technical provisions based on a full actuarial valuation could be significantly different from those we have estimated.

In practice market conditions have been very volatile since 31 December 2013 and the charts below show a broad estimate of the development of the deficit from then until 31 December 2015 separately for the DBS and PBS in sections 2 and 3 below.

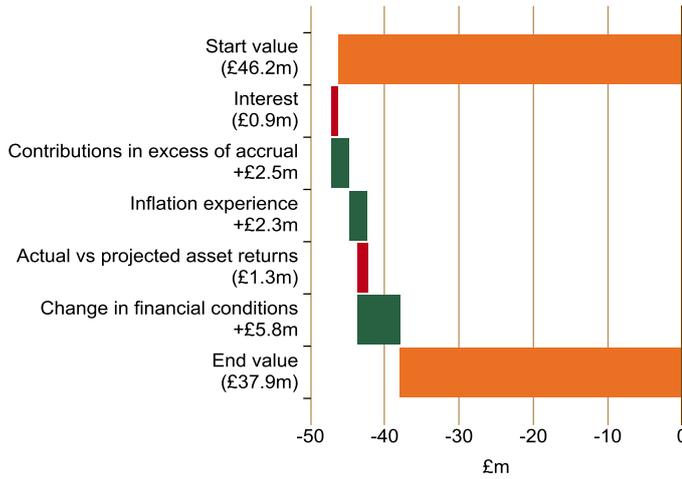
Appendix 2 provides further detail on the data and assumptions that we have used in our calculations.

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2. DBS development since 31 December 2013

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The DBS deficit at 31 December 2014 (the date of the last actuarial report of the Fund) was £46.2m. The estimated DBS deficit of £37.9m at 31 December 2015 is therefore £8.3m better and the main reasons for this are shown below.



The chart below illustrates how sensitive the funding position is to market movements, even over short time periods.

Projection of DBS deficit since 31 December 2013

You will see that the DBS deficit has varied between around £10m and £95m over the period since 31 December 2013 and that we estimate that at 30 November 2016 the deficit was £59m.

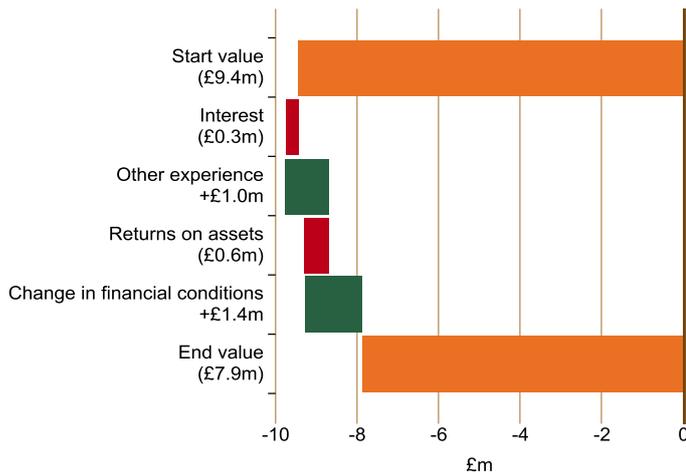


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3. PBS development since 31 December 2013

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The PBS deficit as at 31 December 2014 (the date of the last actuarial report of the Fund) was £9.4m. The estimated PBS deficit of £7.9m at December 2015 is therefore £1.5m better and the main reasons for this are shown below.



The chart below illustrates how sensitive the funding position is to market movements, even over short time periods.

Projection of PBS funding surplus / deficit since 31 December 2013

You will see that the PBS deficit has varied between a surplus of £0.5m and a deficit of £25m since 31 December 2013. We estimate that at 30 November 2016 the deficit in the PBS was £15.5m.



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4. Next steps

The Board is required to provide a copy of this report to the employer within seven days of receiving it. Certain information in this report also needs to be included in the summary funding statement to members to be issued by 31 March 2017.

The next formal valuation is due with an effective date as at 31 December 2016.

+ Prepared as an attachment to an email
at 12:24 on 20 December 2016

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20 December 2016

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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 pension scheme members and certain other parties as required by the Disclosure of Information and other Regulations. You should not provide our work, in whole or in part, to any third party other than the pension scheme members and certain other parties as required by the Disclosure of Information and other Regulations and your professional advisers for the purposes of the provision of services to you unless you have obtained our prior written consent to the form and context in which you wish to do so.

We accept no liability to any third party including pension scheme members and certain other parties as required by the Disclosure of Information and other Regulations 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

Our work in preparing this document is subject to and complies with the Technical Actuarial Standard on reporting actuarial information (version 2), on data (version 1) and on modelling (version 1), together with the Pensions Technical Actuarial Standard (version 2).

We have undertaken this work on the basis that there are no specific decisions for you to take as a result of this report. Please contact me if you do intend to take some specific actions on receiving this report, as it may then be appropriate for me to provide additional advice.

The calculations in this report have been prepared in accordance with the requirements of the Pensions Act 2004; the Occupational Pension Schemes (Scheme Funding) Regulations 2005; and the Pensions Regulator's Code of Practice: "Funding defined benefits". We understand that the figures in this report will be included in the next summary funding statement sent to Fund members.

This report does not consider the solvency level of the Fund, either on a buy-out basis or on a basis relative to the compensation provided by the Pension Protection Fund. The cost of buying out benefits with an insurance company is likely to be significantly higher than the technical provisions.

It is possible that the technical provisions may prove to be too low on account of any back-dated adjustment to benefits arising from equalisation or discrimination issues or from future legislation or court judgments.

1. Data used to estimate the technical provisions at 31 December 2015

We have based our calculations on the membership data provided for the actuarial valuation of the Fund as at 31 December 2013 and summarised in our valuation report dated 31 March 2015, along with the following data, derived from Fund's accounts as at 31 December 2015:

For the DBS

- estimated benefit accrual of £5.9m for the year to 31 December 2015;
- estimated net benefit cash flow of £10.4m out of the DBS for the year to 31 December 2015.

For the PBS

- estimated benefit accrual of £7.9m for the year to 31 December 2015; and
- estimated net benefit cash flow of £4.2m out of the PBS for the year to 31 December 2015.

In projecting the PBS position, we have allowed for benefits accrued in the PB2014 sub-section, which was opened shortly after the date of the last actuarial valuation.

2. Special events

We understand that over the year to 31 December 2015, there were no material benefit changes to the Fund.

However, our projections allow for:

- the introduction of the PB 2014 benefit scale of the PBS in 2014; and
- the purchase of a buy-in contract covering 70% of the pensions in payment from the DBS section in February 2014.

3. Assets at 31 December 2015

We have been provided with a copy of the Fund accounts for the year ending 31 December 2015 and these give an asset figure of £328.8m for the DBS and £102.9m for the PBS.

4. Assumptions at 31 December 2015 and 31 December 2014

Our calculations are based on the assumptions set out in the Board's statement of funding principles dated 31 March 2015, updated only to reflect changes in gilt yields between 31 December 2013 and 31 December 2015. The key financial assumptions are set out below along with those at 31 December 2013 and 31 December 2014 for

4.1. DBS

	31 December 2015	31 December 2014	31 December 2013
Gilt yield	2.6% pa	2.5% pa	3.6% pa
Investment returns			
Return-seeking assets	4.6% pa	4.5% pa	5.6% pa
Liability-matching assets	3.1% pa	3.0% pa	4.1% pa
Rate of RPI price inflation	3.2% pa	3.2% pa	3.6% pa
Rate of CPI price inflation	2.5% pa	2.5% pa	2.9% pa
Rate of pensionable salary increases	3.7% pa	3.7% pa	4.1% pa
Rate of pension increases			
RPI subject to a maximum of 5% pa	3.1% pa	3.1% pa	3.4% pa
RPI subject to a maximum of 2.5% pa	2.2% pa	2.2% pa	2.3% pa

4.2. PBS

	31 December 2015	31 December 2014	31 December 2013
Gilt yield	2.6% pa	2.5% pa	3.6% pa
Investment returns			
Pre-retirement	5.6% pa	5.5% pa	6.6% pa
Post-retirement (pre 97 pensions)	5.6% pa	5.5% pa	6.6% pa
Post-retirement (post 97 pensions)	2.6% pa	2.5% pa	3.6% pa
Rate of RPI price inflation	3.2% pa	3.2% pa	3.6% pa
Rate of discretionary bonuses pre-retirement	3.2% pa	3.2% pa	3.6% pa
Rate of pension increases			
Discretionary bonuses (pre 97)	3.2% pa	3.2% pa	3.6% pa
RPI subject to a maximum of 5% pa	3.1% pa	3.1% pa	3.4% pa
PI subject to a maximum of 2.5% pa	2.2% pa	2.2% pa	2.3% pa

5. Projections between 31 December 2013 and 30 November 2016

Sections 1 to 4 above describe the data and assumptions we have used to estimate the funding position as at 31 December 2015.

3169250 We have produced the figures calculated at other dates between 31 December 2013 and **Appendix 2 (cont)**
30 November 2016 (as shown in Section 1 of this paper) using a more approximate
Page 9 of 9 method as they are for illustration only. In producing these figures, we have projected
the technical provisions and asset figures as at 31 December 2013 on a daily basis to
allow approximately for:

- investment performance, using certain index returns as a broad proxy for this;
- changes in the technical provisions due to changes in gilt yields;
- the accrual of additional benefits over the period; and
- deficit contributions and an estimate of other net payments into and out of the Fund.

We have also rebased our calculations at 31 December 2015 to allow for the updated position as set out in this paper.