Church Administrators Pension Fund
Actuarial report as at 31 December 2016

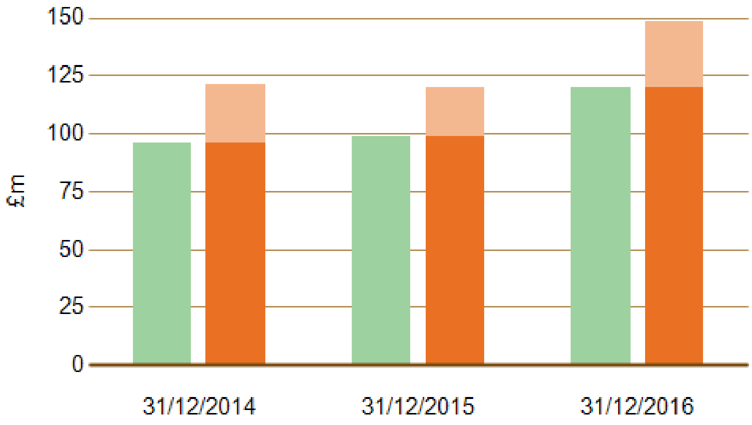
This report is addressed to the Church of England Pensions Board ("the Board") as Trustee of the Church Administrators Pension Fund ("the Fund"), and is the second actuarial report since the completion of the actuarial valuation as at 31 December 2014. The purpose of this report is to provide the Board with an indication of how the funding position developed between 31 December 2014 and 31 December 2016.

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.

This report relates solely to the Defined Benefit section of the Fund.

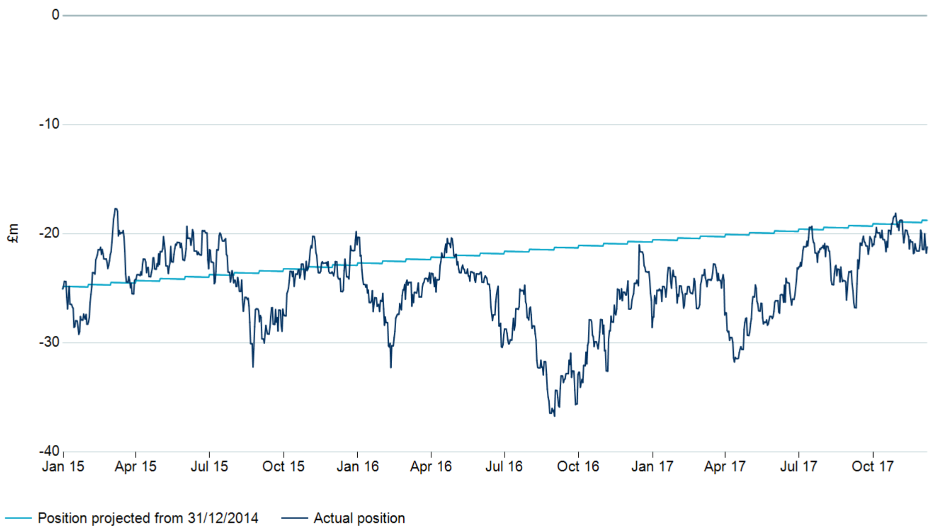
1. Estimate of funding position as at 31 December 2016

I set out in the table below my estimate of the ongoing funding position as at 31 December 2016 with figures at 31 December 2014 and 31 December 2015 for ease of comparison:



	31/12/2014	31/12/2015	31/12/2016
Asset value	£96.3m	£98.7m	£120.0m
Technical provisions	£121.4m	£119.7m	£148.6m
(Deficit) / Surplus	(£25.1m)	(£21.0m)	(£28.6m)

In practice, market conditions have been very volatile since 31 December 2014 and the chart below shows a broad estimate of the development of the deficit since then, together with the position had experience been in line with assumptions adopted for the previous valuation. You will see that the deficit varied between around £36m and £18m over the period and we estimate that it had actually improved to of the order of £20m as at 30 November 2017. The chart illustrates how sensitive the funding position is to market movements, even over short time periods.



We have estimated the technical provisions as at 31 December 2016 by projecting the technical provisions as at 31 December 2014. Our projection allows for:

- changes in the financial assumptions used to calculate the technical provisions;
- interest on the technical provisions;
- an estimate of the effect of actual increases to pensions both in deferment and in payment since 31 December 2014;
- the accrual of additional benefits by active members over the period; and
- net payments into and out of the Fund, as set out in the Fund's unaudited financial statements.

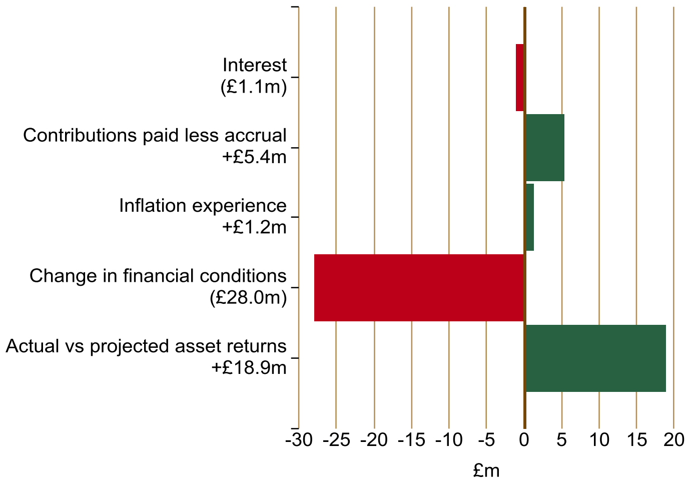
The asset figure above is taken from the accounts for the year ending 31 December 2016 as published by the Board.

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 would be significantly different from those we have estimated.

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

2. Change in funding position from 31 December 2014 to 31 December 2016

The deficit shown as at 31 December 2016 had increased from £25.1m to £28.6m. The main reasons for this deterioration in the funding position are shown below.



"Change in financial conditions" refers to a significant decrease in real gilt yields over the year.

3. Next steps

The Board is required to provide a copy of this report to the employers within seven days of receiving it.

Certain information in this report also needs to be included in the next summary funding statement to be issued to members.

3276108 The next formal valuation is due with an effective date as at 31 December 2017.

Prepared as an attachment to an email at 11:52 on 22 December 2017

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22 December 2017

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The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with Our Client the Church of England Pensions Board as Trustee of the Church Administrators Pension Fund.

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing. We accept no liability to anyone who is not Our Client.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please also make it clear that we accept no liability towards them.

Professional Standards

Our work in preparing this and the associated documents described above complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.

Scope of work

Appendix 1

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.

For the purpose of this report, and consistently with the valuation, we have excluded all liabilities relating to defined contribution benefits including AVCs, for which the value is equal to the value of the corresponding assets.

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 judgements. In particular, no allowance has been made for liabilities arising from the potential adjustment of benefits to allow for inequalities in Guaranteed Minimum Pensions.

Data and assumptions

Appendix 2

1. Data used to estimate the technical provisions at 31 December 2016

We have based our calculations on the following data:

- the membership data provided for the actuarial valuation of the Fund as at 31 December 2014 and summarised in our valuation report dated 30 October 2015;
- employer ongoing contributions of £1.11m and employee contributions of £0.1m for the year to 31 December 2015, taken from the audited Fund accounts for the year ending 31 December 2015;
- employer ongoing contributions of £1.18m and employee contributions of £0.09m for the year to 31 December 2016, taken from the audited Fund accounts for the year ending 31 December 2015;
- net benefit cash flow out of the Fund of £3.02m for the year to 31 December 2015, taken from the audited Fund accounts for the year ending 31 December 2015; and
- net benefit cash flow out of the Fund of £2.77m for the year to 31 December 2016, taken from the audited Fund accounts for the year ending 31 December 2016.

2. Special events

We understand that over the period between 31 December 2014 and 31 December 2016, there were no material changes to the Fund.

3. Assets at 31 December 2016

We have been provided with a copy of the audited Fund accounts for the year ending 31 December 2016. These give an asset figure of £120m, excluding AVCs.

4. Assumptions at 31 December 2016

Our calculations are based on the assumptions set out in the Board's statement of funding principles dated 30 October 2015, updated only to reflect changes in gilt yields between 31 December 2014 and 31 December 2016. The key financial assumptions are set out below along with those at 31 December 2014 and 31 December 2015 for comparison. All non-financial assumptions are as set out in the statement of funding principles.

	31 December 2016	31 December 2015	31 December 2014
Investment returns			
Return-seeking assets	3.8% pa	4.6% pa	4.5% pa
Liability-matching assets	1.8% pa	2.6% pa	2.5% pa
Rate of RPI price inflation	3.5% pa	3.3% pa	3.3% pa
Rate of CPI price inflation	2.8% pa	2.6% pa	2.6% pa
Rate of pension increases:			
CPI subject to a maximum of 3% pa (relevant to GMPs)	2.3% pa	2.2% pa	2.2% pa
RPI subject to a maximum of 5% pa (with CPI underpin)	3.5% pa	3.3% pa	3.3% pa
RPI subject to a maximum of 5% pa	3.3% pa	3.1% pa	3.1% pa

5. Projections between 31 December 2014 and 15 November 2017

Sections 1 to 4 above describe the data and assumptions we have used to estimate the funding position as at 31 December 2016.

We have produced the figures calculated at other dates between 31 December 2014 and 15 November 2017 (as shown in Section 2 of this paper) using a more approximate method as they are for illustration only. In producing these figures, we have projected the technical provisions and asset figures as at 31 December 2014 on a daily basis to allow approximately for:

- investment performance, using certain index returns as a broad proxy for this;
- interest on the technical provisions;
- 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 2016 to allow for the updated position as set out in this paper.