

Church Workers Pension Fund

*Actuarial report as at
31 December 2017*

Aaron Punwani FIA

July 2018

Funding position as at 31 December 2017

An overview

This report is addressed to the Church of England Pensions Board as Trustee of the Church Workers Pension Fund (“the Fund”), and is the first actuarial report since the completion of the actuarial valuation which was carried out as at 31 December 2016. The purpose of this report is to provide the Board with an estimate of the ongoing funding position as at 31 December 2017 and an indication of how the funding position has developed from 31 December 2016 to the current time.

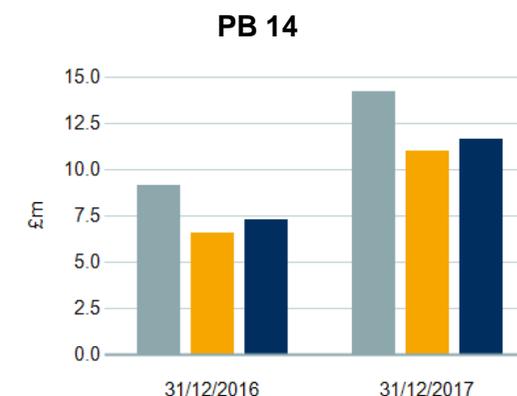
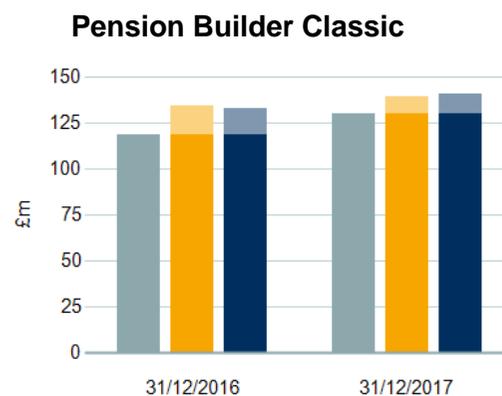
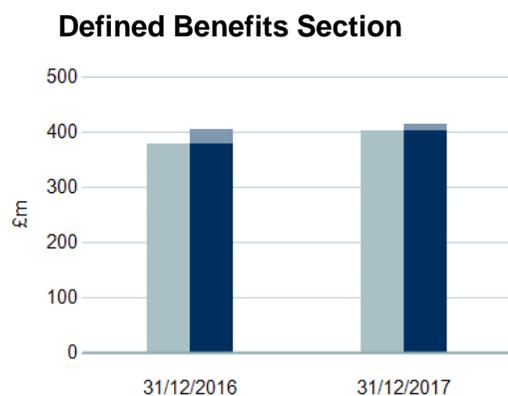
The Board is required to provide a copy of this report to the employers participating in the Fund within seven days of receiving it and certain information in this report also needs to be included in the summary funding statement issued to members. There are no other actions that the Trustee needs to take in relation to this report. The next formal valuation is due with an effective date of 31 December 2019.

Aaron Punwani FIA
Partner and Appointed Scheme Actuary

27 July 2018
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Estimates of funding position

I set out in the tables below my estimate of the ongoing funding position as at 31 December 2017 with figures at 31 December 2016 for comparison.



	31/12/2016	31/12/2017	(Deficit) / Surplus	31/12/2016	31/12/2017	(Deficit) / Surplus	31/12/2016	31/12/2017	(Deficit) / Surplus
Asset value	£378.7m	£402.4m							
Ongoing funding	£404.9m	£414.3m							
(Deficit) / Surplus	(£26.2m)	(£11.9m)							
Security basis				(£15.3m)	(£9.0m)		£2.5m	£3.2m	
Ongoing basis				(£14.2m)	(£10.4m)		£1.8m	£2.6m	
Funding basis									

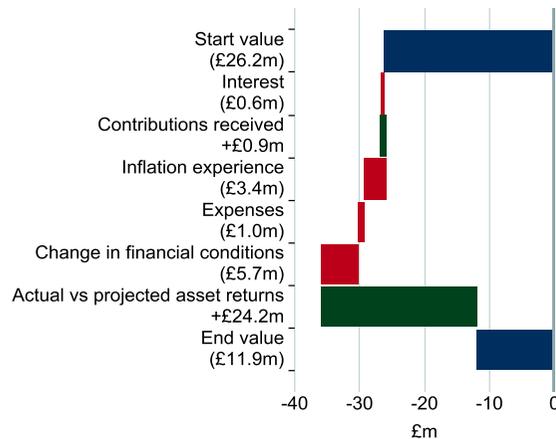
The position of each section has improved over the period from 31 December 2016 to 31 December 2017, mainly as a result of better than anticipated investment performance. Further analysis of the changes are shown on page 3.

Change in funding position

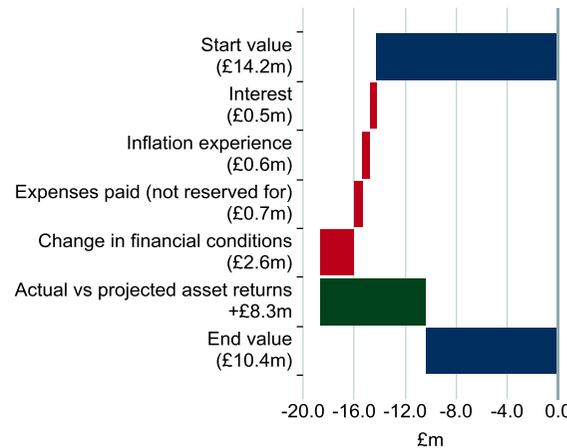
Changes in estimated funding positions to 31 December 2017

The following charts show the key reasons for the improvements in the funding positions of each of the sections of the Fund.

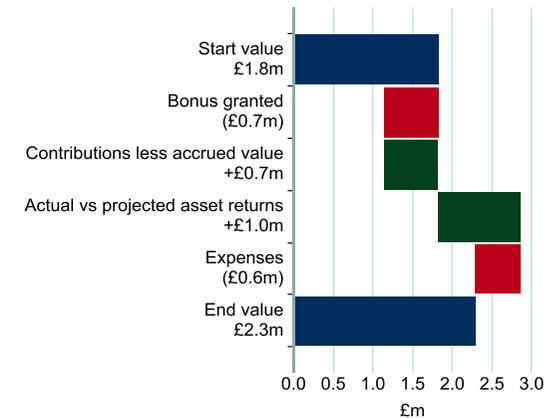
Defined Benefits Section



Pension Builder Classic

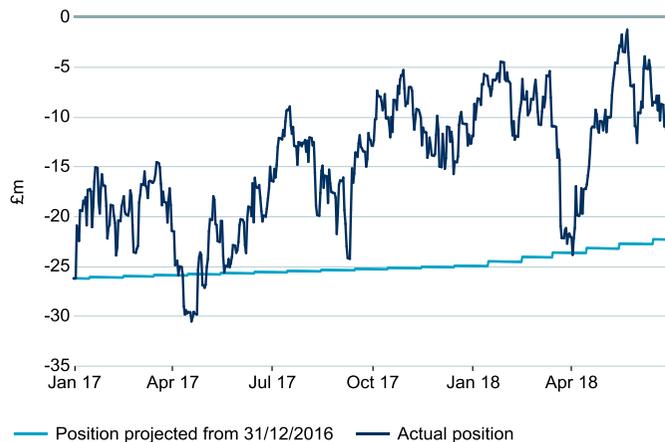


PB 14

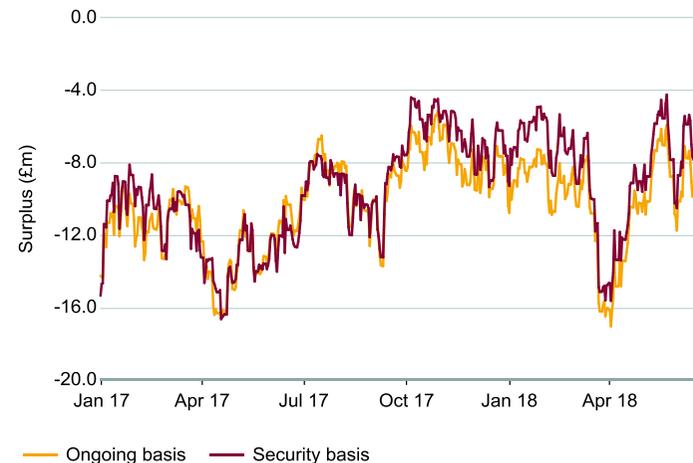


Variability in funding positions to 30 June 2018

Defined Benefits Section



Pension Builder Classic



In practice market conditions have been volatile since 31 March 2016 and the charts to the left show broad estimates of the development of the position in two of the sections from 31 December 2016 until the current date. You will see that the position has varied over the period and the charts illustrate how sensitive the funding position of each section is to market movements, even over short time periods. Our estimates assume that membership experience is in line with the assumptions.

You can see that, as at 30 June 2018 we estimate that the position in each section has improved further.

We have not shown the corresponding chart for PB 14 because that section is sensitive to bonuses declared, plus the impact of new entrants and new contributions.

Projection method and scope

Method to estimate technical provisions as at 31 December 2017

We have estimated the technical provisions as at 31 December 2017 by projecting forward the technical provisions as at 31 March 2016. Our projection allows for:

- changes in the financial assumptions;
- interest on the technical provisions;
- increases to pensions in payment, bonuses granted and revaluation of deferred benefits since 31 December 2017 (including the PB14 bonus granted at 1 April 2018); and
- net payments out of the Fund.

We have assumed that all other experience over the period was in line with the assumptions used in calculating the technical provisions, as set out in the Fund's Statement of Funding Principles. If actual experience was significantly different from these assumptions 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.

Projections between 31 December 2016 and 30 June 2018

We have produced the figures calculated at other dates between 31 December 2016 and the current date - as illustrated on page 3 - using a more approximate method.

In producing these figures, we have projected the technical provisions and asset figures as at 31 December 2016 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; and
- deficit contributions.

Scope of work

- We have prepared the calculations in this report in accordance with the requirements of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005.
- 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.
- This report does not consider my estimate of 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 different from 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.

Data used and assumptions made

Data used

We have based our calculations on the following:

- the membership data provided by the Church of England Pensions Board staff for the actuarial valuation of the Fund as at 31 December 2016 and summarised in our valuation report dated 28 March 2018;
- our understanding of the Fund's benefits as set out in our valuation report dated 28 March 2018;
- cashflow information based on the draft Church Workers Pension Fund annual report and accounts for the year to 31 December 2017 sent by Joel Ryan on 1 May 2018; and
- we understand that over the period between 31 December 2016 and 31 December 2017, there were no material changes to the Fund.

Assets at 31 December 2017

As per the draft Church Workers Pension Fund annual report and accounts for the year to 31 December 2017, provided by Joel Ryan on 1 May 2018:

Section	£m
Defined Benefits Section	402.4
- Employer section	200.3
- Life Risk section	202.1
Pension Builder Classic	130.1
Pension Builder 2014	14.2

Assumptions

Our calculations are based on the assumptions set out in the Board's statement of funding principles dated 28 March 2018, updated to reflect gilt yields at 31 December 2017. The key financial assumptions are set out below along with those at 31 December 2016 for comparison. All non-financial assumptions are as set out in the statement of funding principles.

Defined Benefits Section

	31 December 2017	31 December 2016
Rate of RPI price inflation	3.40% pa	3.50% pa
Rate of CPI price inflation	2.40% pa	2.50% pa
Reference gilt yield	1.70% pa	1.70% pa
Employer pools – pre-retirement	4.20% pa	4.20% pa
Life Risk Section – post-retirement	2.35% pa	2.35% pa
Rate of pension increases		
RPI, max 2.5% pa, min 0% pa	2.20% pa	2.20% pa
RPI, max 5% pa, min 0% pa	3.20% pa	3.30% pa

Pension Builder Classic

	31 December 2017	31 December 2016
Rate of RPI price inflation	3.40% pa	3.50% pa
Rate of CPI price inflation	2.40% pa	2.50% pa
Reference gilt yield	1.70% pa	1.70% pa
Pre-retirement	5.20% pa	5.20% pa
Post-retirement for pre 1997 pensions	5.20% pa	5.20% pa
Post-retirement for post 1997 pensions	1.70% pa	1.70% pa
Rate of pension increases		
RPI, max 2.5% pa, min 0% pa	2.20% pa	2.20% pa
RPI, max 5% pa, min 0% pa	3.20% pa	3.30% pa

All financial assumptions are term-dependent and calculated by reference to the relevant gilt yield curves. The rates above are approximate single-equivalent rates, weighted by reference to the Fund's projected benefit cashflows. For the Pension Builder 2014 section the reference gilt rate used is the same as that for the Pension Builder Classic.

Use of our work



Aaron Punwani FIA

Partner

Appointed Scheme Actuary

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The work in this report is from Aaron Punwani role as Scheme Actuary to the Fund. Under the terms of our professional conduct code and guidance, it has been reviewed by Stephen Davies, a qualified actuary and another LCP partner. We are satisfied that this complies with our professional requirements and that the degree of independence of the reviewing actuary is appropriate.

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

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Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.

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