

# **Church Workers Pension Fund**

**Annual Report and Financial Statements  
31 December 2018**

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## Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of the Church Workers Pension Fund ("CWPF", or the "Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2018.

### Scheme constitution and management

The Scheme was established in 1953 in accordance with the Church of England Pensions Board (Powers) Measure 1952 and operates as a centralised occupational pension scheme.

The CWPF has two distinct sections:

- the Defined Benefit Scheme; and
- Pension Builder Scheme.

The Pension Builder Scheme is further divided into two sub-sections:

- Pension Builder Classic; and
- Pension Builder 2014.

The two Pension Builder sub-sections are hybrid: part defined benefit, due to guaranteed pension benefits; but also have defined contribution elements, due to the amount of benefit being dependent on accumulated pension contributions.

Some employers participate in more than one section. Employers include diocesan boards of finance, cathedral chapters, mission agencies and other bodies connected with the ministry and mission of the Church of England.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown in Appendix 1.

Other than the Scheme's liability driven investments ("LDI"), and the Defined Benefit Scheme's insurance policy (see Management and Custody of Investments section on page 5), the Scheme's investments are principally held in a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"). The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since it was established in 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, to which the smaller schemes would not have access on their own. The CEIFP's annual report and financial statements are attached at Appendix 3.

The CEIFP has two pools with differing risk and return characteristics that the Scheme can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures in Appendix 3 for more information.

### Pension Builder 2014

The Pension Builder 2014 sub-section has been operating since February 2014. There are 334 (2017: 334) participating employers. It was set up to help small employers comply with auto-enrolment legislation. It is a scheme that guarantees to pay out at least the value of the contributions paid in plus any bonuses, which are dependent on the investment returns. This guarantee means Pension Builder 2014 is classified as a cash balance scheme both in respect of tax and pensions legislation.

### Pension Builder Classic

There are 144 (2017: 161) employers participating in this sub-section. It is a scheme which guarantees pension benefits for its members. The scheme provides guaranteed increases to pensions in line with limited price indexation ("LPI") in respect of contributions paid after 5 April 1997. Discretionary bonuses are applied to all benefits and to all pensions in payment relating to contributions paid before 6 April 1997. Bonuses may be declared by the Trustee, but are dependent on the funding level of the section each year.

### Defined Benefit Scheme

The Defined Benefit Scheme currently has 75 participating employers. Employers have some flexibility as to the benefit structure for members. The Scheme provides a guarantee that pensions will increase in line with LPI.

The section is managed in two parts: an employer section and a life risk section, each section with an investment strategy that reflects its purpose (see note 13 to the financial statements for more detail). The employer section receives contributions and invests in return seeking assets until the point of retirement. At the point of retirement, an amount is transferred to the life risk section, which pays pensions. This section is invested in liability matching assets and return seeking assets and has an insurance policy which pays 70% of pension in payment at the contract date.

### **Rule changes**

There were no changes to the Scheme's rules during 2018. A full copy of the Scheme's rules is available on request.

### **Financial developments**

There were no significant financial developments within the Scheme during the year.

For information about the CEIFP's own financial developments in the year, see its Trustee's Report in Appendix 3.

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41(1) and (6) of that Act.

## Trustee's report (continued)

### Membership

The change in membership during the year for each section of the Scheme is as follows:

Defined Benefit Scheme	Active	Deferred	Pensioners*	Beneficiaries*	Total
At 1 January	402	1,640	1,980	196	4,218
New members joining	17	-	-	-	17
Members retiring	(37)	(67)	104	-	-
Members leaving prior to pension age	(107)	107	-	-	-
Transfers out	(3)	(8)	-	-	(11)
Deaths	-	(3)	(38)	(11)	(52)
New spouse and dependent pensions	-	-	-	20	20
Adjustments/other	-	-	2	1	3
<b>Total at 31 December</b>	<b>272</b>	<b>1,669</b>	<b>2,048</b>	<b>206</b>	<b>4,195</b>

\* Included within the above are 1,465 (2017: 1,490) pensioners and 186 (2017: 182) beneficiaries whose benefits are partly provided by an insurance policy.

Pension Builder Classic	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 January	1,815	1,746	1,285	110	4,956
New members joining	421	-	-	-	421
Members retiring	(28)	(72)	100	-	-
Members leaving with refunds	(16)	(1)	-	-	(17)
Members leaving prior to pension age	(291)	291	-	-	-
Full commutation	(14)	(16)	-	-	(30)
Transfers out	(11)	(8)	-	-	(19)
Deaths	-	-	(39)	(5)	(44)
New spouse and dependent pensions	-	-	-	3	3
Adjustments/other	(2)	(2)	(3)	(1)	(8)
<b>Total at 31 December</b>	<b>1,874</b>	<b>1,938</b>	<b>1,343</b>	<b>107</b>	<b>5,262</b>

Pension Builder 2014	Active	Deferred	Total
At 1 January	2,096	359	2,455
New members joining	574	-	574
Members retiring – no further liability	(4)	(5)	(9)
Members leaving with refunds	(26)	-	(26)
Members leaving prior to pension age	(346)	346	-
Full commutation	(13)	(3)	(16)
Transfers out	(12)	(4)	(16)
Deaths	(3)	(1)	(4)
Other	-	(2)	(2)
<b>Total at 31 December</b>	<b>2,266</b>	<b>690</b>	<b>2,956</b>

### Pension Increases

Increases to Guaranteed Minimum Pensions in deferment and in the Pensions Builder Classic are increased at statutory rates. Increases to Guaranteed Minimum Pensions in the Defined Benefit Scheme are increased as set out below, which includes a discretionary increase in excess of statutory rates.

Increases to pensions in payment in the CWPF are made in line with the Retail Prices Index ("RPI") up to a limit of 2.5% or 5.0%. The increase in RPI in the year to 30 September 2018 was 3.3% (2017: 3.9%). Pensions in payment on 1 January 2019 increased therefore by 3.3% (2018: 3.9%) or 2.5% when subject to that limit. Pensions earned in the Pension Builder Classic prior to April 1997 do not increase.

No discretionary bonuses were paid in respect of Pension Builder Classic (2017: none). No discretionary bonuses were paid in respect of Pension Builder 2014 (1 April 2017: 9.6%). Bonuses are not applicable to the Defined Benefit Scheme.

### Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's Actuary and does not include any discretionary benefits. The Scheme does not accept transfers.

### Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of future retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions determined by the Trustee, after considering actuarial advice and having consulted with the employers, and is set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme's Actuary who carries out a full actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

## Trustee's report (continued)

### Actuarial liabilities (continued)

The most recent valuation was carried out as at 31 December 2016 which showed at that date:

	Defined Benefit Scheme £m	Pension Builder Classic £m	Pension Builder 2014 £m
Technical provision	408.1	132.6	8.6
Value of assets	378.7	118.4	9.1
(Deficit)/Surplus	(29.4)	(14.2)	0.5

The method and significant actuarial assumptions used to determine the technical provisions for the Defined Benefit Scheme and the Pension Builder Classic are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

#### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

#### Significant actuarial assumptions

Discount rate	
for employer pools (pre-retirement)	4.2% p.a.
for life risk section (post-retirement)	2.35% p.a.
RPI	3.2% p.a.
Pay increases	CPI + 1.2% p.a.
Pension increases:	
Increasing in line with CPI (capped at 3.0%)	2.4% p.a.
Increasing in line with RPI (capped at 2.5%)	2.2% p.a.
Increasing in line with RPI (capped at 5.0%)	3.3% p.a.
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables in line with the CMI 2015 core projections with long-term annual rate of improvement of 1.5% p.a. for both males and females

As a result of the actuarial valuation the Trustee agreed future contribution rates and "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating Defined Benefit Scheme employer. The majority of employers agreed a recovery plan of seven years or less from 1 April 2018. Only one employer required a recovery plan longer than 10 years (from 1 April 2018) and that recovery plan is due to end on 30 June 2033, and is supported by an Individual Payment Plan agreement.

### Investment management

#### Investment strategy and principles

The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for the Scheme by the Trustee. This incorporates the investment strategy and is supported by documents that set out how the investment strategy is implemented. Copies of the SIP may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

#### Management and custody of investments

In 2014 the Trustee decided to reduce the defined benefit liability risk by purchasing an insurance contract ("buy in") from Prudential. The contract transferred 70% of the pension risk at the contract date from the employers to the insurer. It removed significant investment risk from the assets backing that part of the payments and the risk associated with longevity too.

The Scheme holds £67.4m (2017: £57.5m) of its liability matching assets outside the CEIFP in its own LDI accounts. Apart from a cash reserve (held to meet the monthly pension commitments), all other assets are held in the CEIFP return seeking or liability matching pools.

The CEIFP's custody arrangements are described in the CEIFP's Trustee Report in Appendix 3. The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Scheme's investments, other than pooled investment vehicles ("PIV"), where the manager makes its own arrangements for the custody of underlying investments.

#### Investment performance

At the end of 2018, the Scheme held 67.0% (2017: 68.6%) of its net assets in the CEIFP's Return Seeking Pool, which comprises public equities, private infrastructure equity, private debt, emerging market sovereign debt, property unit trusts, hedge funds and cash; and 1.4% (2017: 1.5%) in the CEIFP's Liability Matching Pool, which consists solely of corporate bonds. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 3.

## Trustee's report (continued)

### *Investment performance (continued)*

The remaining investments other than the insurance policy, representing 12.4% (2017: 10.5%) of the Scheme's net assets, were in its own LDI account. Index-linked Gilts posted small losses over the year, with the FTSE Over 5-Year Index-linked Gilt Index falling by 0.4% in 2018. The Scheme's LDI losses were 0.4% (2017: gains of 2.6%). The LDI was implemented less than three years ago so longer term returns are not available.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements

### **Employer related investments**

Details of employer related investments are given in note 15 to the financial statements.

### **Further Information**

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed in Appendix 1.

### **Approval**

The Trustee's Report and Statement of Trustee's Responsibilities on page 7 were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather  
Chairman

A handwritten signature in black ink, appearing to be 'Clive Mather', written over a horizontal line.

## **Statement of Trustee's Responsibilities**

The Church of England Pensions Board is Trustee of the Church Workers Pension Fund.

### **Trustee's responsibilities in respect of the financial statements**

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

# Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England

## *Report on the audit of the financial statements*

### **Opinion**

In our opinion, the Church Workers Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the statement of net assets available for benefits as at 31 December 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Scheme, its operations and other organisations on which it depends, and the wider economy.

### **Reporting on other information**

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditors' report to the Trustee of the Church Workers Pension Fund and the General Synod of the Church of England (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

25767 2019

## Fund Account for the year ended 31 December 2018

	Note	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2018 Total £000	2017 Total £000
<b>Contributions and other income</b>							
Employer contributions	4	4,122	4,912	8,467	-	17,501	13,619
Employee contributions	4	1,226	1,418	181	-	2,825	2,479
Transfers in		-	-	-	-	-	36
Other income	4	261	219	3	465	948	832
<b>Total contributions and other income</b>		5,609	6,549	8,651	465	21,274	16,966
<b>Benefits</b>							
Benefits paid or payable	5	(237)	(3,859)	(2,138)	(9,526)	(15,760)	(15,271)
Payments to and on account of leavers	6	(18)	(15)	-	-	(33)	(51)
Transfers out		(83)	(197)	(1,380)	-	(1,660)	(811)
Administrative expenses	7	(619)	(792)	-	(755)	(2,166)	(2,305)
<b>Total benefits and other expenses paid</b>		(957)	(4,863)	(3,518)	(10,281)	(19,619)	(18,438)
<b>Net additions/(withdrawals) from dealings with members</b>		4,652	1,686	5,133	(9,816)	1,655	(1,472)
<b>Returns on investments</b>							
Deposit interest		-	-	-	12	12	3
Income from insurance policies		-	-	-	4,888	4,888	4,836
Change in market value of investments	11	(452)	(2,171)	(3,506)	(4,749)	(10,878)	34,120
Investment management expenses		-	(27)	-	(26)	(53)	(19)
<b>Net returns on investments</b>		(452)	(2,198)	(3,506)	125	(6,031)	38,940
Net increase/(decrease) in fund		4,200	(512)	1,627	(9,691)	(4,376)	37,468
Transfers between sections	8	-	-	(14,317)	14,317	-	-
Opening net assets		14,189	130,060	200,292	202,110	546,651	509,183
Closing net assets		18,389	129,548	187,602	206,736	542,275	546,651

Notes 1 to 18 form part of these Financial Statements.

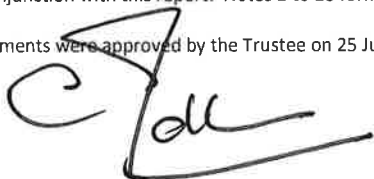
## Statement of Net Assets available for benefits as at 31 December 2018

	Notes	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2018 Total £000	2017 Total £000
<b>Investments</b>							
Pooled investment vehicles (CEIFP)	11	18,010	103,752	187,068	62,373	371,203	382,984
Pooled investment vehicles (other)	11	-	25,454	-	41,940	67,394	57,501
Insurance policies	11	-	-	-	102,060	102,060	105,200
<b>Total investments</b>		18,010	129,206	187,068	206,373	540,657	545,685
Current assets	9	500	633	570	375	2,078	2,147
Current liabilities	10	(121)	(291)	(36)	(12)	(460)	(1,181)
<b>Net current assets</b>		379	342	534	363	1,618	966
<b>Total net assets available for benefits</b>		18,389	129,548	187,602	206,736	542,275	546,651

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position, which does take account of such defined benefit obligations, is dealt with in the report on actuarial liabilities on page 4, and these financial statements should be read in conjunction with this report. Notes 1 to 18 form part of these financial statements. Note 18 shows the full year comparatives.

These financial statements were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather  
Chairman



## Notes to the financial statements

### 1. Legal status

The Church Workers Pension Fund (the "Scheme") is an occupational pension scheme established under trust on 1 January 1953 by The Church of England Pensions Board (the current Trustee).

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

### 2. Basis of preparation of financial statements

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on the financial statements, however it will require certain additions to or amendments of disclosures in the financial statements.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Contributions

Employer normal contributions are accounted for on the accruals basis in the payroll month to which they relate. Employer deficit funding contributions, administration contributions and contributions for life cover are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and the Trustee.

Employee contributions are accounted for on the accruals basis in the month deducted from payroll.

Additional voluntary contributions from members are accounted for, on the accruals basis, in the month deducted from payroll.

#### b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on the accruals basis on the later of the date of retirement and the date the option is exercised.

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate. Other benefits are accounted for on the accruals basis on the date of retirement, death or leaving the Scheme, as appropriate.

#### c) Transfers to/from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on the accruals basis, which is generally when funds are transferred unless the Trustee of the receiving scheme has agreed to accept the liability in advance of receipt of funds.

#### d) Administrative and other expenses

Administrative and investment management expenses are accounted for on the accruals basis. The costs are split between each section of the Scheme according to each section's use of management and administration time.

#### e) Income from insurance policies, investment income and expenditure

Most of the Scheme's investments are units in the Church of England Investment Fund for Pensions ("CEIFP"), which is an accumulation fund. The CEIFP's net investment income, after paying management and transaction fees is retained within the fund for reinvestment. The value of the Scheme's holding in CEIFP units consequently is affected by the change in market value of investments, comprising of all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

Income arising from insurance policies is shown separately in the Fund Account and is accounted for on the accruals basis.

#### *Investment income*

Income from cash and short term deposits is accounted for on the accruals basis.

#### *Investment expenditure*

Transactions costs are included in the cost of purchases and sales proceeds. These include commissions, stamp duty and other fees.

## Notes to the financial statements (continued)

### 3. Accounting policies (continued)

#### f) Investment valuation

The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, provided by the custodian Northern Trust. These prices are calculated using the number of units held and the fair value of the CEIFP's underlying investment assets and liabilities. Where separate bid and offer prices are available for the underlying investment assets and liabilities, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

Investment assets and liabilities are measured at fair value. Where an active market is unavailable, the Trustee adopts valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

#### *Pooled investment vehicles*

Unitised investment vehicles which are not traded on an active market are estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

#### *Insurance policies*

Insurance policies are valued by the Scheme's Actuary, Lane Clark and Peacock LLP, at the amount of the related obligation using the actuarial method. This is determined by the most recent scheme funding valuation assumptions updated for market conditions at the reporting date.

The change in market value of investments recognised in the fund account during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

#### g) Foreign currencies

The Scheme's functional currency and presentational currency is pounds sterling.

## Notes to the financial statements (continued)

### 4. Contributions and other income

Year ended 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
<b>Employer contributions</b>					
Normal	4,076	4,631	3,048	-	11,755
Deficit	-	-	5,419	-	5,419
AVC	46	281	-	-	327
For supplemental pensions	-	-	-	-	-
<b>Total employer contributions</b>	<b>4,122</b>	<b>4,912</b>	<b>8,467</b>	<b>-</b>	<b>17,501</b>
<b>Employee contributions</b>					
Normal	864	654	181	-	1,699
AVC	362	764	-	-	1,126
<b>Total employee contributions</b>	<b>1,226</b>	<b>1,418</b>	<b>181</b>	<b>-</b>	<b>2,825</b>
<b>Other income</b>					
Contributions for administration costs	-	-	3	465	468
Contributions for life cover	261	219	-	-	480
<b>Total other income</b>	<b>261</b>	<b>219</b>	<b>3</b>	<b>465</b>	<b>948</b>
<b>Year ended 31 December 2017</b>					
	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
<b>Employer contributions</b>					
Normal	3,486	4,344	3,391	-	11,221
Deficit	-	-	2,153	-	2,153
AVC	37	185	-	-	222
For supplemental pensions	-	12	11	-	23
<b>Total employer contributions</b>	<b>3,523</b>	<b>4,541</b>	<b>5,555</b>	<b>-</b>	<b>13,619</b>
<b>Employee contributions</b>					
Normal	744	610	222	-	1,576
AVC	297	606	-	-	903
<b>Total employee contributions</b>	<b>1,041</b>	<b>1,216</b>	<b>222</b>	<b>-</b>	<b>2,479</b>
<b>Other income</b>					
Contributions for administration costs	-	-	-	416	416
Contributions for life cover	222	194	-	-	416
<b>Total other income</b>	<b>222</b>	<b>194</b>	<b>-</b>	<b>416</b>	<b>832</b>

Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 April 2018 to 30 June 2033.

### 5. Benefits paid or payable

Year ended 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Pensions	-	3,121	-	9,526	12,647
Lump sums on retirement	10	437	2,005	-	2,452
Lump sums on death	128	-	133	-	261
Commutations	99	301	-	-	400
<b>Total benefits paid</b>	<b>237</b>	<b>3,859</b>	<b>2,138</b>	<b>9,526</b>	<b>15,760</b>
<b>Year ended 31 December 2017</b>					
	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Pensions	-	3,094	-	8,887	11,981
Lump sums on retirement	19	440	2,319	-	2,778
Lump sums on death	30	49	40	-	119
Commutations	57	336	-	-	393
<b>Total benefits paid</b>	<b>106</b>	<b>3,919</b>	<b>2,359</b>	<b>8,887</b>	<b>15,271</b>

## Notes to the financial statements (continued)

### 6. Payments to and on account of leavers

Year ended 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Refunds of contributions in respect of non-vested leavers	18	15	-	-	33
<b>Total payments to and on account of leavers</b>	<b>18</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>33</b>
Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Refunds of contributions in respect of non-vested leavers	28	23	-	-	51
<b>Total payments to and on account of leavers</b>	<b>28</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>51</b>

### 7. Administrative expenses

The administrative expenses comprise a recharge from the Board for costs it bears on the Scheme's behalf. A breakdown of the costs which make up this recharge is listed below:

Year ended 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Actuarial fees	104	141	-	168	413
Audit fees	13	17	-	17	47
Pension levy	-	7	-	46	53
Legal advice	33	101	-	94	228
Investment services	24	31	-	30	85
Administrative expenses	445	495	-	400	1,340
<b>Total administrative expenses</b>	<b>619</b>	<b>792</b>	<b>-</b>	<b>755</b>	<b>2,166</b>
Year ended 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Actuarial fees	53	72	-	343	468
Audit fees	22	20	-	10	52
Pension levy	-	4	-	53	57
Legal advice	13	28	-	16	57
Investment services	3	31	-	72	106
Administrative expenses	474	584	-	507	1,565
<b>Total administrative expenses</b>	<b>565</b>	<b>739</b>	<b>-</b>	<b>1,001</b>	<b>2,305</b>

### 8. Transfers between sections

The Defined Benefit section is managed in two parts: an employer section and a life risk section. The employer section receives contributions and holds investments for individual employers until the point of retirement. At point of retirement, an amount is transferred to the life risk section, which pays pensions. This is similar to the employer buying an annuity from the Life Risk section.

## Notes to the financial statements (continued)

### 9. Current assets

At 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Debtors					
Employer contributions	498	529	570	-	1,597
Other	2	29	-	15	46
Total debtors	500	558	570	15	1,643
Cash	-	75	-	360	435
<b>Total current assets</b>	<b>500</b>	<b>633</b>	<b>570</b>	<b>375</b>	<b>2,078</b>
At 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Debtors					
Employer contributions	440	483	460	-	1,383
Other	2	20	-	55	77
Total debtors	442	503	460	55	1,460
Cash	-	12	195	480	687
<b>Total current assets</b>	<b>442</b>	<b>515</b>	<b>655</b>	<b>535</b>	<b>2,147</b>

### 10. Current liabilities

At 31 December 2018	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Unpaid benefits	4	20	-	-	24
Tax payable	1	147	-	-	148
Other	3	21	36	12	72
Trustee	113	103	-	-	216
<b>Total creditors</b>	<b>121</b>	<b>291</b>	<b>36</b>	<b>12</b>	<b>460</b>
At 31 December 2017	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	Total £000
Unpaid benefits	6	44	-	-	50
Tax payable	1	141	-	-	142
Trustee	302	214	-	473	989
<b>Total creditors</b>	<b>309</b>	<b>399</b>	<b>-</b>	<b>473</b>	<b>1,181</b>

Amounts owed to the Trustee represent money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

## Notes to the financial statements (continued)

### 11. Investment assets

The tables below shows the movement in investments in the year:

Pension Builder 2014:

	At 1 January 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	At 31 December 2018 £000
<b>Pooled investment vehicles (CEIFP)</b>					
Return seeking pool	14,056	4,406	-	(452)	18,010
<b>Total investments</b>	14,056	4,406	-	(452)	18,010

Pension Builder Classic:

	At 1 January 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	At 31 December 2018 £000
<b>Pooled investment vehicles (CEIFP)</b>					
Return seeking pool	97,474	1,433	-	(1,991)	96,916
Liability matching pool	6,944	-	-	(108)	6,836
<b>Total pooled investment vehicles</b>	104,418	1,433	-	(2,099)	103,752
<b>Pooled investment vehicles (other)</b>					
Bonds	25,526	-	-	(72)	25,454
<b>Total investments</b>	129,944	1,433	-	(2,171)	129,206

Defined benefit Scheme – Employer section:

	At 1 January 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	At 31 December 2018 £000
<b>Pooled investment vehicles (CEIFP)</b>					
Return seeking pool	199,637	-	(9,063)	(3,506)	187,068
<b>Total investments</b>	199,637	-	(9,063)	(3,506)	187,068

Defined benefit Scheme – Life risk section:

	At 1 January 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	At 31 December 2018 £000
<b>Pooled investment vehicles (CEIFP)</b>					
Return seeking pool	63,832	-	(926)	(1,558)	61,348
Liability matching pool	1,041	-	-	(16)	1,025
<b>Total pooled investment vehicles</b>	64,873	-	(926)	(1,574)	62,373
<b>Pooled investment vehicles (other)</b>					
Bonds	31,975	10,000	-	(35)	41,940
Insurance policies: Prudential buy-in	105,200	-	-	(3,140)	102,060
<b>Total investments</b>	202,048	10,000	(926)	(4,749)	206,373

#### Transaction expenses

The Scheme did not directly incur transaction costs. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs. Custody charges are negligible. See Appendix 3 for detail about the CEIFP.

### 12. Fair Value of Investment assets

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown in Appendix 3.

The fair value of investments has been determined using the following hierarchy:

Level	Description
1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
3	Inputs are unobservable, ie for which market data is unavailable.



## Notes to the financial statements (continued)

### 12. Fair Value of Investment assets (continued)

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at fair value within these levels as follows:

#### Pension Builder 2014:

At 31 December 2018	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			18,010
Total investments				18,010

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			14,056
Total investments				14,056

#### Pension Builder Classic:

At 31 December 2018	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			103,752
Pooled investment vehicles (bonds)	-	25,454	-	25,454
Total investments	-	25,454	-	129,206

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			104,418
Pooled investment vehicles (bonds)	-	25,526	-	25,526
Total investments	-	25,526	-	129,944

#### Defined benefit Scheme – Employer section:

At 31 December 2018	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			187,068
Total investments				187,068

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			199,637
Total investments				199,637

#### Defined benefit Scheme – Life Risk section:

At 31 December 2018	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			62,373
Pooled investment vehicles (bonds)	-	41,940	-	41,940
Insurance policies	-	-	102,060	102,060
Total investments	-	41,940	102,060	206,373

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			64,873
Pooled investment vehicles (bonds)	-	31,975	-	31,975
Insurance policies	-	-	105,200	105,200
Total investments	-	31,975	105,200	202,048

Insurance policies are valued by the Scheme Actuary using assumptions consistent with those used in the triennial actuarial valuation as set out on page 5 and updated for market conditions at the reporting date

## Notes to the financial statements (continued)

### 13. Investment risk disclosures

The investment objective of the Scheme is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. The Trustee sets the investment strategy for the Scheme as detailed in the Statement of Investment Principles (SIP). FRS 102 requires the disclosure of information in relation to credit and market risk:

- **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** this comprises currency risk, interest rate risk and other price risk.
  - **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
  - **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
  - **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			Total 2018 £000	Total 2017 £000
		Currency	Interest rate	Other price		
Pension Builder 2014						
Pooled investment vehicles (CEIFP)						
Return seeking pool					18,010	14,056
Total Pension Builder 2014 investments					18,010	14,056
Pension Builder Classic						
Pooled investment vehicles (CEIFP)						
Return seeking pool					96,916	97,474
Liability matching pool					6,836	6,944
Pooled investment vehicles (bonds)	●	○	●	●	25,454	25,526
Total Pension Builder Classic investments					129,206	129,944
Defined Benefit Scheme – Employer section						
Pooled investment vehicles (CEIFP)						
Return seeking pool					187,068	199,637
Total Defined Benefit Scheme – Employer section investments					187,068	199,637
Defined Benefit Scheme – Life Risk section						
Pooled investment vehicles (CEIFP)						
Return seeking pool					61,348	63,832
Liability matching pool					1,025	1,041
Pooled investment vehicles (bonds)	●	○	●	●	41,940	31,975
Insurance policies	●	○	●	○	102,060	105,200
Total Defined Benefit Scheme – Life Risk section investments					206,373	202,048

In the table above, the risk noted affects the asset class [●] significantly, [●] partially or [○] hardly / not at all.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described below which is determined after taking advice from professional investment advisors. The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives for its directly held investments and through the CEIFP for its pooled CEIFP investments, which are described in Appendix 3.

These investment objectives and risk limits for directly held investments are implemented through the investment management agreement in place with the Scheme's investment manager. The agreement sets out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment manager through day to day monitoring of the portfolio, quarterly written updates from the manager and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager and the Trustee's Investment Consultant also independently assesses and monitors the fund managers.

## Notes to the financial statements (continued)

### 13. Investment risk disclosures (continued)

#### Investment strategy

##### Pension Builder 2014

The investment strategy for the Pension Builder 2014 is to wholly invest in the CEIFP return seeking pool. The Trustee takes advice as to the level of bonus it can award members, ensuring sufficient, but not excessive, reserves are held to meet the cost of the investment guarantee. The investment risks faced by the CEIFP are described in Appendix 3.

##### Pension Builder Classic

The investment strategy for the Pension Builder Classic is to hold investments split 25% and 75% between liability matching and return seeking assets. The weighting has been chosen by the Trustee after seeking advice from its investment advisors to ensure sufficiency of assets in the future whilst also ensuring there is sufficient liquidity to meet current pension obligations. Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

##### Defined Benefit Scheme - Employer section

The employer section holds funds for members before their retirement and is nominally divided into employer pools. On retirement, an amount for each member is transferred to the Life Risk section. The investment strategy is to hold 100% of the Employer section in return seeking assets, which are held wholly in the CEIFP.

##### Defined Benefit Scheme – Life Risk section

The life risk section holds funds for pensioners and funds their payments. An insurance contract is held which pays out 70% of the section's pensions in payment at 1 January 2014, and their future increases. This provides a lower risk environment for participating employers. The investment strategy for the Life Risk section is to hold 25-30% of the fund in return seeking assets and 70-75% in liability matching assets (liability matching assets include the value of the insurance policy). This strategy ensures that the section's pension payments are matched to the investment returns and risks.

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

#### Credit risk

The insurance policy counterparty, Prudential, is responsible for making payments to the Scheme in line with the contract and there is a risk they default on their obligations. The Trustee has mitigated this risk by carrying out suitably rigorous due diligence on the contract before it was signed and on an on-going basis monitor any changes to the operating environment of the counterparty.

#### Interest rate risk

The Scheme is subject to interest rate risk due to its buy in insurance policy. The insurance policy will increase in value as interest rates fall and decrease in value as interest rates rise. The nature of the arrangement however is such that as the value of obligation to pay future benefits to members changes, the value of the insurance policy changes at the same rate to match the obligation.

### 14. Concentration of investments

The following investments account for more than 5% of the sections' net assets at the year end:

	2018		2017	
	£000	%	£000	%
Pension Builder 2014:				
CEIFP return seeking pool	18,010	97.9	14,056	99.1
Pension Builder Classic:				
CEIFP return seeking pool	96,916	74.8	97,474	74.9
Aquila Life over 5 years Index Linked Fund	25,454	19.6	25,526	19.6
CEIFP liability matching pool	6,836	5.3	6,944	5.3
Defined Benefit Scheme – Employer section:				
CEIFP return seeking pool	187,068	99.7	199,637	99.7
Defined Benefit Scheme – Life Risk section:				
Prudential buy-in	102,060	49.4	105,200	52.1
Aquila Life over 6 years Index Linked Fund	41,940	20.3	31,975	15.8
CEIFP return seeking pool	61,348	29.7	63,832	31.6

The Blackrock managed *Aquila Life over 5 years Index Linked Fund* is registered in the UK.

## Notes to the financial statements (continued)

### 15. Employer related investments

There were no direct employer-related investments during the year. Within debtors is £10,000 (2017: £16,000) of late employer contributions, which represent 0.002% (2017: 0.003%) of total net assets

### 16. Related party transactions

Two Board members (2017: two) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

### 17. Contingent liabilities

In October 2018, the High Court determined that Guaranteed Minimum Pension benefits provided to members who had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with their advisors, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. When this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

### 18. Prior year Fund Account and Statement of Net Assets Available for Beneficiaries

Fund Account for the year ended 31 December 2017

	Note	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2017 Total
<b>Contributions</b>		£000	£000	£000	£000	£000
Employer contributions	4	3,523	4,541	5,555	-	<b>13,619</b>
Employee contributions	4	1,041	1,216	222	-	<b>2,479</b>
Transfers in		-	-	36	-	<b>36</b>
Other income	4	222	194	-	416	<b>832</b>
<b>Total contributions and other income</b>		<b>4,786</b>	<b>5,951</b>	<b>5,813</b>	<b>416</b>	<b>16,966</b>
<b>Benefits</b>						
Benefits paid or payable	5	(106)	(3,919)	(2,359)	(8,887)	<b>(15,271)</b>
Payments to and on account of leavers	6	(28)	(23)	-	-	<b>(51)</b>
Transfers out		(135)	(142)	(534)	-	<b>(811)</b>
Administrative expenses	7	(565)	(739)	-	(1,001)	<b>(2,305)</b>
<b>Total benefits and other expenses paid</b>		<b>(834)</b>	<b>(4,823)</b>	<b>(2,893)</b>	<b>(9,888)</b>	<b>(18,438)</b>
<b>Net additions/(withdrawals) from dealings with members</b>		<b>3,952</b>	<b>1,128</b>	<b>2,920</b>	<b>(9,472)</b>	<b>(1,472)</b>
<b>Returns on investments</b>						
Deposit interest		-	-	-	3	<b>3</b>
Income from insurance policies		-	-	-	4,836	<b>4,836</b>
Change in market value of investments		1,182	10,569	21,603	766	<b>34,120</b>
Administrative expenses		-	(15)	-	(4)	<b>(19)</b>
<b>Net returns on investments</b>		<b>1,182</b>	<b>10,554</b>	<b>21,603</b>	<b>5,601</b>	<b>38,940</b>
<b>Net increase (decrease) in fund</b>		<b>5,134</b>	<b>11,682</b>	<b>24,523</b>	<b>(3,871)</b>	<b>37,468</b>
Transfers between sections		-	-	(12,475)	12,475	<b>-</b>
Opening net assets		9,055	118,378	188,244	193,506	<b>509,183</b>
<b>Closing net assets</b>		<b>14,189</b>	<b>130,060</b>	<b>200,292</b>	<b>202,110</b>	<b>546,651</b>

Statement of Net Assets available for benefits as at 31 December 2017

	Notes	Pension Builder 2014 £000	Pension Builder Classic £000	DBS – Employer section £000	DBS – Life Risk section £000	2017 Total £000
<b>Investments</b>						
Pooled investment vehicles (CEIFP)	11	14,056	104,418	199,637	64,873	<b>382,984</b>
Pooled investment vehicles (other)	11	-	25,526	-	31,975	<b>57,501</b>
Insurance policies	11	-	-	-	105,200	<b>105,200</b>
<b>Total investments</b>		<b>14,056</b>	<b>129,944</b>	<b>199,637</b>	<b>202,048</b>	<b>545,685</b>
<b>Current assets</b>	9	<b>442</b>	<b>515</b>	<b>655</b>	<b>535</b>	<b>2,147</b>
<b>Current liabilities</b>	10	<b>(309)</b>	<b>(399)</b>	<b>-</b>	<b>(473)</b>	<b>(1,181)</b>
<b>Net current assets</b>		<b>133</b>	<b>116</b>	<b>655</b>	<b>62</b>	<b>966</b>
<b>Total net assets available for benefits</b>		<b>14,189</b>	<b>130,060</b>	<b>200,292</b>	<b>202,110</b>	<b>546,651</b>

## Actuary's Certificate

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### Actuary's certification of schedule of contributions

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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      The Church Workers' Pension Fund

#### Adequacy of rates of contributions

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 2018 to be met by the end of the period specified in the recovery plan dated 28 March 2018.

#### Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 March 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: 28 March 2018

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street  
London W1U 1DQ

Name of employer: Lane Clark & Peacock LLP  
(if applicable)



## **Appendix 1**

### **The Church of England Pensions Board: Structure and administrative information 2018**

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## Structure and history

The Church of England Pensions Board (“the Board”) was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependents, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity (number 236627). Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the ‘General Purposes Fund’; and one linked charity for which the Board is corporate trustee: the ‘Clergy Retirement Housing Trust’.

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In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pensions Fund (wound up in December 2018);
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund,

The Board’s own annual report and financial statements are produced in a separate document, which is prepared under the Charities Statement of Recommended Practice.

The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions (“CEIFP”), which is not a pension scheme nor a corporate body in its own right. For the purposes of the annual report, the Board is referred to as the Trustee of the CEIFP.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners’ financial statements. They have no impact on the financial position of the pension schemes of which the Board is trustee.

## Management

There are 20 members of the Board. In summary, ten are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and four are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote.

For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme’s affairs to professional organisations as set out on page 5.

The Board also manages the Secretariat to the Ethical Investment Advisory Group (“EIAG”) on behalf of the Church of England’s national investing bodies - the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies.

## Trustee and advisors

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub committees.

### Board Members

(1 January 2018 to 26 June 2019)

**Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York**

Dr Jonathan Spencer CB (Chair) (to 30 Apr 2019)  
Clive Mather (Chair) (from 1 May 2019)

**Appointed by the Archbishops of Canterbury and York**

Roger Mountford

**Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses**

Nikesh Patel (from March 2018)

**Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity**

The Revd Caroline Titley (from March 2018)

**Appointed by the Church Commissioners**

Jeremy Clack FIA

**Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund**

Richard Hubbard  
Canon Sandra Newton

**Elected by the House of Bishops of the General Synod**

The Rt Revd Alan Wilson, Bishop of Buckingham

**Elected by the House of Clergy of the General Synod**

The Revd Fr Paul Benfield  
The Revd Nigel Bourne  
The Revd Peter Ould  
The Ven David Stanton

**Elected by the House of Laity of the General Synod**

Roger Boulton FIA  
Canon Nicolette Fisher  
Alan Fletcher FCII (Vice Chair)  
Canon Emma Osborne  
Bill Seddon

**Elected by the members of the Church Workers Pension Fund**

Ian Boothroyd  
Ian Clark (to November 2018)  
Michaela Southworth (from December 2018)

**Elected by the members of the Church Administrators Pension Fund**

Maggie Rodger

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## Committee Members

**Audit and Risk Committee**

Maggie Rodger (Chair)  
Richard Hubbard (from February 2018)  
David Hunt FCA (co-opted) (to June 2018)  
The Revd Peter Ould (from February 2018)  
The Ven David Stanton  
Helen Ashley Taylor (from February 2019, co-opted)  
Caron Bradshaw (from February 2019, co-opted)

**Board Development Committee**

Canon Nicolette Fisher (Chair)  
Roger Boulton FIA  
The Revd Nigel Bourne  
Canon Sandra Newton

**Pensions Committee**

Roger Mountford (Chair) (to 18 April 2018)  
Roger Boulton FIA (Chair) (from 18 April 2018)  
The Revd Fr Paul Benfield  
Ian Boothroyd  
The Revd Nigel Bourne (from 15 February 2018)  
Canon Sandra Newton  
Alan Fletcher FCII  
Maggie Rodger

**Housing Committee**

Canon Sandra Newton (Chair)  
Ian Clark (to November 2018)  
Canon Nicolette Fisher  
Jeremy Gray (co-opted)  
Jonathan Gregory (co-opted)  
Henrietta Podd (co-opted)  
Lawrence Santcross (co-opted)  
The Revd Caroline Titley (from 3 May 2018)  
The Revd Alan Wilson

**Investment Committee**

Alan Fletcher FCII (Chair)  
Simon Baynes (co-opted – to February 2019)  
Matthew Beesley (co-opted)  
Roger Boulton FIA  
Jeremy Clack FIA  
Deb Clarke (co-opted – from 27 June 2018)  
Roger Mountford  
Canon Emma Osborne  
Nikesh Patel (from 3 May 2018)  
Bill Seddon (from February 2018)  
Jonathan Rogers (co-opted)

**Treasury Committee**

Roger Mountford (Chair)  
Canon Sandra Newton  
Henrietta Podd (co-opted)  
The Ven David Stanton  
The Revd Caroline Titley

## Professional Advisors

<b>Actuary</b>	Aaron Punwani, Lane Clark and Peacock LLP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP
<b>Bankers</b>	Lloyds Bank plc
<b>Investment Advisors</b>	Mercer Ltd
<b>Investment Custodians</b>	Northern Trust Company Ltd
<b>Investment Managers</b>	Acadian Asset Management Antin Infrastructure Partners Arrowstreet Capital LP Audax Group Basalt Infrastructure Partners BlackRock Investment Management (UK) Limited Bridgewater Associates LP Ltd CBRE Global Investors Colchester Global Investors Ltd Copper Rock Capital Partners LLC DIF Management Edinburgh Partners Ltd EQT Infrastructure Partners First State Investments Fund Management S.à.r.l. Generation Investment Management LLP H.I.G. Capital LLC Insight Investment Management (Global) Ltd I Squared Global Capital KKR & Co. LP Legal & General Assurance (Pensions Management) Ltd Longview Partners LLP Northern Trust Global Investors Pasco Robeco Asset Management Trilogy Global Advisors LP T Rowe Price International Ltd Winton Capital Management Ltd

## Enquiries

Enquiries about the schemes generally or about an individual's entitlement to benefit should be addressed to:

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

Alternatively, enquiries may be made by email to [pensions@churchofengland.org](mailto:pensions@churchofengland.org), or by telephone to 020 7898 1801.



## **Appendix 2**

### **Ethical Investment Approach of the National Church Institutions**

## **Ethical Investment Approach of the National Church Institutions**

The Church of England has three National Investing Bodies (NIBs): the Church of England Pensions Board, the Church Commissioners for England and the CBF Church of England Funds.

The NIBs are asset owners who invest on behalf of many beneficiaries. The way in which they invest forms an integral part of the Church of England's witness and mission.

The NIBs receive advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the NIBs to act as distinctively Christian – and Anglican – institutional investors. The EIAG develops ethical investment policy advice which, once agreed by the NIBs, is adopted by them, communicated to the wider Church and implemented.

The EIAG consists of representatives of the NIBs, and six independent members who are appointed by the EIAG's Nominations Committee. The Nominations Committee is formed of representatives of the NIBs, the Archbishops, General Synod, the Archbishops' Council, the Mission and Public Affairs Council, and a representative of the Church Investors Group. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board and Church Commissioners have also resourced their own Engagement Teams to undertake the implementation of their ethical investment policies.

The NIBs' ethical investment policy embraces stewardship, engagement and investment exclusions.

### **Stewardship**

The NIBs operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which the NIBs invest and informs the manner in which these duties are performed.

The NIBs are signatories to the UK Stewardship Code, which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting).

The NIBs are signatories to the United Nations Principles for Responsible Investment (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes, and to be active owners, across all asset classes.

The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

### **Engagement**

The Pensions Board and Church Commissioner's Engagement Teams undertake engagement with companies in which we are invested, including voting at shareholder meetings.

The NIBs expect companies in which they invest to pay proper attention to human rights, responsible employment practices, sustainable environmental practice, fair treatment of customers and suppliers, sensitivity towards the communities in which they operate and best corporate governance practice. The engagement team engages with investee companies to seek improvement in ethical standards in these areas.

Policies adopted by the NIBs are listed on the EIAG website and they include specific policies on Executive Remuneration, Business and Engagement, Climate Change and Extractive Industries.

### **Investment exclusions**

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions based on their ethical investment policies is therefore maintained and updated quarterly to reflect changes in markets.

Individual company engagements, undertaken by the Engagement Teams on behalf of the Pensions Board and Church Commissioners, may exceptionally lead to a recommendation to Trustee Committees to implement a specific exclusion in any line of business on ethical grounds. Such recommendations and exclusions will normally only occur after sustained dialogue and if the company does not respond positively to concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The NIBs expect a recognition of responsibility and action within a clear timescale to improve, rather than perfection.

### **Ethical Investment**

The way the NIBs invest forms an integral part of the Church of England's witness and mission and their ethical policies and practice are shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG). The EIAG is an independent advisory body sponsored by the three national investing bodies of the Church of England.

When investing, and based on the advice of the EIAG, we apply exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, and high interest rate lending. As a result of the Climate Change Policy

## *Ethical Investment Approach of the National Church Institutions*

a screen has been introduced that excludes companies that derive more than 10% of their total revenue from mining thermal coal and the production of oil from tar sands. The NIBs are continuing to implement their alcohol policy. The policy, which is currently implemented for companies that derive a certain percentage of revenue from alcohol, ensures that companies are only eligible for investment if they meet a set of minimum standards for the responsible marketing and retailing of alcohol.

However, ethical investment is also about what and how we invest. It is for this reason the Pensions Board's approach is to:

- Take a long-term view.
- Select investment managers who are able to analyse the environmental, social and governance issues relevant to their strategies.
- Act as good stewards of our investments including through voting at company general meetings and engaging actively with companies in which we invest.
- Promote ethical behaviour, corporate responsibility and sustainability in our interactions with investment managers, companies and government.

### **2018 highlights**

In May 2018 the Board decided to appoint its own full time Director of Ethics and Engagement to support its ambitions on ethical investment. Prior to this the Board hosted a joint engagement team that operated on behalf of the Church Commissioners and Pensions Board. The Board co-ordinates with the other National Investing Bodies (NIBs) and the Ethical Investment Advisory Group on policy and engagement matters.

In particular the Board has taken the lead on Climate Change and on the implementation of the ethical investment policy on extractive industries. Together with the Environment Agency's pension scheme, the London School of Economics and FTSE Russell, the Board established the Transition Pathway Initiative (TPI) in 2017, and continues to co-Chair the initiative. The TPI is a tool that allows asset owners and investors to monitor the public disclosures made by companies and to assess how they are aligned with the goals of the Paris climate agreement. The extraordinary success of the TPI continues. It is now being used by asset owners with over £10 trillion assets. A significant development in 2018 saw TPI being adopted as the main tool to assess company performance by the global engagement initiative, Climate Action 100+ (CA100+) which is a group of 310 investors managing over \$33 trillion in assets. There has never been a coordinated engagement of companies on the scale being undertaken by CA100+ and the Board is delighted that TPI will play such a prominent role in this initiative.

In July 2018 the General Synod endorsed the NIBs' strategy on climate change which will see continued engagement underpinned by the Transition Pathway Initiative (TPI). Importantly, the Board along with the other National Investing Bodies committed to disinvest from major fossil fuel producers that were not assessed by TPI by 2023 as on a demonstrably aligned path to below two degrees of warming.

A key achievement in 2018 was the negotiation of the first ever framework between an oil and gas company and their long-term investors about how the company will transition over the coming decades to operate in a low carbon economy. The Board together with one of our investment managers, Robeco from the Netherlands, led the negotiations on behalf of other investors from the Climate Action 100+ initiative. The result was a Joint Statement between Royal Dutch Shell and Investors that resulted in worldwide media coverage. The statement committed Shell to emission targets covering all their activities, including 'Scope 3' emissions that come from the use of their products, linking these targets to executive pay, regular reviews of the ambition of the targets as well as review of the lobbying of policy processes by the industry associations Shell are a member of. Following the announcement of the joint statement, the Editorial Board of the Financial Times published an editorial that acknowledged this as a first for investors and an oil and gas company and saw it as a model for the kind of agreements that need to be struck with other companies in the transition to a world aligned to the Paris climate agreement (Financial Times, 6<sup>th</sup> December 2018).

The role of corporate lobbying in public policy is highly influential. As a result the Board formed a partnership with the Swedish Public Pension Fund, AP7 (who have €60 billion of assets under management), to launch a focussed initiative engaging 56 European companies about lobbying activity by their industry associations, and alignment to the goals of the Paris climate agreement. The initiative developed a set of Investor Expectation on Corporate Climate Lobbying that was supported by the €23 billion backed European Institutional Investor Group on Climate Change (IIGCC). Companies across Europe were asked to commit to support the expectations and undertake reviews of the lobbying by the industry associations of which they were a member. Mining companies Anglo American, Rio Tinto and Glencore committed to undertake such reviews as well as oil and gas major Royal Dutch Shell.

The Board is honoured to host the Secretariat to the Church's Ethical Investment Advisory Group (the EIAG) which serves the NIBs. During 2018 the review of the EIAG's structure was completed and the EIAG held its last meeting in its current format in October. The Secretariat facilitated the establishment of a new Nominations Committee and supported that committee in the recruitment of new EIAG members, who met for the first time in March 2019. In parallel the Secretariat continued to support the EIAG in its programme of policy reviews and horizon scanning. The EIAG is now set up to provide expert advice to the NIBs to underpin their ethical and responsible investment goals.

### **Ethical investment agenda 2019**

In the next year the Board will be developing our ethical investment and engagement work, particularly through further support and use of the Transition Pathway Initiative (TPI) and engagement work on extractive industries. We are also strengthening our resources in this area and look forward to working with the restructured Ethical Investment Advisory Group, alongside our partners in the other National Investing Bodies.

Further information about the work of the EIAG is contained in its annual report which is available on the Church of England's website.





## **Appendix 3**

### **The Church of England Investment Fund for Pensions**

Annual Report and Financial Statements

31 December 2018

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## **Trustee's report**

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Investment Fund for Pensions ("CEIFP", or the "Fund") is pleased to present its annual report for the year ended 31 December 2018.

### **Scheme constitution and management**

The Fund was originally established in 1985 as a common investment fund for pension schemes administered by the Trustee. It is not a pension scheme nor a corporate body in its own right, but is a vehicle to pool the investments of the Board's four pension schemes (the "schemes") in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled. It is a bare trust that operates under a Trust Deed between the member schemes:

- The Church of England Funded Pensions Scheme ("CEFPS");
- Clergy (Widows and Dependents) Pensions Fund ("CWDPF") (closed on 18 December 2018);
- Church Workers Pension Fund ("CWPF"); and
- Church Administrators Pension Fund ("CAPF").

The CWDPF transferred its assets to the CEFPS on 18 December 2018 pursuant to a deed made under section 18A of the Clergy Pensions Measure 1961. Before this date it was a member, but without actively investing in the fund. After this date, it is no longer a member scheme of the CEIFP.

Responsibility for setting the overall strategy and managing the Fund rests with the Board as Trustee. The Board's structure and management is shown in Appendix 1.

The CEIFP is split into two pools: the Return Seeking Pool ("RSP") and the Liability Matching Pool ("LMP"). Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the two pools in proportions that match its maturity and cash flow needs.

### **Unitisation**

The two pools are unitised, where each investing pension scheme is allocated a number of units, according to the amount it has invested. The number of units and value of the units is recalculated on a monthly basis to reflect the changing fair value of the underlying net assets, and the investment or disinvestment of each scheme.

Commentary on each scheme's strategy in holding different proportions of return seeking and liability matching units can be found in their respective annual reports.

Commentary on the performance of these pools is set out in this report. Further information on investment strategy and risk is shown in the notes to the financial statements.

### **Financial developments**

The Board approved the current asset allocation target for the CEIFP's Return Seeking Pool (RSP) in late 2016. The planned allocation significantly increases the Pool's diversification and reduces the volatility both in its own valuation and those of the pension schemes invested in the CEIFP.

The target is long term and will be implemented over the next ten years. The allocation to public equities will reduce from its level in 2016 of around 70% to 35% over that period. There will be a further increase in exposure to investments that rely more on contractual income and that are less liquid, such as infrastructure, various forms of debt, and private equity.

We have continued to work on the implementation of this plan in 2018 and into 2019. In particular, we have:

- Selected Cambridge Associates to manage a substantial allocation to private equity that will be equivalent to 7% of our long-term asset allocation
- Continued the CEIFP's programme of investment in infrastructure, committing to a new fund launched by EQT, with whom we are already invested, and to a new fund launched by KKR
- Appointed Generation Investment Management to manage a portfolio of sustainable public equities
- Appointed HIG Whitehorse to manage a portfolio of loans to private companies in the US
- Committed to a new fund managed by Blackstone that will take equity stakes in private equity firms (formally committed in 2019)
- Committed to a new sustainable growth private equity fund managed by Generation (formally committed in 2019)

There have not been any changes made to the Liability Matching Pool, which continues to be invested solely in corporate bonds.

## Trustee's report (continued)

### Financial developments (continued)

At the end of 2018, the Fund's assets were managed by 25 managers:

Fund manager	Description
Return Seeking Pool	
Acadian Asset Management	Global equities
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Group	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Bridgewater	Pooled Global Tactical Asset Allocation ("GTAA") fund
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
DIF Management	Pooled infrastructure fund
Edinburgh Partners	Global equities
EQT Infrastructure Partners	Pooled infrastructure fund
First State Investments	Pooled infrastructure fund
Generation Investment Management LLP	Global equities
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
KKR & Co. L.P.	Pooled infrastructure fund
Legal & General	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Robeco Asset Management	Global equities
Trilogy Global	Emerging market equities
T Rowe Price	Emerging market equities
Winton	Pooled GTAA fund
Liability Matching Pool	
Insight	High quality corporate bonds

### Investment Performance

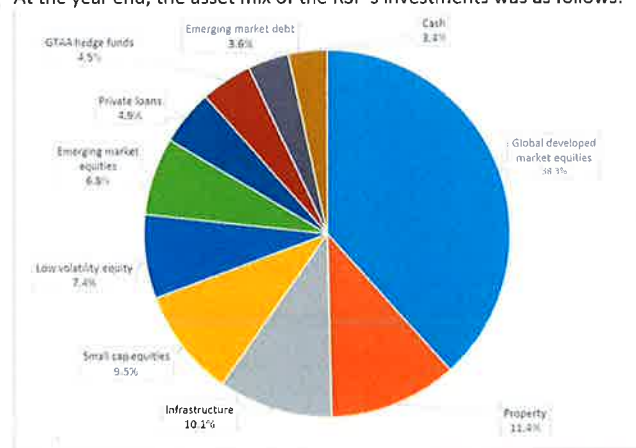
The RSP returned -2.2% (2017: +11.3%), and LMP -1.6% (2017: +4.3%), over 2018. The longer term returns of the pools to the end of 2018, after the deduction of fees, were as follows:

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.	15 yr % p.a.
Return Seeking Pool	-2.2	9.0	7.6	9.4	7.9
Liability Matching Pool	-1.6	4.5	6.1	7.1	7.2

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

### Return Seeking Pool

At the year end, the asset mix of the RSP's investments was as follows:



## Trustee's report (continued)

### Investment Performance (continued)

The longer term returns to 31 December 2018 of the broad asset classes invested in by the RSP are set out below. All figures are net of fund management fees, and asset class returns are shown in Sterling terms, with the effect of the currency hedging programme shown separately:

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
<b>Return Seeking Pool overall return</b>	<b>-2.2</b>	<b>9.0</b>	<b>7.6</b>	<b>9.4</b>	<b>7.3</b>
Public equities	-6.9	9.5	8.2	9.6	7.7
Property	10.7	8.9	10.6	8.1	-
Global tactical asset allocation	4.2	3.3	5.1	-	-
Infrastructure equity	7.5	14.0	8.9	-	-
Fixed income (emerging market sovereign debt and private debt)	11.5	12.8	-	-	-
Currency hedging programme (estimated effect)	-2.2	-1.0	-0.8	-0.3	-
<b>Comparators</b>					
UK RPI	2.7	3.1	2.4	3.0	3.0
FTSE 100	-8.7	6.7	3.9	8.3	6.6
MSCI AC World Index (local currency)	-3.8	11.9	9.9	10.8	8.6
FTSE Over 5-year Index Linked Gilts	-0.4	9.2	9.3	8.4	7.8

Equity market returns were disappointing last year, with the FTSE 100 returning -8.7% and the MSCI World -3.8%. The declines happened chiefly in the fourth quarter, although volatility had been higher than in recent years throughout 2018. The first quarter of 2019 saw a significant rally in share prices globally.

The Return Seeking Pool had just over 60% of its assets invested in public equities at the end of 2018. There was only a small direct exposure to UK-quoted companies in the portfolio at the end of the year (about 6%), with the gradual switch to a global emphasis that took place in previous years continuing to help returns. However, the Pool also had positions in Global small cap and emerging market equities, which fared badly, returning -10.1% and -9.8% respectively over the year, and therefore impacted negatively on the Pool's returns.

The alternatives to public equities, in particular property, infrastructure equity, private loans and emerging market debt, all performed well.

Sterling weakened against a basket of Yen, Euro and US Dollar over the year. The Pool was a net beneficiary of that weakness, having a global investment strategy, but the Board has a prudent policy of hedging half the exposures to those currencies and, consequently, some return was dissipated. We estimate this negative effect to have been equivalent to 2.2% of the Pool's value over the year.

The Board's pension scheme liabilities are denominated in Sterling, so a prudent stance on currency is taken to diminish the impact of Sterling strengthening against other currencies. Currently, half the Yen, Euro and US Dollar exposures in public equity, infrastructure and property are hedged back to Sterling, along with all of the US Dollar exposure in private loans. The currency exposures in the emerging market sovereign debt portfolio are managed actively by Colchester, as part of its mandate.

The Board invests in-line with an agreed ethical investment policy, which prohibits certain types of investment. Over the course of 2018, we estimate that these policies had a positive impact on our returns, with the difference between the return of the MSCI World Index and the ethically adjusted version of that index, used by our passive equity tracker, being 1.3% over the year. Over the last five years, the ethically adjusted index has returned 0.35% p.a. more than the unadjusted base index.

### Liability Matching Pool

At the year end and throughout the year, 100% of the assets were held in corporate bonds.

The longer term returns to 31 December 2018 are set out below (all figures are net of fund management fees):

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
<b>Liability Matching Pool</b>	<b>-1.6</b>	<b>4.5</b>	<b>6.1</b>	<b>7.1</b>	<b>7.2</b>
<b>Comparator</b>					
FTSE Over 5 yr Index Linked Gilts	-0.4	9.2	9.3	8.4	7.8

### Investment management

The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

## **Trustee's report (continued)**

### **Investment management (continued)**

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for each of the schemes participating in the CEIFP by the Trustee. These incorporate the investment strategy for each scheme and are supported by documents that set out how the investment strategy is implemented. Copies of the SIPs may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

### **Management and custody of investments**

The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Fund's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments.

### **Management charges**

Each manager charges fees based on the value of the funds it is managing. In 2018 these fees (including those charged by Northern Trust as custodian) were £8.0m (2017: £6.1m). This equated to 0.39% (2017: 0.30%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

### **Approval**

The Trustee's Report and Statement of Trustee's Responsibilities set out on page 5 were approved by the Trustee on 25 June 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Clive Mather', is written over a horizontal line.

Clive Mather  
Chairman

## **Statement of Trustee's Responsibilities**

### ***In respect of the financial statements***

The Church of England Pensions Board is Trustee of The Church of England Investment Fund for Pensions.

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. The Trustee is responsible for ensuring that those financial statements:

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- comply with the requirements of the Trust Deed dated 18 September 1985.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

## **Independent Auditors' report to the Trustee of The Church of England Investment Fund for Pensions and the General Synod of the Church of England**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, The Church of England Investment Fund for Pensions (the "Fund") financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of net assets attributable to unit holders as at 31 December 2018; the Statement of total return, and Statement of changes in net assets attributable to unit holders for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Fund, its operations and the other organisations on which it depends, and the wider economy.

#### **Reporting on other information**

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they give a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

##### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



**Independent Auditors' report to Trustee of The Church of England Investment Fund for Pensions  
and the General Synod of the Church of England (continued)**

***Use of this report***

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with the Clergy Pensions Measure 1961 and the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
London

25767 2019

## Statement of total return for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Change in market value of investments	6	(85,798)	159,527
Change in market value of investment cash and other investment balances	6	225	3,300
Total change in market value		(85,573)	162,827
Income	4	51,938	43,487
Expenses	5	(8,020)	(6,066)
Changes in net assets attributable to unit holders from investment activities		(41,655)	200,248

## Statement of changes in net assets attributable to unit holders for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Opening net assets attributable to unit holders		2,055,373	1,846,774
Amounts receivable on issue of units	11	37,339	44,675
Amounts payable on cancellation of units	11	(9,989)	(36,324)
Net assets before change from investment activities		2,082,723	1,855,125
Changes in net assets attributable to unit holders from investment activities	11	(41,655)	200,248
Closing net assets attributable to unit holders		2,041,068	2,055,373

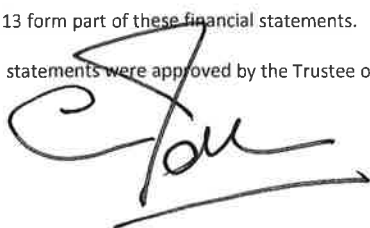
## Statement of net assets attributable to unit holders as at 31 December 2018

	Notes	2018 £000	2017 £000
<b>Investment assets</b>			
Equities	6	1,194,151	1,271,956
Bonds	6	138,937	139,039
Pooled investment vehicles	6	593,746	463,667
Derivative contracts	8	506	5,729
Other investments	6	270	-
Investment cash	6	121,458	120,760
Loan to the CEFPS	6	-	48,721
Other investment balances	6	22,107	9,393
Total assets		2,071,175	2,059,265
<b>Investment liabilities</b>			
Other investments	6	(141)	(184)
Derivative contracts	8	(23,893)	(669)
Investment cash	6	(1,131)	(313)
Other investment balances	6	(4,942)	(2,726)
Total investment liabilities		(30,107)	(3,892)
Total net assets attributable to unit holders	11	2,041,068	2,055,373
<b>Participants' funds</b>	11		
The Church of England Funded Pensions Scheme		1,580,262	1,582,405
Clergy (Widows and Dependents) Pensions Fund		-	-
The Church Workers Pensions Fund		371,203	382,984
The Church Administrators Pensions Fund		89,603	89,984
Total participants' funds		2,041,068	2,055,373

The notes 1 to 13 form part of these financial statements.

These financial statements were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather  
Chairman



## Notes to the financial statements

### 1. Legal status

The Church of England Investment Fund for Pensions ("CEIFP" or the "Fund") is not a pension scheme nor a corporate body in its own right. It was established in 1985 by the Church of England Pensions Board as a vehicle to pool the investments of the four pension schemes of which it is also Trustee, in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled.

### 2. Basis of preparation

The individual financial statements of the Fund have been prepared in accordance Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) (the "SORP") insofar as they relate to common investment funds. In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on the financial statements, however it will require certain additions to or amendments of disclosures in the financial statements.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Income and expenditure

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest. Income from bonds, cash and short term deposits is accounted for on the accruals basis and includes income bought and sold on purchases and sales of bonds.

Where the Fund can separately identify investment managers' fees, these are accounted for on an accruals basis. Fees on pooled funds are not separately identifiable and so are not shown within expenditure.

Withholding taxes are included in investment income and are accrued on the same basis. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Transactions costs are included in the cost of purchases and sales proceeds. These include fees, commissions, stamp duty and other fees.

#### b) Investment valuation

Investment assets and liabilities are measured at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

Where an active market is unavailable, the Trustee adopt valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

- **Equities**

- Quoted equities which are trading on an active market are included at the quoted price which is usually bid price.
- Unquoted equities are valued with reference to the latest dealing prices, valuations from reliable sources or net asset values.

- **Bonds** are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in current assets.

- **Pooled investment vehicles** which are not traded on an active market have their fair value estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

- **Derivatives**

- **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was matched at the balance sheet date with an equal and opposite contract.
- **Futures contracts** are valued at the difference between exchange settlement prices and inception prices.

#### c) Foreign currencies

The Fund's functional currency and presentational currency is pounds sterling.

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

#### d) Unitisation

The two pools are revalued at the end of each month. The fund value is allocated between the unit holders according to their net accumulated unit holdings. New units are allocated on receipt of cash from unit holders at the unit price at the end of the preceding month. Units are cancelled on withdrawal of cash by unit holders at the unit price at the end of the preceding month.

## Notes to the financial statements (continued)

### 4 Income

	2018	2017
	£000	£000
Equities	30,818	26,074
Bonds	7,521	7,409
Pooled investment vehicles	12,677	9,723
Cash and Cash equivalents	587	259
Interest from loan to the CEFPs	335	22
<b>Total income</b>	<b>51,938</b>	<b>43,487</b>

### 5 Expenses

	2018	2017
	£000	£000
Investment managers' fees	8,020	6,066
<b>Total expenditure</b>	<b>8,020</b>	<b>6,066</b>

The Fund bears investment management expenses charged by the investment managers and custodians. Administration costs (including external audit fees) incurred by the Church of England Pensions Board in relation to the CEIFP are borne by the member schemes and are included in the administration expenses in the schemes' own financial statements.

### 6 Investments

	At 1 January	Purchases and derivative payments	Disposals and derivative receipts	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Equities	1,271,956	635,297	(636,525)	(76,577)	1,194,151
Bonds	139,039	25,036	(19,401)	(5,737)	138,937
Pooled investment vehicles	463,667	173,595	(87,594)	44,078	593,746
Other investments	(184)	7,047	(6,731)	(3)	129
Net derivative contracts (note 8)	5,060	53,997	(34,885)	(47,559)	(23,387)
	1,879,538	894,972	(785,136)	(85,798)	1,903,576
Investment cash	120,447			222	120,327
Loan to the CEFPs*	48,721			-	-
Other investment balances~	6,667			3	17,165
<b>Total investments</b>	<b>2,055,373</b>			<b>(85,573)</b>	<b>2,041,068</b>
Analysed between:					
Investment assets	2,059,265				2,071,175
Investment liabilities	(3,892)				(30,107)
<b>Total investments</b>	<b>2,055,373</b>				<b>2,041,068</b>

\* See note 13 for more information.

~ Other investment balances include accrued income, pending sales debtors and pending purchases creditors.

#### a) Transaction costs

Transaction costs are included in the costs of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred attributable to key asset classes are analysed as follows:

	2018			2017		
	Commission	Other charges	Total	Commission	Other charges	Total
	£000	£000	£000	£000	£000	£000
Equities	470	170	640	456	177	633
	470	170	640	456	177	633

Indirect transaction costs are also borne by the Fund through the bid-offer spread on pooled investment vehicles and charges made within these vehicles. It is not possible for the Trustee to quantify such indirect transaction costs.

## Notes to the financial statements (continued)

### 6 Investments (continued)

#### b) Pooled investment vehicles

	2018	2017
	£000	£000
Equities	2,178	1,112
Property	218,348	188,107
Cash	22,515	9,537
Hedge funds	89,053	83,731
Infrastructure	165,929	108,985
Private debt	95,723	72,195
Total pooled investment vehicles	593,746	463,667

### 7 Investment analysis

#### Investments of over 5% of net assets

The Fund holds one investment of over 5% of net assets, representing 5.48% of net assets (2017: none).

	2018
	£000
CBRE GIP GA Fund Class III Dis	111,862
	111,862

#### Employer related investments

There were no employer related investments as at 31 December 2018 (2017: none).

### 8 Derivatives

	2018			2017		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Futures – equities	219	(4,362)	(4,143)	621	(113)	508
Futures – bonds	77	(208)	(131)	92	(9)	83
Forward foreign currency contracts	210	(19,323)	(19,113)	5,016	(547)	4,469
Total derivatives	506	(23,893)	(23,387)	5,729	(669)	5,060

#### Objectives and policies for holding derivatives

The Trustee has authorised its investment managers to use derivative financial instruments in line with the investment strategy as outlined in the Trustee's report: *Futures are used where the Fund has high cash reserves and are measured against the strategic asset allocation. Futures are used to take short term exposures in markets or asset classes where it is more efficient than transacting in the underlying physical assets. Investment managers may take short or long positions to achieve their objectives.*

Forwards are used to mitigate currency risk by hedging 50% of equities assets denominated in US Dollar, Japanese Yen and Euro. They are also used actively in the emerging market sovereign debt portfolio to enhance returns.

#### a) Futures

The Fund had open futures contracts at year end, as summarised below:

	2018			2017		
Type of future	Exposure Value	Assets	Liabilities	Exposure Value	Assets	Liabilities
	£000	£000	£000	£000	£000	£000
Equities futures: UK	5,061	-	(79)	2,902	92	-
Equities futures: Overseas	78,622	219	(4,283)	41,625	529	(113)
Total equities futures	83,683	219	(4,362)	44,527	621	(113)
Bonds: UK	8,252	77	-	8,386	61	-
Bonds: Overseas	(6,479)	-	(208)	(6,055)	31	(9)
Total bonds futures	1,773	77	(208)	2,331	92	(9)

All contracts have expiry dates of three months after the year end. Included within other investment balances is an asset of £11,909,000 (2017: £2,771,000) in respect of initial and variation margins arising on futures contract open at the year end.

## Notes to the financial statements (continued)

### 8 Derivatives (continued)

#### b) Forwards foreign currency contracts

The Fund holds investments in a number of foreign currencies and its policy is to hedge within agreed limits, to offset the impact of foreign currency fluctuations.

At the end of the year, the Fund had the following open forward contracts in place:

Contract	Number of open contracts	Nominal value	Assets at 31 December 2018 £000	Liabilities at 31 December 2018 £000
<b>US Dollar</b>				
Forward to buy US Dollars	17	\$23,295,996	72	(72)
Forward to sell US Dollars	8	\$533,216,883	-	(15,317)
<b>Euros</b>				
Forward to buy Euros	6	€1,284,000	-	(2)
Forward to sell Euros	5	€126,948,551	-	(632)
<b>Japanese Yen</b>				
Forward to buy Japanese Yen	7	¥219,005,037	15	-
Forward to sell Japanese Yen	3	¥54,056,048	-	(3,283)
<b>Other currencies</b>				
Forward to buy other currencies	24		110	(10)
Forward to sell other currencies	11		13	(7)
			210	(19,323)

All contracts had maturity dates falling between 4 January 2019 and 14 March 2019.

### 9 Fair value hierarchy

The fair value of investments has been determined using the following hierarchy:

Level 1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
Level 2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3	Inputs are unobservable, ie for which market data is unavailable

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2018:

Level	1	2	3	Total 2018
Investments	£000	£000	£000	£000
Equities	1,193,409	-	742	1,194,151
Bonds	-	135,820	3,117	138,937
Pooled investment vehicles	24,694	218,348	350,704	593,746
Other investments	-	-	129	129
Derivatives contracts	(4,274)	(19,113)	-	(23,387)
Investment cash	120,327	-	-	120,327
Loan to the CEFPS	-	-	-	-
Other investment balances	7,214	9,951	-	17,165
Total investments	1,341,370	345,006	354,692	2,041,068

Analysed by pool:

Level	1	2	3	Total 2018
	£000	£000	£000	£000
Return Seeking Pool	1,340,790	273,000	354,016	1,967,806
Liability Matching Pool	580	72,006	676	73,262
Total investments	1,341,370	345,006	354,692	2,041,068

## Notes to the financial statements (continued)

### 9 Fair value hierarchy (continued)

The Fund's investment assets and liabilities have been included at fair value within these categories as follows as at 31 December 2017:

Level	1	2	3	Total 2017
Investments	£000	£000	£000	£000
Equities	1,271,956	-	-	1,271,956
Bonds	-	134,985	4,054	139,039
Pooled investment vehicles	24,008	165,655	274,004	463,667
Other investments	-	-	(184)	(184)
Derivatives contracts	591	4,469	-	5,060
Investment cash	120,447	-	-	120,447
Loan to the CEFPS	48,721	-	-	48,721
Other investment balances	5,499	1,168	-	6,667
Total investments	1,471,222	306,277	277,874	2,055,373

Analysed by pool:

Level	1	2	3	Total 2017
	£000	£000	£000	£000
Return Seeking Pool	1,468,620	234,460	277,874	1,980,954
Liability Matching Pool	2,602	71,817	-	74,419
Total investments	1,471,222	306,277	277,874	2,055,373

Infrastructure, Private debt and Hedge funds included in Level 3 are fair valued based on values estimated by underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

### 10 Investment risk disclosures

The investment objective of the Fund is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable by the member Schemes. FRS 102 requires the disclosure of information in relation credit and market risk:

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy as described in the Trustee's Report which is determined after taking advice from professional investment advisors. The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers.

The Trustee has investment management agreements in place with a range of managers, detailed in the professional advisors list in Appendix 1. The agreements set out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment managers through day to day monitoring of the portfolios and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager.

## Notes to the financial statements (continued)

### 10. Investment risk disclosures (continued)

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			Total	Total
		Currency	Interest rate	Other price	2018	2017
					£000	£000
Equities	○	●	○	●	1,194,151	1,271,956
Bonds	●	●	●	●	138,937	139,039
Pooled investment vehicles	●	●	●	○	593,746	463,667
Other investments (net)	●	●	○	○	129	(184)
Derivatives contracts (net)	●	●	●	○	(23,387)	5,060
Investment cash	●	●	○	○	120,327	120,447
Loan to the CEFPS	●	○	○	○	-	48,721
Other investment balances	●	●	○	○	17,165	6,667
<b>Total investments</b>					<b>2,041,068</b>	<b>2,055,373</b>

In the table above, the risk noted affects the asset class [●] significantly, [●] partially or [○] hardly / not at all.

#### Investment strategy

The Trustee determines the investment strategy after taking advice from a professional investment advisor.

The Fund's two investment pools are unitised: a return seeking pool and liability matching pool. The proportion of units held by each member scheme is dependent on the individual requirements of each of the schemes. Investment risks are discussed in more detail in each Scheme's annual report and financial statements.

The Return Seeking Pool exists to ensure sufficiency of assets to pay benefits as they fall due. This portfolio is comprised of UK and overseas equities, corporate bonds, investment property, equity futures, and infrastructure investments.

The Liability Matching Pool's strategy is to ensure that the participating schemes can meet their liabilities as they fall due and invests in a portfolio of corporate bonds.

#### Credit Risk

The Fund is subject to credit risk through its investments in bonds, forward currency contracts, and cash balances. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

	2018	2017
	£000	£000
Bonds	138,937	139,039
Pooled investment vehicles	593,746	463,667
Derivatives: forwards	210	5,016
Investment cash	120,327	120,447
<b>Total investments exposed to credit risk</b>	<b>853,220</b>	<b>728,169</b>

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's. There are currently no investments held below investment grade.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade.

The Trustee manages the associated risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by one issuer. Credit risk is mitigated on other investments by engaging with counterparties which are at least investment grade.

Credit risk arises on over the counter derivatives as they are not guaranteed by a regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. There are collateral arrangements for these contracts but all counterparties must be at least investment grade.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

Cash is held with financial institutions which are at least investment grade credit rated.



## Notes to the financial statements (continued)

### 10. Investment risk disclosures (continued)

#### Currency Risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee has decided to partly mitigate this risk by using a currency hedging strategy over half the exposure to the USD, Japanese Yen and Euro equities, and all the US Dollar exposure of private debt, using forward currency contracts.

The Fund's total net exposure by major currency at the year end was as follows:

	Gross exposure	Hedged	Net exposure 2018	Net exposure 2017
	£000	£000	£000	£000
Pounds sterling	380,367	727,008	1,107,375	916,522
US Dollars	944,969	(545,782)	399,187	570,299
Euros	316,016	(125,719)	190,297	149,290
Japanese Yen	95,818	(55,593)	40,225	85,711
Other currencies	323,011	86	323,097	329,082
Total investments (excluding forwards)	2,060,181	-	2,060,181	2,050,904
Forwards	(19,113)	-	(19,113)	4,469
Total investments	2,041,068	-	2,041,068	2,055,373

#### Interest rate risk

The Fund is subject to interest rate risk due to its bond investments in both the Return Seeking Pool and, primarily, Liability Matching Pool. If interest rates fall, the value of the bonds will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly if interest rates rise the values of the bonds will fall, as will the actuarial liabilities because of an increase in discount rate.

#### Other price risk

The Fund's return seeking portfolio is subject to price risk which principally relates to direct and indirect equity holdings, bonds, equity futures and investment properties. The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Property and infrastructure pooled investment vehicles are illiquid and that is reflected in the structures and liquidity of funds that invest in them. Some of the funds held by the Fund are open-ended, where the manager will redeem within shorter pre-agreed timeframes, but most are closed-end and redemption will normally only happen when the funds are wound up at the end of their pre-agreed lives. The Fund's closed-end funds have a range of maturities. Units in both types of fund can be traded between investors privately, but this is rare and managers generally have veto over such transactions.

Private debt is illiquid, with funds becoming available when the underlying debt instruments mature. The instruments vary in maturity date, but usually mature within the next five years, giving access to the funds within a reasonable timeframe. There is unlikely to be a liquid secondary market for these debt instruments.

### 11. Member schemes' participation

The Fund has two pools, the Return Seeking Pool consisting mostly of equities, bonds, pooled investment vehicles and cash, and the Liability Matching Pool consisting mostly of corporate bonds.

Unitisation is the process of allocating units in the CEIFP to its participant member. The participant pension schemes purchase or dispose of CEIFP units in accordance with their operational requirements. The pricing of units is carried out by Northern Trust who also prepare monthly unitisation reports showing each participant's holdings in the CEIFP and transactions during the period.

The tables below show the movements in participants' holding in each of the two pools:

#### Return Seeking Pool:

	At 1 January 2018 £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December 2018 £000
The Church of England Funded Pensions Scheme	1,526,451	30,100	-	(31,373)	1,525,178
Clergy (Widows and Dependents) Pensions Fund	-	-	-	-	-
The Church Workers Pension Fund					
Pension Builder 2014	14,056	4,406	-	(452)	18,010
Pension Builder Classic	97,474	1,433	-	(1,991)	96,916
Defined Benefit Scheme – Employer section	199,637	-	(9,063)	(3,506)	187,068
Defined Benefit Scheme – Life Risk section	63,832	-	(926)	(1,558)	61,348
The Church Workers Pension Fund	374,999	5,839	(9,989)	(7,507)	363,342
The Church Administrators Pension Fund	79,504	1,400	-	(1,618)	79,286
Total Return Seeking Pool	1,980,954	37,339	(9,989)	(40,498)	1,967,806

## Notes to the financial statements (continued)

### 11. Member schemes' participation (continued)

Liability Matching Pool:

	At 1 January 2018 £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December 2018 £000
The Church of England Funded Pensions Scheme	55,954	-	-	(870)	55,084
Clergy (Widows & Dependants) Pension Fund	-	-	-	-	-
The Church Workers Pension Fund	-	-	-	-	-
Pension Builder 2014	-	-	-	-	-
Pension Builder Classic	6,944	-	-	(108)	6,836
Defined Benefit Scheme – Life Risk section	1,041	-	-	(16)	1,025
The Church Workers Pension Fund	7,985	-	-	(124)	7,861
The Church Administrators Pension Fund	10,480	-	-	(163)	10,317
Total Liability Matching Pool	74,419	-	-	(1,157)	73,262
Total net assets	2,055,373	37,339	(9,989)	(41,655)	2,041,068

### 12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2018 (2017: nil).

As at 31 December 2018, the Board had made the following commitments

	2018 £m	2017 £m
Equities	-	13.3
Pooled investment vehicles (property)	-	1.5
Pooled investment vehicles (infrastructure)	242.9	119.6
Pooled investment vehicles (private debt)	66.3	-
Total commitments	309.2	134.4

### 13. Related party transactions

Four Board members (2017: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

The Fund loaned £48.7m to the CEFPS on 23 November 2017. The unsecured loan was agreed on commercial terms: interest was payable on the last business day of each month at a rate equal to the Northern Trust Global Liquidity Funds sterling rate plus 5 basis points and the loan was repayable on demand at 24 hours notice. The loan was repaid on 14 June 2018. The Trustee took legal advice and can confirm the loan's purpose was to provide temporary liquidity, in compliance with Regulation 5(2) of the Occupational Pensions Schemes (Investment) Regulations 2005.