

# Providing retirement services to those who have worked or ministered for the Church of England



THE CHURCH  
OF ENGLAND  
PENSIONS BOARD

## Welcome

# The Church of England Pensions Board provides retirement services for people who have worked or ministered for the Church of England. This review shares highlights of the Board's work in 2019.



**John Ball**  
CEO

**Clive Mather**  
Chair

Let's start with good news from the latest valuation of our largest pension scheme. The clergy scheme's statutory valuation at 31 December 2018 was a major focus of 2019. We secured endorsement for a new Asset Lead Funding (ALF) approach, following engagement with the Pensions Regulator, the dioceses and other participating bodies. We are pleased to report that the deficit on the scheme has reduced dramatically since the last valuation, and the adoption of ALF should reduce the volatility of future valuation outcomes. This means that all involved can plan with more confidence.

The Pensions Board, working with the other National Investing Bodies, continues to be a leading voice in ethical investment particularly on climate change. In 2020, we will launch a new FTSE TPI Climate Transition Index that will significantly reduce our investments in companies not aligning their businesses to the Paris Climate Agreement.

*The pension funds' investments performed strongly, delivering returns of 15.5% over 2019.*

We are also continuing to grow our retirement housing portfolio and bought a record 56 properties in 2019.


In April, Jonathan Spencer retired as Chair of the Pensions Board. His decade as Chair saw our investment funds treble, a more sustainable approach to retirement housing, and a bold strategy for engaging companies on ethical matters. We wish to put on record our thanks for his leadership and selfless devotion.

Three other trustees retired at the end of 2019 on completion of their terms. Ian Boothroyd, Alan Fletcher and Roger Mountford demonstrated exceptional commitment to all we do.

Michaela Southworth and Susan Pope were returned as new member-nominated trustees in December. Tony King also joined the Board in January 2020.

In 2026 the Pensions Board will reach its centenary. Such a milestone has prompted trustees to review future priorities and how to develop the pension funds and charitable activities to meet changing customer needs. We aim to become more self-sufficient, so we make less call on the wider Church for financial support. Part of this will be looking at opportunities for simplification to reduce costs and streamline services. This will help us ensure we have great conversations with all those we serve. We count it a privilege to be part of the Church's mission and look forward to what the next years will bring.

We hope you find this report informative and interesting. If you have any feedback please email [cepbfeedback@churchofengland.org](mailto:cepbfeedback@churchofengland.org). We are delighted to have feedback that helps us understand how we can serve you better.



Our pension schemes have over

**40,000**

members (25,000 stipendiary clergy, and over 15,000 others)

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Our pensions investments total more than

**£2.8bn**

across all schemes

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Around

**700**

Church of England employers participate in our pension schemes

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We serve over

**2,500**

people through our housing and charitable services

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## Our strategic objectives:

- Demonstrate leadership in ethical and responsible investment
- Effective and efficient delivery of our pension schemes
- Quality housing services that our customers and funders value
- Understand our customers to ensure we deliver excellent service
- Model good governance and stewardship
- Create a great place to work for all our teams

# A strategic view of the year

Continuing to improve what we offer to our customers, our beneficiaries and to the Church as a whole, underpins all we do. This is reflected in our strategic objectives which guides our annual delivery plan.

## Our objectives

## 2019 highlights

Demonstrate leadership in ethical and responsible investment

- Secured investment returns of 15.5% across 2019<sup>1</sup>. Our total assets are now at their highest ever level – more than £2.8bn;
- Launched an initiative with Europe's largest pension fund, to create a framework to align investments to the goals of the Paris Agreement
- Secured commitments from 12 major European companies to bring industry association lobbying in line with the Paris goals.

Effective and efficient delivery of our pension schemes

- The successful completion of the triennial valuation of the CEFPS (Clergy) Scheme, demonstrating a significantly reduced deficit and shorter recovery period;
- The implementation of an industry-leading new valuation methodology, which better reflects our long-term investment strategy and helps limit future funding volatility;
- Offering a new financial advice service for all scheme members, with great feedback so far.

Quality housing services that our customers and funders value

- 56 new homes purchased – primarily for our CHARM scheme;
- Contract signed for a new Housing Management System – an important step in improving the quality of data that underpins our housing services;
- In 2019, almost 200 customers accessed our welfare advice service;
- Continued focus on safety.

Understand our customers, ensuring we deliver excellent service

- Average customer satisfaction score of >8 out of 10 recorded across all services;
- 18 pre-retirement seminars attended across the country, plus supporting various employer workshops;
- Engagement with Dioceses and Responsible bodies on the Clergy scheme valuation.


Model good governance and stewardship

- Successful transition between outgoing and incoming Chairs in Spring 2019;
- Appointment of new external auditors following a robust competitive tendering exercise;
- New Trustee appointments to the Board confirmed.

Create a great place to work for all our teams

- For the first time, we extended our staff engagement survey to cover all our teams, across the country;
- Continued to support individuals in studying for Associate Membership of the Pensions Management Institute.

<sup>1</sup> These results are provisional and subject to audit



## Our 2020 priorities include:

- Continue to grow our investment returns;
- Launch a new FTSE TPI Climate Transition Index, leading to a significant realignment of our investments in carbon intensive companies
- Development of a new global safety standard in the management of waste (tailings) from mining.

- Completing the CWPF and CAPF valuations;
- Upgrading our Pensions administration system, enabling us to introduce more 'online' information over time for our customers.

- Continuing to build our portfolio of rental property, including at least 30 more homes for CHARM;
- Further developing our property asset strategy, including looking at how we can reduce our carbon footprint.

- Great conversations with CWPF and CAPF employers as we approach scheme valuations;
- Continuing to adapt services in response to changing needs of our customers and the wider Church.

- Implement a new review process for professional advisers to the Board;
- Develop and implement opportunities to simplify our governance.

- Continued focus on developing our people including training and mentoring;
- Programme of 'best practice' visits to inform how we continue to improve our services.

Further detail on our core activities and services can be found on the following pages.

# PENSIONS

Over 40,000 people rely on us for their pensions, with almost 700 Church of England organisations participating in our schemes.

The Pensions Board is trustee of three regulated pension schemes, and our members serve in a vast array of different roles to support the Church.

## **Church of England Funded Pension Scheme ('CEFPS')**

provides pensions and benefits for clergy and others in stipendiary ministry for service from January 1998. Benefits earned before 1998 are provided by the Church Commissioners.

## **Church Workers Pension Fund ('CWPF')**

provides pensions for the staff of employers linked to the ministry and mission of the Church of England. This is the fastest growing scheme as parishes and other church organisations are choosing to join CWPF, to ensure they can offer qualifying employees a pension scheme which meets auto-enrolment standards.

## **Church Administrators Pension Fund ('CAPF')**

provides pensions for the staff of the National Church Institutions. The fund has two sections – a defined benefits section which closed to new entrants in 2006, and a defined contribution section.

In 2019, we completed the triennial valuation of the CEFPS scheme, based on a valuation date of 31 December 2018. Despite a challenging economic environment in late 2018, the valuation outcome is positive – which is good news for members, funding bodies and the wider Church. The estimated deficit has reduced to £50m (from £236m in 2015) and the recovery period reduced by 3 years.

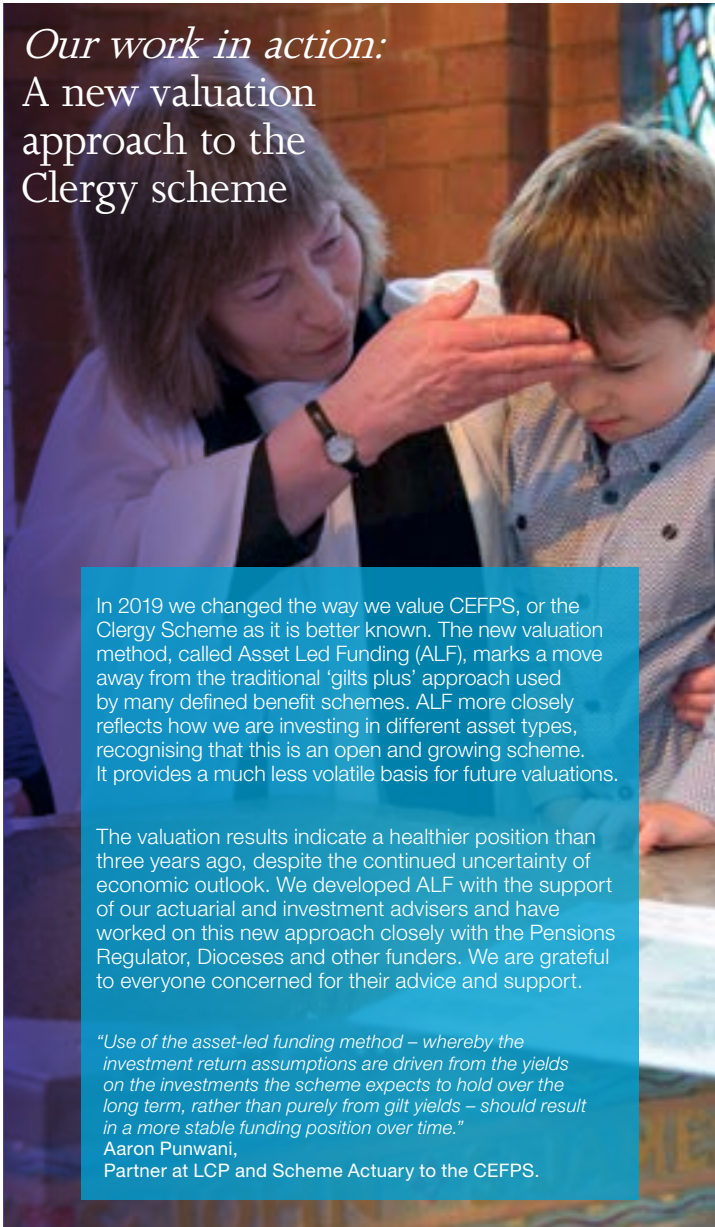
We also completed a major review of our pension schemes' administration, identifying potential developments, including:

- online access for members,
- enabling web access and electronic interfaces for employers, and
- More automation of our 'back of house' processes.

Our contract with our administration systems provider, Civica, has been renewed and together we have started a 2-year project to implement these improvements.

Last year, we launched a new financial advice service to members, partnering with LV=. We recognised that as members approach retirement they face a wide range of choices. Specific financial advice is often needed, which can be difficult to find and expensive. Members can continue to choose their own financial adviser, however the service from LV= offers advice at a significant discount to typical market rates.

In 2020, our focus will be the actuarial valuations of the CWPF and CAPF schemes. We have started to prepare for this through workshops with CWPF employers participating in the Defined Benefits Section of the fund, including dioceses, mission agencies and church charities.



## *Our work in action:* A new valuation approach to the Clergy scheme

In 2019 we changed the way we value CEFPS, or the Clergy Scheme as it is better known. The new valuation method, called Asset Led Funding (ALF), marks a move away from the traditional 'gilt plus' approach used by many defined benefit schemes. ALF more closely reflects how we are investing in different asset types, recognising that this is an open and growing scheme. It provides a much less volatile basis for future valuations.

The valuation results indicate a healthier position than three years ago, despite the continued uncertainty of economic outlook. We developed ALF with the support of our actuarial and investment advisers and have worked on this new approach closely with the Pensions Regulator, Dioceses and other funders. We are grateful to everyone concerned for their advice and support.

*"Use of the asset-led funding method – whereby the investment return assumptions are driven from the yields on the investments the scheme expects to hold over the long term, rather than purely from gilt yields – should result in a more stable funding position over time."*

Aaron Punwani,  
Partner at LCP and Scheme Actuary to the CEFPS.

# Investments

The Board actively engages with companies in which it is invested and is committed to managing its funds in a way that reflects the Church's teaching and values. We are the only pension provider offering schemes that fully comply with the Church of England ethical investment policies.



Climate change is a systemic risk to all long-term investors. Both an ethical and financial issue, it is a critical focus of our investment approach across all asset classes as well as our engagement with companies.

A key tool in this is the Transition Pathway Initiative (TPI) which we continue to jointly chair with the Environment Agency Pensions Fund. TPI assesses companies' preparedness for transition to a low carbon economy and is backed by investors with over \$18 trillion in AUM. We have developed a new global equity index with FTSE and the LSE for launch in early 2020, which directly incorporates assessments of companies under TPI into how we invest. This will have significant implications for our exposure to fossil fuel companies as well as increase our exposure to green revenues.

This year, working with the €500 billion Dutch Fund APG, we launched a major initiative to develop a new framework to support pension funds alignment of all their investments to the Paris Agreement. This is now supported by 60 funds with over €13 trillion in AUM. We believe working closely with other pension funds we can collectively drive significant climate change action in both the interests of the schemes' beneficiaries and society.

We continue to engage with companies every day on a range of responsible and ethical investment issues, and exercise as many of our shareholder voting rights as possible.

In 2019, we:

Voted at  
2,409 company  
meetings, on  
**35,180**  
resolutions,  
across 53 different  
markets

Created a global investor  
coalition of over  
**110**  
institutions on mining and  
tailings dam safety, with over  
£500k provided by the UK  
Government to support satellite  
monitoring of tailings dams.

Secured  
commitments  
from  
**12**  
major European  
companies to bring  
industry association  
lobbying in line with  
the Paris goals

# Investments

continued

“Companies need to prepare for transition to a low carbon economy.”

323

companies assessed under TPI across 15 sectors, including airlines, manufacturing, shipping and consumer goods.


In our engagement with companies, we coordinate closely with the other National Investing Bodies, the Church Commissioners and CBF Church of England Funds. In 2019, the Board and the Church Commissioners were ranked second in the world for asset owners that contribute most to sustainable investment and corporate governance (in the IRRI survey).

We continue to engage significantly with the extractives industry. Whilst a vital sector providing many of the necessary resources for every-day life, unfortunately, when things go wrong the consequences can be catastrophic – as seen with the 2019 Brumadinho tailings dam collapse in Brazil (see below). The Board, with the Council on Ethics of the Swedish National Pension Funds, has led global investors' response to this disaster with the goal of ensuring a new global standard is developed and implemented on tailings dam safety.

We receive advice and support from the Church's Ethical Investment Advisory Group (EIAG) on ethical investment matters and operate exclusions – e.g. in relation to gambling, alcohol, tobacco and pornography. Aligned with our climate change policy, we also restrict investments in companies generating more than 10% of revenues from thermal coal and tar sands.

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companies have publicly disclosed site level details of tailings storage facilities, many for the first time.



## *Our work in action:* Leading the global response to the Brumadinho tailings dam disaster

On 25 January 2019 a tailings (mining waste) dam collapsed at the Brazilian mining company Vale's Brumadinho site, killing 270 people, following similar earlier disasters elsewhere. Together with the Swedish Public Pension Funds Council of Ethics, we have led the global investor response to addressing tailings across the mining sector. The Board met with a delegation from Brumadinho in late 2019; hearing their stories, reinforced the imperative for change.

Our first intervention was a public call for an independent global standard for tailing dams based on a worst-case collapse. An independent global review was co-convened between the International Council on Mining & Metals, the UN and the Principles for Responsible Investment. A new standard is under development, to launch in 2020.

We have approached 726 companies requesting full details of their tailings facilities, with disclosures verified by the Chair or CEO. Thousands of dams have been publicly identified for the first time and safety records disclosed. We have also worked with the UN, the Swedish Ethics Council, the University of Sydney and GRID Arendal, to develop a public global database to drive tailings best practice and reinforce any new global standard.

# Investments

update 2019

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2019 was a strong year for investment returns, continuing the long-term trend.

Over the last 15 years the assets we invest for growth, as opposed to those we invest in a less risky way to back pensions that are already in payment, have returned 7.6% p.a. This is compared to Retail Price Inflation over that period which has been 3.0% p.a. This also represents a compounded return of 200%, or near trebling of asset values since 2004.

In aggregate, the assets of the pension schemes that we administer returned 15.5% in 2019. By comparison they returned -2.6% over 2018. The key driver of this strong return was our investments in Global equities, which returned 21.9% for the Board.

Our diversifying and more stable assets also posted good returns, albeit they were less than those from equities.

Public equities

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**+21.9%**

Infrastructure

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**+6.5%**

Corporate Bonds

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**+9.4%**

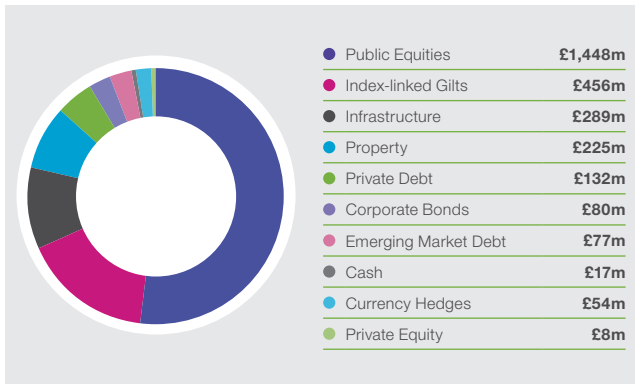
Emerging Market  
Sovereign Debt

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**+7%**

Please note all figures are provisional, as of 5 February 2020, and subject to audit.

We pool most of the individual pension scheme assets for investment purposes. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. At the end of 2019 our assets were invested like this:



Our long-term investment plan sees us reducing our public equity investments to fund further investments in privately owned assets such as infrastructure, property and private companies. We can do this because our schemes are continuing to grow and are some years from maturity. This will further diversify our growth portfolio and allow us to invest in areas such as renewable energy, energy efficiency, healthcare, environmental well-being and technology.

We have made significant steps towards this long-term plan in 2019. For example, we committed to a significant long-term private equity programme managed by Cambridge Associates. We also made a considerable commitment to a sustainable private growth equity fund managed by Generation, to complement our existing public equity mandate with the firm. Further development of our asset allocation will continue throughout 2020, supported by ongoing risk analysis.

For the 15 years to the end of the year, annualised returns are

**7.6%**

The assets of the pension schemes that we administer returned

**+15.5%**

over 2019.

Our total asset value at end of 2019 was more than

**£2.8bn**

– more than treble what it was 15 years ago.

The total asset value above includes an insurance company 'buy in' of CWPf scheme liabilities in 2014 of just over £100m.

Please note all figures are provisional, as of 5 February 2020, and subject to audit.

# HOUSING

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The Pensions Board is there to help those who face a housing challenge at retirement, particularly if they have lived in housing provided with their church role during their ministry.

We aim to provide professional, quality services to our customers, understanding their needs and the priorities of those within the Church who provide us with the money to do this.

In 2019 we purchased

**56**

properties across our property portfolio.

We achieved an average satisfaction score of over

**8 out of 10**

for our housing services.

Over the year, we supported almost

**200**

customers through our welfare advice service by offering support to access a range of benefits and services.

We manage a portfolio of 2,100 homes across England and Wales, helping clergy secure the right home for retirement. The portfolio consists of rental, shared ownership and supported housing options, alongside a legacy mortgage scheme. 'Rental' form the largest share, with just under 1,200 homes available through the CHARM scheme.

Our supported housing schemes provide individuals with their own flat within one of seven vibrant retirement communities offering both independence and support if needed.

We offer more than just 'bricks and mortar', supporting customers from the earliest stages of retirement planning (up to 5 years in advance), through to identifying the right property and moving in. Furthermore, we can help all our customers access any additional entitled financial support and, if needs change during retirement, provide advice, information and access to other services.

The CHARM scheme is underpinned by commercial finance. In 2019 we renegotiated and extended a £50m revolving credit facility which will give on-going flexibility for property purchases.

In 2019, we started key projects to improve our service over the long-term, including signing a contract for a new Housing Management System. This new system will reduce paperwork, improve data quality and free up our team to spend more time with customers. Implementing this will be a key focus for 2020 onwards.



## *Our work in action:* Supporting our customers with their retirement

Revd. Marion retired in June 2019 after 20 years' service as an ordained priest in the North East of England. Making her application for CHARM housing in April 2015 provided time for a suitable property to be identified, as she and her husband, Bill, wanted to remain in the region in which they had lived and worked for the past 50 years.

A housing officer, Sarah, was assigned to Marion and Bill and time was taken to understand their needs and explain the services on offer to them – both for the first few years of their retirement and longer-term.

After initial discussions, Marion and Bill were sent monthly bulletins of available homes and subsequently selected a Berwick-upon-Tweed property. This was reserved for them, rented on the open market until Marion reached retirement and six months before moving in refurbishment options were shared, and changes to the property made, to ensure their needs would be met. Marion said, "Sarah became part of our retirement package, supporting us in every way. Everything was faultless, went smoothly and we are enjoying retirement in our new home."

## Board membership

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The CEPB Trustee Board oversees our pension schemes and charitable activities

There are currently 20 members, with the Chair appointed by the Archbishops of Canterbury and York with the approval of Synod. The remaining members of the Board are either elected or appointed by the members and employers of the pension schemes, and other interested bodies.

The members of the Board, individually and collectively, cover a diverse range of backgrounds and expertise. Striking the right balance of knowledge and experience is essential to the continued effectiveness of the Board and therefore to successful delivery of all our activities.

The full Board meets five times a year, supported also by committees covering housing, pensions, investments and audit.



### Appointed Members:

Clive Mather  
(Chair from May 2019)  
Dr Jonathan Spencer  
(Chair to Apr 2019)  
Jeremy Clack FIA  
Canon Nicolette Fisher  
(from 1 Jan 2020)  
Tony King (from 10 Jan 2020)  
Roger Mountford  
(to 31 Dec 2019)  
Nikesh Patel  
The Revd Caroline Titley

### Elected by the House of Laity:

Roger Boulton FIA  
Canon Nicolette Fisher  
(to 31 Dec 2019)  
Alan Fletcher ACII  
(to 31 Dec 2019)  
Canon Emma Osborne  
Bill Seddon

### Member Nominated Members:

The Revd Fr Paul Benfield  
Ian Boothroyd  
(to 31 Dec 2019)  
The Revd Nigel Bourne  
The Revd Peter Ould  
Susan Pope (from 1 Jan 2020)  
Maggie Rodger  
Michaela Southworth  
The Ven David Stanton  
The Rt Revd Alan Wilson

### Employer Nominated Members:

Richard Hubbard  
Canon Sandra Newton

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### Registered address:

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For more information on the Church of England Pensions Board:

[www.churchofengland.org/pensions](http://www.churchofengland.org/pensions)  
[www.churchofengland.org/housing](http://www.churchofengland.org/housing)

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