LCP INSIGHT CLARITY ADVICE

Church Administrators Pension Fund

Report on actuarial valuation as at 31 December 2017

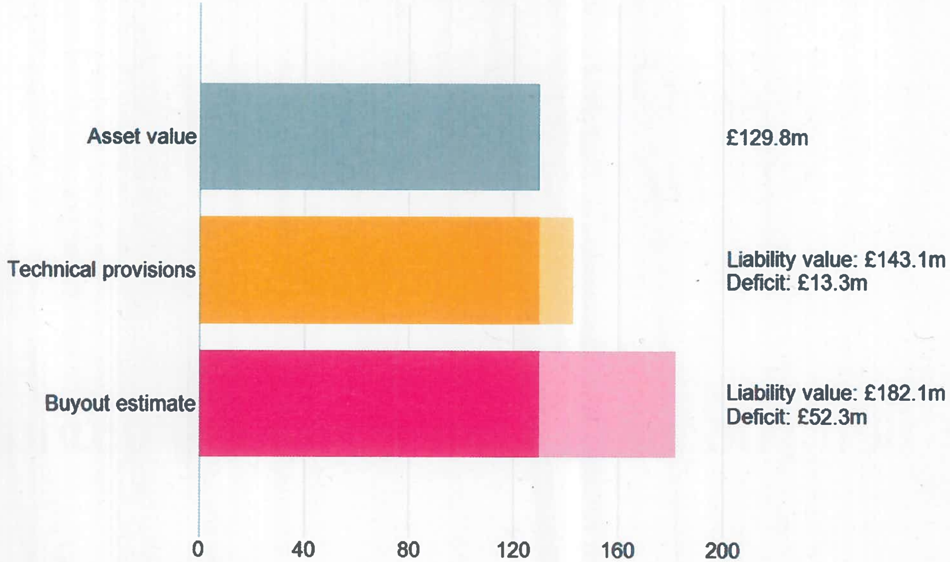
Aaron Punwani FIA,
Appointed Scheme Actuary

19 December 2018

Actuarial valuation as at 31 December 2017

Summary

- As instructed, I have carried out an actuarial valuation of the Church Administrators Pension Fund ("the Fund") as at 31 December 2017. I now present my report, which is addressed to the Church of England Pensions Board ("the Board") as Trustee of the Fund. The figures in the report relate solely to the Defined Benefit section of the Fund.
- The main purpose of the report, required by the Pensions Act 2004, is to set out the results of and outcomes from the valuation. It also summarises some of the key risks faced by the Fund, as shown in the appendix. Fund members will receive a summary funding statement relating to the valuation in due course. This report also contains the results of my statutory Section 179 Valuation (required for Pension Protection Fund levy purposes only).
- 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 contributions are summarised below, with further detail in the following sections, appendices and the attached statement of funding principles and schedule of contributions.



Contributions from the employers in respect of:	
Funding deficit of £13.3m	£2,667,723 pa (increasing each January at 3.3% pa) from 1 January 2018 to 30 April 2023, inclusive
Future service accrual	19.1% of Pensionable Salaries each month until April 2023 then 23.5% of Pensionable Salaries
Other	£390,000 pa to meet administrative expenses, plus the full cost of PPF levies

Aaron Punwani FIA
Partner and Appointed Scheme Actuary

19 December 2018
95 Wigmore Street, London, W1U 1DQ
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Contents of this report

Funding objective and actuarial assumptions

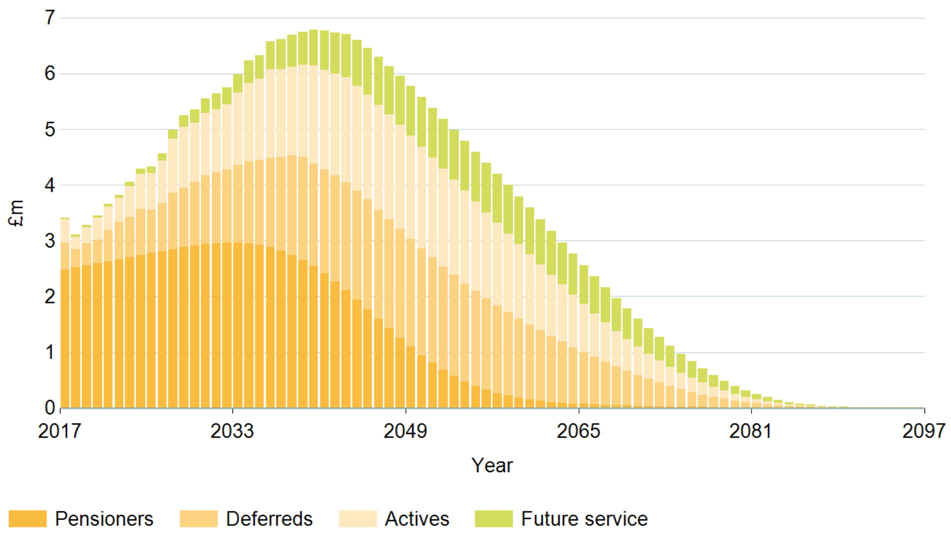
An overview

Principles in setting method and 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 has 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 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.
- There is a risk that the assumptions are not borne out in practice and that the funding position deteriorates. Further details on the risks the Fund faces are set out in the appendix.
- The key differences in the assumptions compared with the previous valuation are as follows:
  - The rate of return anticipated from gilts has reduced from 2.5% pa to 1.7% pa as a result of the fall in market yields.
  - The allowance for future mortality improvements has been updated to be in line with more recent mortality projections, which reflect a slower pace of improvements in life expectancy than was assumed for the previous valuation;
  - The assumed difference between RPI and CPI inflation has been increased from 0.7% pa to 1.0% pa; and
  - The assumption for the proportion of members with a dependant has been adjusted to be 90% at the assumed retirement age or earlier death for all members.
  - An allowance of £0.5m for addressing the effects of GMP inequalities has been included.
- The technical provisions are not intended to be sufficient to enable the Fund to be wound up and its benefits secured in full with an insurance company.

Projected cashflows as at the valuation date

- The benefit cashflows, which are primarily linked to price inflation, projected from the valuation date are shown below.

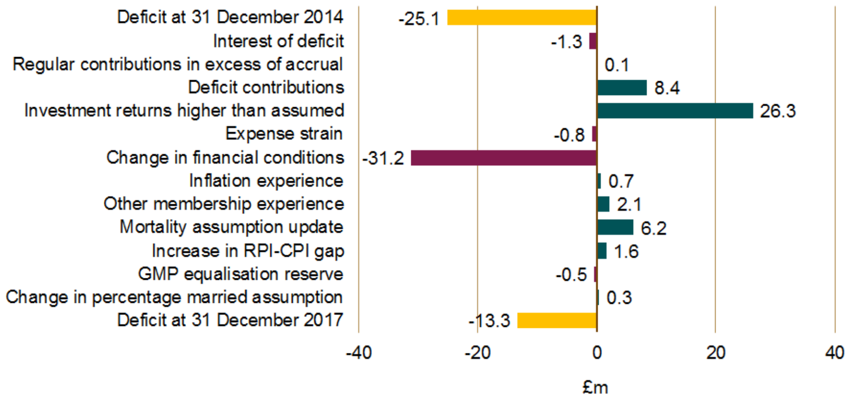


Full detail of assumptions

- The assumptions are set out in the Fund's Statement of Funding Principles, a copy of which is attached to this report.
- In determining the assumptions, the Board has taken account of its assessment of the strength of the covenant of the employers, and in particular the likely ability to pay additional contributions in the future if experience proves to be less favourable than the assumptions.

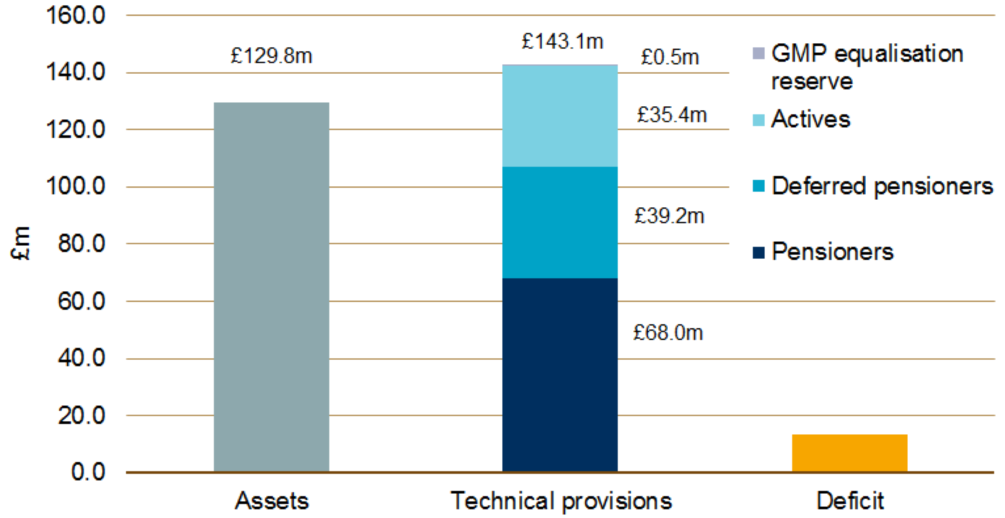
Technical provisions and future service contribution rate

Reconciliation of experience to 31 December 2017



- As at the valuation date the calculated technical provisions were £143.1m and resulting deficit was £13.3m, as shown opposite. The deficit at the previous valuation was £25.1m.
- Had experience since the previous valuation been in line with the assumptions adopted for that valuation, the Fund would have had a deficit of £18.8m at 31 December 2017. The actual position is therefore £5.5m better than expected, and the reasons for this are shown above.
- The "change in financial conditions" chart item above refers to the effect of falls in the yields on index-linked and fixed interest gilts since the previous valuation. The lower yields are reflected in lower assumed future investment returns at this valuation, which increase the technical provisions.
- 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 23.5% of Pensionable Salaries. However the Board has agreed with the employers that a contribution rate of 19.1% of Pensionable Salaries can be maintained until deficit contributions cease. The agreed Recovery Plan takes this into account.
- The appendix shows the effect on the valuation of changing some of the key assumptions.

Assets and Technical Provisions as at 31 December 2017



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 attached.
- 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 and is based on financial conditions at the valuation date.
- I also confirm that, the defined benefits section of the Fund satisfies the "cost of accruals" test and therefore remains a qualifying scheme in relation to its "relevant members" for the purposes of the Pensions Act 2008 auto-enrolment legislation.

Our calculations are based on the membership data, benefits and assets as set out in the Appendix

Discontinuance at the valuation date

The position were the employers to have ceased sponsoring the Fund

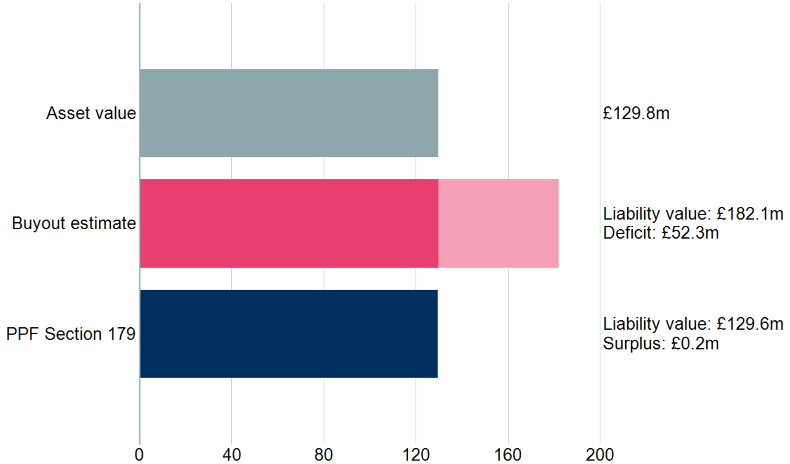
Derivation of the solvency position

- We have considered the solvency position by estimating the cost of securing all benefits by the purchase of annuities with an insurance company. In this situation, the pensionable service of active members would cease and they would become entitled to leaver benefits. We have included an allowance for the expenses that would be incurred in winding up the Fund. This measure of solvency is often referred to as the "buyout cost".

- We have not obtained quotations, but have produced our estimate using the assumptions described in the appendix. In practice, the actual position can be determined only by completing a buyout and will depend on factors such as market conditions, competition in the insurance market and expenses, so could be very different from the estimate shown.

- The estimated deficit on this basis was around £52m. This corresponds to an estimated solvency level of 71% and this compares with 65% as at the previous valuation. The reasons for the change are similar to those explaining the change in the technical provisions, together with changes in the insurance market.

Discontinuance measures



Interaction with the PPF

- Where a pension scheme is discontinued because of the insolvency of the employers, 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.

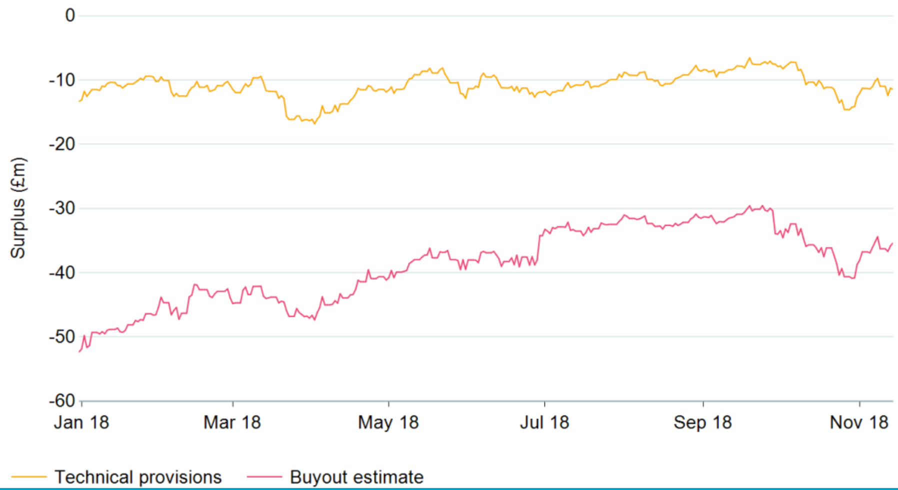
- We calculate that on a "section 179" (PPF Levy) basis, there was a surplus in the Fund of £0.2m as at 31 December 2017. Further details relating to the section 179 valuation are set out in the appendix with the full results set in in my formal section 179 certificate, a copy of which is attached to this report.

- This indicates that, had the Fund discontinued at the valuation date with no further contributions from the employers or other sources, it is likely that the Fund would not have entered the PPF and instead the Fund's assets would have been sufficient to secure benefits broadly equal in value to PPF compensation.

Experience since the valuation date

Bringing you up-to-date

Development of position since 31 December 2017



Commentary

- The chart above shows an approximate projection of how the deficit against the technical provisions and buyout estimate has varied since the valuation date.
- Our projections allow for investment returns in line with market indices, the impact of actual inflation on member benefits and changes in gilt yields. All other experience is assumed to be in line with the statement of funding principles.
- Markets continue to be affected by the current political and financial uncertainty which could make the funding position volatile (as is also seen in the chart above).

Projected funding levels at the next valuation

- The projected funding levels three years after the valuation date are shown below.
- These projections are made 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 insurance market.
- Experience from the valuation date is likely to be different from the assumptions made – in particular the best estimate investment return is higher than the assumption in the statement of funding principles. Therefore, the position at the next valuation is likely to be different from that illustrated.

Approximate projected funding levels

Measure	31 December 2017	31 December 2020
Technical Provisions	91%	96%
Solvency	71%	77%

Appendix

- Key risks faced by the Fund
- Membership data, benefits and assets
- Sensitivity to assumptions
- Assumptions used for assessing solvency
- Assumptions used for PPF Section 179 valuation

Key risks faced by the Fund

Further analysis could be undertaken on specific risks

Risk	Description of risk
Employers' covenant	The employers are not able to support the Fund, 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 funding position would deteriorate.
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. In particular, no allowance is made for specific risks, such as climate change, so members may live for a different length of time than assumed.
Member options	The incidence of Fund members exercising benefit options which are potentially not "neutral" to the Fund's funding position (such as early retirement or commutation) is different from that 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 actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may well be different to any allowance made.
Climate	Climate-related risks and opportunities are likely to have widespread social and economic effects during the Fund's lifetime. They include physical risks from the climate itself and transition risks from actions which reduce greenhouse gas emissions. They could potentially affect the Fund's investment returns, the financial strength of the employers and mortality rates.

Membership data, benefits and assets

Summary as at 31 December 2017

Membership at 31 December 2017 (2014 in brackets)	Number		Average age		Pensionable Salaries / Pensions (£000 pa)	
Active members	123	(192)	52	(52)	5,559	(7,504)
Deferred pensioners	330	(345)	52	(48)	809	(764)
Pensioners and dependants	537	(473)	69	(67)	2,483	(2,109)
Total	990	(1,010)				

Asset split as at 31 December 2017	£m	Proportion
Return-seeking pool	87.0	67%
Liability-matching pool and LDI, and net current assets	42.8	33%
Total	**129.8**	**100%**

Split by asset class	Proportion
Equities	45%
Liability matching pool and LDI	32%
Fixed Income	5%
Property	7%
Tactical Asset Allocation	3%
Infrastructure	4%
Cash and net current assets	4%
Total	**100%**

Further information on the data used and the benefits valued

- We have been provided with an updated full membership data extract by the Board's staff, as Fund administrators. We have relied on this data and have no reason to doubt its overall accuracy for the purposes of the valuation.
- The average annual increase in Pensionable Salary over the three years for those who were active members over the whole period was 2.9% pa
- The Pensionable Salaries figure has been calculated based on full time equivalent salaries for part-time members.
- The deferred pension figures have been obtained by totalling deferred pensions as at members' dates of leaving the Fund.
- The pension figures for pensioners include the increases granted on 1 January 2018.
- There have been discretionary increases to benefits since the previous valuation, in line with the agreed policy. The increases granted for pensions accrued prior to 6 April 1997 on 1 January 2016, 2017 and 2018 were 0%, 1.0% and 3.0% respectively and 0.8%, 2.0% and 3.9% respectively for pensions accrued after 6 April 1997.
- We have valued the benefit and contribution structures set out in the Fund's trust deed and rules dated 22 July 2010, as subsequently amended.

Description of assets and assumptions

- We have used the assets as shown in the Fund's signed accounts as at 31 December 2017 and dated 27 June 2018.
- Assets in respect of the Defined Contribution section of the Fund and members' AVCs other than added years have been excluded from the figures.

Sensitivity to assumptions

We have looked at the effect of varying assumptions

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Commentary

- We have illustrated the effect on the technical provisions and hence the deficit of varying some of the key assumptions.

	Description	Deficit £m	Employers' future service contribution rate (% of Pensionable Salaries)
	2017 Technical Provisions	13.3	23.5%
A	No allowance for returns above gilts	27.8	28.7%
B	Increase mortality improvement allowance from an annual long-term rate of 1.5% to 1.75%	15.0	23.9%
C	Give more weight to recent UK mortality experience by adopting smoothing parameter of 7.5 rather than 8	11.5	23.2%
D	Reduce percentage married assumption to 80% (from 90%)	11.6	23.1%

Each basis shows the effect of varying each assumption in isolation. The effect of making more than one change is not necessarily additive.

Assumptions used for assessing solvency

We have used the assumptions summarised below

Summary of approach

- We have based our estimate of the solvency position on our understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for other schemes.
- We have not obtained an actual quotation for the Fund, and there is considerable volatility in prices. Therefore, were the benefits actually to be bought out, the position could be very different from that illustrated. The basis used has no relevance beyond this estimate of the buy-out cost and my statutory estimate of solvency.
- The demographic assumptions we have used are generally the same as those used for the technical provisions (where relevant) except as shown opposite.
- We have estimated the insurers' expense loading to be £0.9m.
- Additionally, we have included a provision of £2.9m for the costs that would be incurred by the Board in winding up the Fund and £0.6m for removing inequalities arising from GMPs. In practice, the actual winding-up expenses and cost of removing GMP inequalities could be very different.

Main financial assumptions

Assumption	% pa
Illustrative single equivalent assumptions	
Discount rate	1.4
Rate of RPI inflation	3.4
Rate of CPI inflation	2.7
Pension increases in payment	Set consistent with market-based pricing for the relevant minimums and maximums

Main demographic assumptions

Assumption	
Proportion married	85%
Mortality assumption	95% of S2NMA and S2NFA projected from 2007 in line with the CMI 2016 core projections with a smoothing factor of 7.5 and long-term annual rate of improvement of 1.5% for both males and females

Assumptions used for PPF Section 179 valuation (1 of 2)

We have used the assumptions summarised below

Scope of valuation

- A "section 179 valuation" is carried out in accordance with section 179 of the Pensions Act 2004. The sole purpose of a section 179 valuation is to enable the Board to fulfil their statutory duty to provide the required information to the Pensions Regulator.
- Once submitted, the Board of the PPF will use the valuation results to calculate the Fund's future Pension Protection Levy ("PPF") until a new section 179 valuation is provided.
- Additionally, were the Fund to enter a PPF assessment period, the results of a section 179 valuation might be used in assessing whether the Fund's funding position was such that it was eligible to enter the PPF.

Valuation of Section 179 liabilities

- The benefits to be valued are the Fund's benefits adjusted to reflect, broadly, the compensation that members would currently receive if the Fund were to enter the PPF.
- I have placed a value on the projected adjusted benefits, using the PPF's prescribed assumptions as at the effective date (version A8).
- I have taken into account the PPF's valuation guidance (version G7) and responses to Frequently Asked Questions (FAQs) relating to section 179 valuations published on the PPF website.
- The previous section 179 valuation, carried out with an effective date of 31 December 2014, showed a deficit of £22.1m. The current valuation shows an improvement in the position to a surplus of £0.2m. This is due to similar factors to those described elsewhere in this report, together with changes in the prescribed assumptions.

Approximations made

- In certain respects the membership data provided for the valuation was not sufficiently complete to enable us to value PPF compensation precisely. As permitted by the PPF, I have made approximations where appropriate. In particular:
  - As part of the valuation process, we estimated GMP benefits based on historical earnings data provided as GMP information was unavailable.
  - We have assumed that if a member retired before reaching their minimum pension age (as defined by legislation), it was on ill-heath terms. For other pensioners, we have also used information provided at previous valuations regarding ill-health retirements and have made an allowance for a similar proportion of other retirements before age 60 being on ill-health terms.
- In providing my section 179 valuation certificate, I am required to confirm that in my opinion the calculated value of the protected liabilities is unlikely to have been understated. I am satisfied that taken as a whole, the approximations made for the purposes of this valuation are prudent in that they will tend to overstate the value placed on the liabilities. Accordingly I am happy to provide the required certification.
- The statutory deadline for submission of the valuation results to the Pensions Regulator is 31 March 2019, ie 15 months from the effective date of the valuation. We have not input this information on Exchange; the Board should do this as usual as part of the annual Scheme Return submission.

Assumptions used for PPF Section 179 valuation (2 of 2)

We have used the assumptions summarised below

Assumptions

- The PPF Board prescribes the actuarial assumptions to be adopted for a section 179 valuation – I have used version A8 of the assumptions guidance. The financial assumptions are specified by reference to yields on certain gilt indices at the valuation date and are summarised in the table opposite.

Main financial assumptions

Assumption	% pa	
	Non-pensioners	Pensioners
Net discount rates during deferment		
for revaluing benefits earned before 6 April 2009	-1.82	n/a
For revaluing benefits earned after 5 April 2009	-0.86	n/a
Net discount rates after retirement		
for benefits earned before 6 April 1997	1.50	1.56
for benefits earned after 5 April 1997	-0.70	-0.34

Main demographic assumptions

Assumption	
Percentage married (at age 65 or earlier death)	Males: 85% Females: 75%
Mortality assumption	100% of the S2PMA and S2PFA tables projected from 2007 in line with the CMI 2014 projections with a long term annual rate of improvement of 1.5% (males) and 1.25% (females)

There is also a prescribed allowance for wind-up and benefit installation expenses according to the amount of the calculated section 179 liabilities and the membership profile of the Fund. The prescribed basis does not include allowance for GMP equalisation.

Use of our work and preparation and review of our advice

The advice in this report is from Aaron Punwani in his role as the Fund's scheme actuary. Under the terms of our professional conduct code and guidance, it has been reviewed by Tom Lorenc, 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.

Professional Standards

This report is part of the work in connection with the valuation of the Fund. 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. Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Technical Actuarial Standard 300: Pensions.

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 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 although we acknowledge that you are required to pass it to the employers sponsoring the Fund . 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.

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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 2017 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 19 December 2018.

Signature: ....

Date: 19 December 2018

Name: Aaron Punwani

Qualification: FIA

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

Name of employer:
Lane Clark & Peacock LLP

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 2017. 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 April 2023.

In calculating the necessary contributions allowance is made for returns from the Fund's investments at the rates set out in Appendix 1. These returns are the same as those anticipated when calculating the technical provisions.

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 employers

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 sponsors 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 rely on the results of the previous valuation as the basis for future contributions.

This is the fifth statement that we have produced. It replaces the previous statement, which was signed on 30 October 2015.

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 ...19... December 2018

Signed on behalf of the Church of England Pensions Board (as Trustee of the Fund)

Signature: ....

Name: ......JOHN BALL......

Position: ......CRO......

Date: ......19... December ... 2018......

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

Signature: ....

Name: ......JOHN BALL......

Position: ......CRO......

Date: ......19 December 2018......

Signed on behalf of the Archbishops' Council

Signature: ....

Name: ......WILLIAM NYE......

Position: ......SECRETARY GENERAL

Date: ......19... December... 2018......

Signed on behalf of the Church Commissioners

Signature: ....

Name: ANDREW BROWN......

Position: SECRETARY......

Date: ......19 December 2018......

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Signed on behalf of Church of England Central Services

Signature: ....

Name: G. MOSTYN

Position: CFOO

Date: 19 December 2018

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.

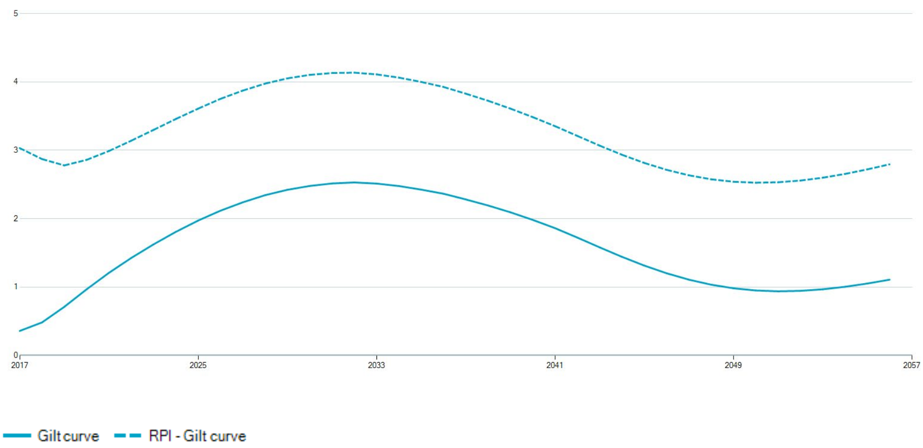
Gilt return and price inflation assumptions

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 1.0% pa.

For illustration, as at 31 December 2017, 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 2017



For illustration, as at 31 December 2017 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.7% pa*
RPI inflation	*3.4% 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 2017 the resulting single equivalent average discount rates were:

	Discount rate
Return-seeking assets	*3.7% pa*
Liability-matching assets	*1.7% pa*

Other assumptions

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

- Revaluation of deferred pensions as follows:

<table>
<tr><th>Increases to deferred pensions</th><th>Ex-CCSS members*</th><th>CAPF members</th></tr>
<tr><td>Pre 4/97 excess over GMP</td><td rowspan="2">Benefits in respect of service prior to 2000 are provided through the CCSS, not the CAPF</td><td>CPI**</td></tr>
<tr><td>4/97 to 12/99 pensions</td><td>RPI up to 5% pa**</td></tr>
<tr><td>1/00 to 12/07 pensions</td><td>CPI**</td><td>RPI up to 5% pa**</td></tr>
<tr><td>Post 1/08 pensions</td><td>RPI up to 5% pa**</td><td>RPI up to 5% pa**</td></tr>
</table>

*Ex-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 2017 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	2.4% pa

- Pension increases to pensions in payment as follows:

Increases to pensions in payment	Ex-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 2017 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	Assumption
CPI	2.4% pa
CPI subject to a maximum of 3% pa (relevant to GMPs)	2.1% pa
RPI subject to a maximum of 5% pa (with CPI underpin)	3.3% pa
RPI subject to a maximum of 5% pa	3.2% 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, 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 S2NMA and S2NFA tables

  - projected from 2007 in line with the CMI 2017 extended model with a long-term annual rate of improvement of 1.5% and a smoothing parameter of 8.

- 90% of current pensioners are assumed to have a spouse or civil partner at their assumed retirement date. 90% of other members assumed to be married or have a civil partner at retirement, or earlier death.
- Spouses/civil partners assumed to be three years younger (male members) or three years older (female members) than the member.
- An allowance of £390,000 pa towards expenses.
- An allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the technical provisions by £0.5m.
- Pension Protection Fund (PPF) levies are to be paid in full by the employers.

3483064

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

The actuarial valuation of the Fund as at 31 December 2017 revealed a deficit of £13.3m.

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
£2,667,723 pa	payable monthly by the employers, increasing each 1 January at 3.3% pa, from 1 January 2018 to 30 April 2023 inclusive

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

The deficit is expected to be eliminated by 30 April 2023. 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...19....December 2018
- The return on existing assets and new contributions during the period are as set out in the Statement of Funding Principles dated ....19.....December 2018.

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Page 2 of 2

3. Agreement by the Trustee and the employers

This recovery plan was prepared on ……19 December 2018

Signed on behalf of the Church of England Pensions Board (as Trustee)

Signature:……………………………………………....

Name: …………John Ball…………………....

Position: ……CEO……………………………….

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

Signature:……………………………………………....

Name: …………John Ball…………………....

Position: ……CEO……………………………….

Signed on behalf of the Archbishops' Council

Signature:……………………………………………....

Name: ……William Nye…………………....

Position: ……Secretary General……………….

Signed on behalf of the Church Commissioners

Signature:……………………………………………....

Name: ……Andrew Brown…………………....

Position: Secretary……………………………….

Signed on behalf of Church of England Central Services

Signature:……………………………………………....

Name: ……Gareth Mostyn…………………....

Position: ……CFOO……………………………….

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 31 December 2023, 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 2018 until 30 April 2023	From 1 May 2023
Contributions from active members who joined the Fund after 31 December 1987	1.5%	1.5%
Contributions from the employers	19.1%	23.5%

The employer contribution rates shown are applicable until the next triennial valuation has been completed. The rate will be recalculated after each valuation to reflect prevalent economic conditions and the membership profile at each valuation, and a revised rate will generally 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 £390,000 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. As the underlying cost of future service benefits has increased since the last valuation but the funding position has improved, in practice a small proportion of these contributions is effectively being used towards the provision of future service benefits.

- The employers will pay £2,667,723 pa, payable monthly, from 1 January 2018 to 30 April 2023, 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.

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.

3483107

This Schedule of Contributions is agreed:

on behalf of the Church of England Pensions Board (as Trustee of the Fund)

Signature: .... authorised signatory

Name: JOHN BALL

Position: CEO Date: 19 December 2018

on behalf of the Church of England Pensions Board (as an employer)

Signature: .... authorised signatory

Name: JOHN BALL

Position: CEO Date: 19 December 2018

on behalf of the Archbishops' Council

Signature: .... authorised signatory

Name: WILLIAM NYE

Position: SECRETARY GENERAL Date: 19 December 2018

on behalf of the Church Commissioners

Signature: .... authorised signatory

Name: ANDREW BROWN

Position: SECRETARY Date: 19 December 2018

on behalf of the Church of England Central Services

Signature: .... authorised signatory

Name: GARETH MOSTYN

Position: CFOO Date: 19 December 2018

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 2017 to be met by the end of the period specified in the recovery plan dated 19 December 2018.

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 19 December 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:**19 December 2018

Name: Aaron Punwani **Qualification:** FIA

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

Name of employer:
Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase “could have been 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 19 December 2018 and their Recovery Plan dated 19 December 2018 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Fund between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

3475524

Section 179 Valuation Certificate

Scheme /Section details:

Full name of scheme:	Church Administrators Pension Fund
Name of section, if applicable:	Defined Benefits Scheme
Pension Scheme Registration Number:	10007963

Address of scheme:

The Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

s179 valuation	
Effective date of this valuation	31/12/2017
Guidance and assumptions	
s179 guidance used for this valuation	G7
s179 assumptions used for this valuation	A8

Assets	
Total assets (this figure should not be reduced by the amount of any external liabilities and should include the insurance policies referred to below)	£129,811,000
Date of relevant accounts	31/12/2017
Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts	0%

3475524

Liabilities	
Please show liabilities for:	
Active members (excluding expenses)	£34,720,100
Deferred members (excluding expenses)	£38,189,400
Pensioner members (excluding expenses)	£53,059,000
Estimated expenses of winding up	£2,759,700
Estimated expenses of benefit installation/payment	£833,600
External liabilities	£0
Total protected liabilities	£129,561,800
Please provide the percentage of the liabilities shown above that are fully matched by insured annuity contracts for:	
Active members	0%
Deferred members	0%
Pensioner members	0%

Proportion of liabilities			
Please show the percentage of liabilities which relate to each period of service for:			
	Before 6 April 1997	6 April 1997 to 5 April 2009 (inclusive)	After 5 April 2009
Active members	2%	66%	32%
Deferred members	9%	81%	10%
	Before 6 April 1997	After 5 April 1997	
Pensioner members	15%	85%	

Number of members and average ages		
For each member type, please show the number of members and the average age (weighted by protected liabilities) as at the effective date of this valuation. Average ages should be rounded to the nearest whole year.		
	Number	Average age
Active members	123	52
Deferred members	330	51
Pensioner members	537	67

3475524

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signature .... Date: 19 December 2018

Name: Aaron Punwani

Qualification: FIA Employer: Lane Clark & Peacock LLP

As required, under Part 6 of the Guidance on undertaking an s179 valuation, the s179 certificate should form part of the scheme actuary's s179 valuation report. The details contained in this certificate should be separately submitted to the PPF as part of the annual scheme return via the Pension Regulator's system "Exchange".

This certificate should not be sent directly to the Pension Protection Fund.