



SUMMARY FUNDING STATEMENT 31 DECEMBER 2018 CLERGY PENSIONS – FUNDED SECTION

Each year we are required to let you know the financial position of your pension scheme.

This Summary Funding Statement gives you a financial update as at 31 December 2018.

 THE CHURCH
OF ENGLAND

PENSIONS BOARD

Keeping you up to date with your pension scheme's financial health

We are pleased to provide you with this Summary Funding Statement. It gives you an update on the funding position of funded section of the Church of England Funded Pension Scheme (CEFPS).

Our independent advisers help us to monitor CEFPS's finances. This statement summarises the results of the full actuarial valuation at 31 December 2018, which we recently completed.

The valuation is a thorough review of the financial position and takes place every three years. The next valuation will be at 31 December 2021.

Our advisers also provide "snapshot" updates in the years between valuations. The next one will be at 31 December 2019.

Assumptions

The figures on page 3 involve calculating a target level of assets.

This is the amount we expect will be enough to continue to pay all the pensions that members have already built up.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on our investments, amongst other factors.

CEFPS assets

The assets come from contributions paid by members and employers, together with investment growth.

We hold the assets separately from the Responsible Bodies and we are responsible for investing this money.

We hold the assets in a common fund – they are not held in separate pots for each member.

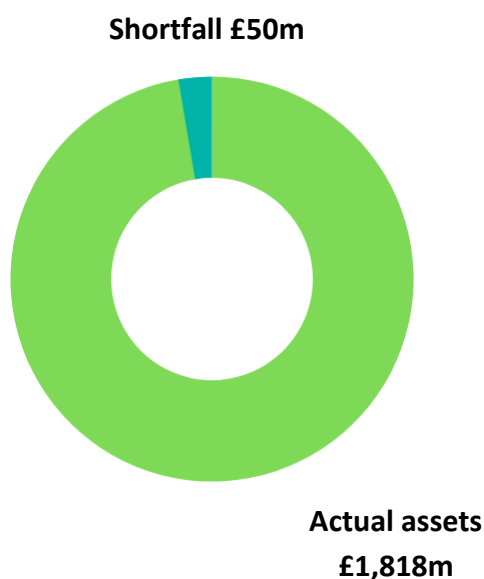
Pensions are paid out of this common fund.

Results of the valuation at 31 December 2018

Church of England Funded Pension Scheme (CEFPS)

Target level of assets:
£1,868 million

Actual assets:
£1,818 million



This £50m shortfall does not affect the pensions being paid – we have always paid members their full pensions.

At 31 December 2018 the target level of assets was £1,868m, but the actual assets were £50m less than this.

The last Summary Funding Statement showed the shortfall at 31 December 2017 was £255m. The financial position therefore improved by £205m during 2018.

This was mainly due to updated assumptions, favourable returns on our investments and deficit contributions paid by Responsible Bodies.

In order to fill the shortfall, Responsible Bodies have agreed to continue paying 11.9% of pensionable stipends, which will drop to 7.1% from January 2020 until 31 December 2022, when we will review the position again.

This is on top of the usual contributions needed to meet the ongoing cost of pensions being earned each year, plus running expenses.

Frequently asked questions

Here are some frequently asked questions.

Q: Have the Responsible Bodies taken any money out of CEFPS?

Regulations require us to confirm that the sponsoring employers have not taken any money out of CEFPS in the last 12 months.

Q: Has the Pensions Regulator intervened with CEFPS?

Regulations also require us to confirm whether the Pensions Regulator has used its powers to modify CEFPS, give it directions, or impose a schedule of contributions upon it. We are happy to confirm that it has not needed to do this.

Q: What if CEFPS winds up?

If CEFPS winds up, the Responsible Bodies would have to make a final contribution to make sure everyone's pension could be paid in full by an insurance company. We monitor the cost of this. The most recent estimate provided by our independent advisers looked at the cost in December 2018. The estimate showed a final contribution of £1,011m would be needed.

This amount is larger than the shortfall shown on the next page, but this is common amongst similar UK pension funds. If all the Responsible Bodies became insolvent and could not afford to pay this, you might not get your full pension.

Q: Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension scheme members with added security should their sponsoring employers (Responsible Bodies in this case) become insolvent and are unable to pay the final contribution.

If CEFPS enters the Pension Protection Fund, the amount members receive may be less than the pension you have built up. The Pension Protection Fund rules are complex. The amount they will pay depends on the CEFPS rules, whether a pension is already being paid, your age and the type of pension benefit.

More information and guidance about the Pensions Protection Fund is available at www.pensionprotectionfund.org.uk or by contacting the Pensions Protection Fund on 0330 123 2222.