The Church of England Funded Pensions Scheme

Annual Report and Financial Statements
31 December 2019

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Funded Pensions Scheme ("CEFPS", or the "Scheme"), is pleased to present the Scheme's annual report for the year ended 31 December 2019.

Scheme constitution and relationship to the Church of England Pensions Scheme

The Scheme was established in accordance with the Pensions Measure 1997 and commenced on 1 January 1998 to provide defined benefit pensions for clergy and others in the stipendiary ministry.

Benefits arising from service prior to 1998 are the liability of The Church of England Pensions Scheme ("CEPS"), which is wholly funded by the Church Commissioners. The Board administers the CEPS on behalf of the Church Commissioners and, from the members' perspective, runs the CEFPS and the CEPS seamlessly. Those with pension benefits earned from both schemes have a single point of contact and on retirement receive a single lump sum and consequently a single pension payment each month. The CEFPS makes these payments on behalf of the Church Commissioners and is fully reimbursed by them for the pre-1998 element they are responsible for funding. These amounts are not included in the financial statements of the CEFPS.

Scheme management

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board has established various committees to assist it in this responsibility.

Board Members (1 January 2019 to 16 June 2020)

Trustee's report (continued)

Scheme advisors
The Trustee engages the below professional advisors to assist them in their responsibilities.

Actuary	Aaron Punwani, Lane Clark and Peacock LLP	
Independent auditors	Crowe U.K. LLP (PricewaterhouseCoopers LLP until 25 June 2019)	
Bankers	Lloyds Bank plc	
Investment Advisors	Mercer Ltd	
Investment Custodians	Northern Trust Company Ltd	
Investment Managers (Scheme)	BlackRock Investment Management (UK) Limited	
Investment Managers (Common Investment Fund)	Acadian Asset Management Antin Infrastructure Partners Arrowstreet Capital Audax Group Basalt Infrastructure Partners Blackstone Cambridge Associates CBRE Global Investors Colchester Global Investors Copper Rock Capital Partners DIF Management EQT Infrastructure Partners	First State Investments Generation Investment Management LLP GW&K H.I.G. Capital Insight Investment Management I Squared Global Capital KKR & Co. LP Legal & General Longview Partners Northern Trust Global Investors Robeco Asset Management T Rowe Price International Ltd

Crowe U.K. LLP were appointed as the Scheme's auditor on 25 June 2019, replacing PricewaterhouseCoopers LLP. The outgoing auditor confirmed that there were no circumstances connected with their resignation which significantly affect the interest of the members, prospective members, or beneficiaries of the Scheme that should be brought to the attention of the Trustee.

Investments
Other than the Scheme's liability driven investments ("LDI"), the Scheme's investments are principally held in 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 1998. 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 2.

The CEIFP had two pools for 11 months of 2019: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, and the liquidity pool containing cash.

The Scheme has acquired units representing its proportionate share of the assets of the return seeking pool. In 2020 the Trustee, after taking investment advice, will review the Scheme's weighting to each pool to ensure the assets held are best suited to the Scheme's long-term interests. See the investment strategy section and the investment risk disclosures in Appendix 2 for more information.

Members can make additional voluntary contributions to secure additional benefits. These are invested in a segregated pool of investments and managed separately.

Rule changes
There were no changes to the Scheme's rules during 2019. 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.

Information about the CEIFP's own financial developments in the year are set out in its Trustee's Report in Appendix 2.

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. In accordance with the amendment to the Audited Accounts Regulations effective from 1 April 2016, an auditor's statement about contributions is not required for the Scheme as it is a multi-employer scheme with more than 20 participating employers

Impact of COVID-19
Since 31 December 2019, the COVID-19 pandemic has resulted in significant uncertainty in investment markets and necessitated practical changes to the way the administration of the Scheme is carried out. The Trustee fully transitioned to a remote working arrangement in March 2020. The Trustee has written to all Scheme members to outline the Trustee's response to COVID-19, including how to access the Trustee's services when all staff are working remotely.

Trustee’s report (continued)

Impact of COVID-19 (continued)
Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Scheme’s holdings in the Common Investment Fund and its holding in liability matching assets fell in value by £63.3m (3.0%) from £2,141.0m at 31 December 2019 to £2,077.7m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.

The value of the Scheme’s net assets represented 97.3% of the technical provisions of the Scheme at the last actuarial valuation as at 31 December 2018. Deficit recovery agreements are in place to target the elimination of the deficit by 31 December 2022. The Scheme is supported by the employer covenant, because this ultimately underwrites investment risk and funding risk. A detailed covenant assessment is undertaken to coincide with each triennial valuation. This includes assessment of financial strength and security and stress testing the ongoing viability of funders under various economic scenarios. Between valuations the Board undertakes pro-active engagement with responsible bodies, encourages all responsible bodies to inform the Board of relevant matters that may affect their covenant, and draws on information available to other NCIs on the financial health of responsible bodies. The Trustee has considered the impact of COVID-19 on the responsible bodies and is satisfied that there is no material deterioration in the overall employer covenant and the employers can continue to support the Scheme for the foreseeable future.

Membership
The change in membership during the year is as follows:

	Active	Deferred	Pensioners	Beneficiaries	**Total**
At 1 January	8,178	2,550	10,599	3,808	25,135
New members joining	461	-	-	-	461
Members retiring	(288)	(136)	424	-	-
Members leaving prior to pension age	(231)	231	-	-	-
Deaths	(13)	(4)	(403)	(257)	(677)
Re-entrants (*)	90	(89)	(1)	-	-
New spouse and dependant pensions	-	-	-	237	237
Ceased (eg dependant children turning 18/23)	-	-	-	(21)	(21)
Transfers out	-	(11)	-	-	(11)
Other	(7)	(7)	(2)	1	(15)
Total at 31 December	**8,190**	**2,534**	**10,617**	**3,768**	**25,109**

Note: Total number of pensioners receiving pensions and deferred members in the table above include both the CEFPS and the CEPS.

(*) Re-entrants are those members who have re-entered the scheme as an active member, having previously ceased to be a member of the scheme.

Pension Increases
The CEFPS rules state that increases will be at the rate of the change in the Retail Prices Index (“RPI”) up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS from 1 April in the following year.

The increase in RPI in the year to 30 September 2019 was 2.4% (2018: 3.3%). Pensions in payment on 1 April 2020 increased therefore by 2.4% (2019: 3.3%). There were no discretionary increases.

Member benefit augmentation
At the point of retirement, the benefits payable to certain pensioners are enhanced on grounds of ill-health or financial need. The cost of the augmented benefits is met by the Church Commissioners and the dioceses as part of their charitable activities.

Transfers
As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme’s Actuary. No discretionary benefits are included.

Actuarial liabilities
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 following actuarial advice and having consulted with the responsible bodies (see note 1), and 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. The financial statements do not include liabilities in respect of future retirement benefits.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2018. This showed that on that date:

- the value of the Technical Provisions was £1,868 million; and
- the value of the net assets (excluding AVCs) was £1,818 million; and
- the deficit was £50 million.

The next valuation is due to be carried as at 31 December 2021.

Actuarial liabilities (continued)
The method and significant actuarial assumptions used to determine the technical provisions are set out below (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	3.2% p.a.
RPI	3.4% p.a.
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.2% p.a.
Increasing in line with RPI (capped at 3.5%)	2.7% p.a.
Rate of increase of pensionable stipends	3.4% p.a.
Post-retirement mortality	95% of the S3NA_LV tables projected from 2013 in line with the CMI 2018 extended model with a long-term annual rate of improvement of 1.5% for both males and females

As a result of this last actuarial valuation, as at 31 December 2018, the Trustee set the recovery period (the period over which the actuarial deficit is targeted to be eliminated) at 4 years from 1 January 2018. The contribution rates of pensionable stipend were set as shown in the table below:

	Until 31 December 2020 %	From 1 January 2021 to 31 December 2022 %	From 1 January 2023 %
Normal contributions	26.5	31.3	31.3
Deficit contributions	11.9	7.1	-
Contributions towards administration expenses	*1.5	*1.5	*1.5
Total contribution	39.9	39.9	32.8

* For the dioceses and the Church Commissioners, the 1.5% of pensionable stipends consists of 1.2% towards the cost of administering the Scheme, and 0.3% which is passed to the Board for the cost of administering the CEPS. For the other Responsible Bodies, 1.5% of pensionable stipends less an annual rebate. The annual rebate is currently £70 pa per full-time member in active service each 31 December.

Investment management
At the end of 2019, the investments of the Scheme were as set out below. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 2.

	2019 £'000	**2018 £'000**	Nature of investment
Return seeking investments			
CEIFP – Return Seeking Pool	-	1,525,178	Public equities, private infrastructure equity, private debt, emerging markets sovereign debt, property unit trusts, hedge funds and cash
CEIFP – Public Equity Pool	1,174,573	-	Public equities
CEIFP – Diversified Growth Pool	189,916	-	Property unit trusts, private equity and emerging markets sovereign debt
CEIFP – Diversified Income Pool	411,267	-	Private infrastructure equity, private debt
CEIFP – Liquidity Pool	11,314	-	Cash
Liability matching investments			
CEIFP – Listed Credit Pool (formerly known as Liability Matching Pool)	46,257	55,084	High quality corporate bonds
Liability Driven Investments ("LDI")	307,578	232,253	Gilts and cash held for reinvestment into gilts
AVCs			
Additional Voluntary Contributions	31,683	26,726	Unit trusts, see below
Other			
Other investment balances	1	815	
Total at 31 December	**2,172,589**	1,840,056	

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.

The details of the Trustee's policies with respect to environmental, social and governance mattes are included in Appendix 1. Appendix 1 forms part of the Trustee's Report.

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 shown at the end of this report. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Trustee’s report (continued)

Investment strategy and principles (continued)
The Trustee takes various financially material considerations into account in the selection, retention and realisation of investments. Ethical and responsible investment considerations are central to the Board’s work. They reflect our Christian identity and the values of the Board and our beneficiaries, and they inform our aim of achieving a long-term sustainable return on the Board’s investments. The Trustee recognises climate change as a major financial and social risk, and one that has potential to impact gravely on the financial well-being of the members of its schemes as well as their quality of life in retirement. Other matters taken into consideration include the risk appetite of the Scheme, strategic asset allocation, opportunities to capture illiquidity premia, diversification within and across asset classes, the potential benefits of active fund management, and the cost of implementation of investment decisions.

The Trustee engages with the sponsors regularly, including on material non-financial matters. The Trustee recognises that the beneficiaries and the sponsors of the Scheme are part of the Church of England and that the Scheme’s investments should reflect that as far as possible without compromising its objectives.

Management and custody of investments
The CEIFP’s custody arrangements are described in the CEIFP’s Trustee’s Report in Appendix 2.

The Scheme holds a portfolio of Gilts outside the CEIFP in its LDI account. The gross value of the LDI assets is £346.1m (2018: £466.4m), with repurchase agreements of £49.6m (2018: £233.3m). 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
Index-linked Gilts posted gains over the year, with the FTSE Over 5-Year Index-linked Gilt index increasing by 6.8% in 2019. The Scheme’s LDI gains were 28.0% for the LDI held in relation to the clergy liabilities and 3.0% in relation to the LDI assets acquired in 2018 due to the transfer in of the Clergy (Widows and Dependants) Fund (2018: overall loss of 8.1%).

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.

Additional Voluntary Contributions (“AVCs”)
AVCs are invested separately in vehicles chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the provider.

Since 1 April 2011, Legal and General Investment Management (“Legal and General”) have been the sole AVC provider for contributions received after this date.

Members are provided a wider range of investment choices with Legal and General:

- a core lifestyle arrangement with two options including ethically invested funds; and
- a menu consisting of a more comprehensive range of UK and global passively managed funds including both UK and global ethically invested funds, balanced equity funds, corporate bond funds, gilts funds, and a cash fund.

At the end of 2019 1,656 members (2018: 2,097) had contributions invested under the voluntary arrangements of whom 1,051 (2018: 1,000) were current contributors.

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 addressed to:

The Pensions Department
Church of England Pensions Board
PO Box 2026
Pershore
WR10 9BW

Alternatively, enquiries may be made by email to pensions@churchofengland.org, or by telephone to 020 7898 1801.

Approval
The Trustee’s Report and Statement of Trustee’s Responsibilities set out on page 6 were approved by the Trustee on 16 June 2020 and signed on its behalf by:

Clive Mather
Chairman

Statement of Trustee's Responsibilities

The Church of England Pensions Board is Trustee of The Church of England Funded Pensions Scheme.

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 of England Funded Pensions Scheme and the General Synod of the Church of England

Opinion

We have audited the financial statements of The Church of England Funded Pensions Scheme (“the Scheme”) for the year ended 31 December 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2019 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; 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, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of the Trustee

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

In preparing 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 have no realistic alternative but to do so.

Auditor’s 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 auditor’s 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 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 Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent Auditors' report to the Trustee of The Church of England Funded Pensions Scheme and the General Synod of the Church of England (continued)

Use of our report

This report is made solely to the Scheme Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995, and to the General Synod. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

16 June 2020

Fund Account for the year ended 31 December 2019

	Notes	2019	2018
		£000	**£000**
Contributions and other income			
Employer contributions	4	74,440	73,612
Employee contributions	4	2,994	2,802
Group transfer in of Clergy (Widows and Dependants) Fund net assets	4	-	25,119
Transfers in	4	2,038	1,174
Other income	4	2,318	2,291
Total contributions and other income		81,790	104,998
Benefits			
Benefits paid or payable	5	(47,241)	(44,336)
Transfers out		(2,584)	(1,748)
Administrative expenses	6	(3,346)	(2,538)
Total benefits and other expenses paid		(53,171)	(48,622)
Net additions from dealings with members		28,619	56,376
Returns on investments			
Investment income	7	1,484	1,965
Change in market value of investments	8	300,739	(54,341)
Investment management expenses		(382)	(514)
Net returns on investments		301,841	(52,890)
Net increase in fund		330,460	3,486
Opening net assets		1,844,288	1,840,802
Closing net assets		2,174,748	1,844,288

Notes 1 to 18 form part of these financial statements.

Statement of Net Assets available for benefits as at 31 December 2019

	Notes	2019	2018
		£000	**£000**
Investment assets			
Pooled investment vehicles	8	1,844,411	1,584,474
Bonds	8	346,074	461,327
AVC investments	8	31,683	26,726
Other investment balances	8	-	674
Cash	8	1	141
Amounts receivable under reverse repurchase agreements	8	209,576	-
Total investment assets		2,431,745	2,073,342
Investment liabilities			
Amounts payable on repurchase agreements	8	(259,156)	(233,286)
Total investment liabilities		(259,156)	(233,286)
Total net investments		2,172,589	1,840,056
Current assets	9	4,402	7,085
Current liabilities	10	(2,243)	(2,853)
Net current assets		2,159	4,232
Total net assets available for benefits		2,174,748	1,844,288

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 year. The actuarial position of the Scheme, which does take into account such obligations, is described 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.

These financial statements were approved by the Trustee on 16 June 2020 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status

The Church of England Funded Pensions Scheme (the "Scheme") is an occupational pension scheme established under trust. The Scheme was established in accordance with the Pensions Measure 1997 to provide retirement benefits to the clergy and others in the stipendiary ministry.

Many clergy (eg parish priests) are office holders rather than employees so those organisations responsible for paying their stipends and pension contributions are known as 'responsible bodies'. For consistency with the Pensions SORP and comparability with the financial statements of other pension schemes, these financial statements use the term 'employer' for both actual employers as well as for the 'responsible bodies'. Likewise, the term 'employee' in these financial statements means actual employees as well as office holders and other stipendiary clergy who are members of the Scheme.

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

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 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 (2018)" (the "SORP").

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 contributions, which consist of both normal and deficit contributions, and administration costs are accounted for on the accruals basis in the payroll month to which they relate.

Employer contributions towards supplementary pension payments are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Employee contributions for AVCs are accounted for on the accruals basis, in the payroll month to which they relate.

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 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 have 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.

e) 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 all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

The Scheme's AVC investments are also in accumulation funds, which do not pay out investment income.

Investment income

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. Income is shown gross of all withholding taxes, with irrecoverable taxes shown as a separate expense.

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 pools 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.

The AVC investments are valued based on prices reported by the AVC providers.

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.

Bonds
Bonds are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in other investment balances

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) Repurchase agreements
Under repurchase (repo) agreements - the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are not included as scheme assets.

h) Foreign currencies
The Scheme's functional currency and presentational currency is pounds sterling.

4. Contributions and other income

	2019 £000	2018 £000
Employer contributions		
Normal	51,102	50,593
Deficit	22,983	22,727
For supplementary pensions and augmentation grants	293	106
Other	62	186
Total employer contributions	74,440	73,612
Employee contributions		
AVC	2,994	2,802
Total employee contributions	2,994	2,802
Transfers in		
Group transfer in of Clergy (Widows and Dependants) Fund net assets	-	25,119
Individual transfers in from other schemes	2,038	1,174
	2,038	26,293
Other income		
Contribution for administration costs	2,318	2,291
	2,318	2,291

The Pensions (Pre-consolidation) Measure 2018 inserted a new section 18A into the Clergy Pensions Measure 1961. This section allowed the Pensions Board to transfer to the Church of England Funded Pensions Scheme ("CEFPS") "the sum for the time being standing to the credit of the Clergy (Widows and Dependants) Pensions Fund." It also puts an obligation on the Board to continue to pay any beneficiaries (existing or future) either out of the CEFPS or by alternative arrangements e.g. through an insurance policy. This power was exercised by a deed dated 18 December 2018, and the net assets of the CWDPF were transferred to the CEFPS at that date. The transfer consisted of bonds of £23,036,000, cash pooled investment vehicles of £1,913,000, and investment cash, other investment balances and current assets totalling £170,000.

The Board, from its General Purposes Fund, and the Church Commissioners reimburse the CEFPS the cost of paying supplementary pensions and augmentation grants paid to certain pensioners and surviving spouses/civil partners of deceased members who are in particular need, in addition to standard benefits payable (see note 5).

Notes to the financial statements (continued)

4. Contributions and other income (continued)

At 31 December 2018, the Trustee set the recovery period (the period over which the actuarial deficit is targeted to be eliminated) at 4 years from 1 January 2018. The contribution rates of pensionable stipend were set as shown in the table below:

	Until 31 December 2020 %	From 1 January 2021 to 31 December 2022 %	From 1 January 2023 %
Normal contributions	26.5	31.3	31.3
Deficit contributions	11.9	7.1	-
Contributions towards administration expenses	*1.5	*1.5	*1.5
Total contribution	39.9	39.9	32.8

* For the dioceses and the Church Commissioners, the 1.5% of pensionable stipends consists of 1.2% towards the cost of administering the Scheme, and 0.3% which is passed to the Board for the cost of administering the CEPS. For the other Responsible Bodies, 1.5% of pensionable stipends less an annual rebate. The annual rebate is currently £70 pa per full-time member in active service each 31 December.

5. Benefits paid or payable

	2019 £000	2018 £000
Benefits		
Pensions (including supplementary pensions and augmentation grants)	34,243	29,795
Retirement lump sums	12,229	13,345
Lump sum death benefits	741	1,189
Commutations	28	7
Total benefits	47,241	44,336

6. Administrative expenses

All costs relating to the administration of the Scheme are paid by the Board in the first instance and recovered from the Scheme by way of an administration charge. This covers professional fees, staff costs and shared service costs. A breakdown of the costs is shown below:

	2019 £000	2018 £000
Actuarial fees	415	308
Audit fees	41	50
Pension levy	107	132
Investment services	1,586	1,158
Legal advice	174	173
Administration costs	1,023	717
Total administrative expenses	3,346	2,538

7. Investment income

	2019 £000	2018 £000
Bonds	3,599	3,461
Deposit interest	15	32
Other investment income	-	23
Amount payable on repurchase agreements	(2,130)	(1,532)
Amount payable on loan from CEIFP	-	(19)
Total net investment income	1,484	1,965

Notes to the financial statements (continued)

8. Investments

Repurchase agreements

At the year-end, amounts payable under repurchase agreements amounted to £259.2m (2018: £233.3m) and amounts receivable under reverse repurchase agreements amounted to £209.6m (2018: £nil). Within Bonds reported in Scheme assets, £192.6m (2018: £234.0m) are held by counterparties as collateral under repurchase agreements. Bonds with value of £209.6m are held as collateral under reverse repurchase agreements.

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.

The Scheme incurred £285,000 (2018: £514,000) in fees from Blackrock. Custody charges are negligible.

The Scheme's directly held investments are registered in the UK. The Church of England Investment Fund for Pensions ("CEIFP") is a pooled investment vehicle between three pension schemes of which the Church of England Pensions Board is Trustee.

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

	At 1 January £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	At 31 December £000
Pooled investment vehicles (CEIFP)					
Return seeking pool	**1,525,178**	40,100	(1,781,339)	216,061	-
Public equity pool	**-**	1,156,591	-	17,982	**1,174,573**
Diversified growth pool	**-**	190,144	-	(228)	**189,916**
Diversified income pool	**-**	412,385	-	(1,118)	**411,267**
Listed credit pool (formerly liability	**55,084**	-	(13,000)	4,173	**46,257**
Liquidity pool	**-**	22,318	(10,898)	(106)	**11,314**
Total pooled investment vehicles (CEIFP)	**1,580,262**	1,821,538	(1,805,237)	236,764	**1,833,327**
Pooled investment vehicles (cash)	**4,212**	23,542	(16,691)	21	**11,084**
Bonds	**461,327**	144,462	(319,753)	60,038	**346,074**
AVC investments					
Legal & General Group AVC scheme	**19,295**	4,555	(2,624)	3,125	**24,351**
Legal & General Company sponsored	**4,110**	-	(390)	618	**4,338**
Prudential	**2,571**	-	(461)	134	**2,244**
Utmost Life (formerly Equitable Life)	**750**	-	(39)	39	**750**
Total AVC investments	**26,726**	4,555	(3,514)	3,916	**31,683**
Cash	**141**				**1**
Amounts receivable on reverse repurchase agreements	**-**				**209,576**
Amounts payable on repurchase agreements	**(233,286)**				**(259,156)**
Other investment balances	**674**				**-**
Total net investments	**1,840,056**				**2,172,589**

9. Current assets

	2019 £000	2018 £000
Debtors		
Employer contributions	2	50
Trustee	95	-
Other debtors	60	274
Total debtors	157	324
Cash	4,245	6,761
Total current assets	4,402	7,085

Amounts owed from the Trustee represent money paid in advance to the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

Notes to the financial statements (continued)

10. Current liabilities

	2019 £000	2018 £000
Unpaid benefits	372	644
Trustee	-	70
Church Commissioners	-	2
Tax payable – PAYE and NI	1,645	1,655
Other creditors	226	482
Total current liabilities	2,243	2,853

Amounts owed to the Trustee represent money payable to the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

11. Fair value of investments

The fair value of investments has been determined using the following fair value 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.

The Scheme's investment assets and liabilities have been included at 31 December at fair value within these levels as follows. The CEIFP's fair value hierarchy is that of the underlying assets held by the Scheme.

	1 £000	2 £000	3 £000	Total £000
At 31 December 2019				
Pooled investment vehicles	1,225,372	111,749	507,290	**1,844,411**
Bonds	-	346,074	-	**346,074**
AVC investments	-	28,689	2,994	**31,683**
Cash and cash equivalents	1	-	-	**1**
Amounts receivable on reverse repurchase agreements	-	209,576	-	**209,576**
Amounts payable on repurchase agreements	-	(259,156)	-	**(259,156)**
Other investment balances	-	-	-	**-**
Total investments	1,225,373	436,932	510,284	**2,172,589**

	1 £000	2 £000	3 £000	Total £000
At 31 December 2018				
Pooled investment vehicles	1,043,848	265,732	274,894	**1,580,262**
Bonds	-	461,327	-	**461,327**
AVC investments	-	23,405	3,321	**26,726**
Cash and cash equivalents	141	-	-	**141**
Amounts payable on repurchase agreements	-	(233,286)	-	**(233,286)**
Other investment balances	-	674	-	**674**
Total investments	1,043,989	517,852	278,215	**1,840,056**

Pooled investment vehicles includes the fair value levels of the underlying investments in the Church of England Investment Fund for Pensions. For more details, see Appendix 2.

Notes to the financial statements (continued)

12. 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).

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	**2019**	**2018**
					£000	**£000**
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 2)				1,833,327	1,580,262
Pooled investment vehicles (cash)	●	○	●	●	11,084	4,212
Bonds	◑	○	◑	◑	346,074	461,327
Total LDI investment					357,158	465,539
AVCs	(not considered significant in relation to overall Scheme risks)				31,683	26,726
Cash and cash equivalents	◑	○	◑	○	1	141
Amounts receivable on reverse repurchase agreements	◑	○	●	●	209,576	-
Amounts repayable on repurchase agreements	◑	○	●	●	(259,156)	(233,286)
Other investment balances	◑	○	◑	○	-	674
Total investments					2,172,589	1,840,056

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.

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.

Investment strategy

The split between return seeking and liability matching assets is determined by the characteristics of the Scheme, in particular its demographic profile, the spread of time over which its liabilities fall due, its funding level and the appetite for risk of the Trustee and the Scheme's sponsors. The allocation to inflation matching assets is calculated as a percentage of pensioner liabilities, moving from 33% to 70% by December 2030.

Most of the liability matching investments are held in a separate LDI account, which is constructed to reflect the profile of 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.

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.

The Scheme is subject to credit risk through its investments in bonds, repurchase agreements, short term borrowings and cash balances. The Scheme 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.

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.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

The Scheme'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.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2019	2018
	£000	£000
UCITS	11,084	4,212
Common Investment Fund	1,833,327	1,580,262
Total pooled investment vehicles	1,844,411	1,584,474

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

Currency 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.

The Scheme is not subject to currency risk as its assets are denominated in sterling.

Interest rate risk

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.

The Scheme is subject to interest rate risk due to its bonds holdings and because the discount rate used to measure the Scheme's actuarial liabilities are derived from prevailing interest rates.

To mitigate this risk, the Scheme invests in a portfolio of assets that generate predictable long term cash flows that will tend to rise in value if interest rates fall. If interest rates fall, the value of the bond portfolio will rise, while the value of the actuarial liabilities also increase as the discount rate falls. Similarly if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

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 Scheme's investments are subject to price risk which principally relates to bonds. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Investment risk in relation to AVC investments

Investment risk relating to the AVC investments is not considered to be significant in relation to the overall investment risks of the Scheme.

Notes to the financial statements (continued)

13. Concentration of investments

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

	2019 £000	%	2018 £000	%
CEIFP public equity pool	1,174,573	54.0	-	-
CEIFP diversified growth pool	189,916	8.7	-	-
CEIFP diversified income pool	411,267	18.9	-	-
CEIFP return seeking pool	-	-	1,525,178	82.7
UK Treasury 0.125% 2029 Index Linked	145,210	6.7	-	-
UK Treasury 0.125% 2058 Index Linked	170,498	7.8	154,125	8.4

14. AVC investments

AVCs are invested separately from the main defined benefit investments to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Most AVCs are invested in a Group AVC Scheme with Legal and General Investment Management which provides wide investment choice and a single administration platform. The value of this AVC arrangement is £24,351,000 (2018: £19,295,000). Prior to this, AVC contributions were invested with Prudential, Equitable Life Assurance Society and another Legal & General fund in with-profits investments totalling £7,332,000 at 31 December 2019 (2018: £3,321,000).

15. Employer related investments

There were no employer-related investments at the year end except for £2,000 (2018: £56,000) of late employer contributions, which represent 0.0001% (2018: 0.003%) of total net assets.

16. Related party transactions

No Board members (2018: one) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

As disclosed in notes 9 and 10, £95,000 is owed by the Trustee to the Scheme (2018: £70,000 owed by the Scheme to the Trustee), representing money charged by the Board in advance towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

17. Guaranteed Minimum Pension equalisation

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. The Trustee estimates that the total cost of equalisation will be immaterial to the Scheme, and so no liability has been included in the financial statements.

18. Post balance sheet event

Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Scheme's holdings in the Common Investment Fund and its holding in liability matching assets fell in value by £63.3m (3.0%) from £2,141.0m at 31 December 2019 to £2,077.7m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.

Actuary's certification of schedule of contributions

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church of England Funded Pensions Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that:

   the statutory funding objective could have been expected on 31 December 2018 to be met by the end of the period specified in the recovery plan dated 6 December 2019.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 6 December 2019.

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:** 6 December 2019

Name: Aaron Punwani **Qualification:** FIA

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

Appendix 1

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 advice, and the NIBs develop investment policies based on this advice. EIAG advice and NIB policies are published on the Church of England website and implemented by the NIBs.

The EIAG consists of a representative of each NIB, and six independent members appointed by the Nominations Committee of the EIAG (which itself includes representatives of General Synod, the Archbishops' Council, the Mission and Public Affairs Council, the Church Investors Group and the NIBs). The EIAG is supported by a small Secretariat hosted by the Pensions Board and jointly funded by the NIBs. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board has also resourced its own Ethics and Engagement function within its Investment Team to implement the Board's approach to stewardship which 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.

The Pensions Board has developed a Stewardship Implementation Framework that guides its active ownership practices, including its approach to engaging with asset managers.

Engagement

The Pensions Board's investment team includes ethics and engagement specialists, who undertake engagement with companies in which the Board is 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 (as outlined in the Statement of Ethical Investment). 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 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).

When investing, and based on the advice of the EIAG, the Board applies exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, and high interest rate lending. Details of all of the policies are available on the EIAG's webpages. As a result of the Climate Change Policy 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.

However, ethical investment is also about in what and how the Board invests. 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 its investments including through voting at company general meetings and engaging actively with companies in which the Board invests.
- Promote ethical behaviour, corporate responsibility and sustainability in interactions with investment managers, companies and government.

2019 highlights

In 2019 the Board significantly increased its capacity to support its ambitions on ethical investment, with the appointment of a Deputy Director of Ethics and Engagement and two Senior Engagement Managers. 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 a 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. 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 over 75 investors with over $18 trillion combined assets under management and advice. TPI continues to be the main tool to assess company performance by the global engagement initiative, Climate Action 100+ (CA100+) which is a group of 4500 investors managing over $40 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. The Board continues to co-lead engagement with Royal Dutch Shell on behalf of CA100+, which in 2019 resulted in 25 engagements over an intensive period, including an in-person interview with Shell's CEO before an audience of 1,000 investors at the 2019 PRI In Person Conference.

In 2019 the Board partnered with FTSE Russell to develop a passive index that incorporates TPI analysis, and in January 2020 launched this innovative approach to incorporating stewardship and climate change considerations into passive investment strategy.

In January 2019, in response to the tragic failure of a tailings storage facility at Brumadinho, Brazil, that claimed the lives of 270 people, the Pensions Board issued a call for there to be a global standard and classification system for tailings facilities. This call was taken up by the industry association ICMM, and the United Nations Environment Programme who along with the UN backed Principles for Responsible Investment have co-convened a Global Tailings Review, under an independent Chair. The Pensions Board (with the Council on Ethics of the Swedish National Pension Funds) has acted as a co-convenor on behalf of the UN backed Principles for Responsible Investment.

Alongside this work to establish a Global Standard to enhance the safety of tailings facilities in the mining industry (which appear across the supply chains of many Pensions Board investments), the Board has taken the lead in co-chairing the Investor Mining and Tailings Initiative, which is a coalition of 110 investor institutions with $14 trillion AUM. In 2019 the Board hosted five investor roundtables and chaired one global tailings summit. The Board has also sought to improve the transparency and scope of disclosure on tailings facilities. In April 2019 the Board wrote to 716 publicly listed extractives companies asking them to disclose publicly details on their tailings facilities. To date this request has prompted extensive detailed disclosures on tailings facilities, covering 65% of the mining industry by market capitalisation, providing data that in many instances were not previously in the public domain. In order to improve the standardisation and comparability of this data the Board has established a 'Global Tailings Portal' in partnership with GRID Arendal and the Council on Ethics of the Swedish National Pension Funds, and has partnered with the UK Satellite Applications Catapult, which received £500,000 funding from the UK Government to support the tailings project.

The role of corporate lobbying in public policy is highly influential. As a result the Board has continued its partnership with the €60 billion of assets Swedish Public Pension Fund, AP7, on a focussed initiative engaging 56 European companies about their lobbying activity by their industry associations and alignment to the goals of the Paris climate agreement. The initiative developed a set of Investor Expectations 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. 12 companies have so far made commitments to greater disclosure on corporate climate lobbying.

The Board continued to deliver its commitment to active ownership, voting in 2019 on 35,180 ballots at 2409 company meetings across 53 different markets. The Pensions Board voted against management (or withheld support) on 17.8% of resolutions. For example, on the topic of executive remuneration, the Board withdrew support from 62.7% of resolutions.

The Board is honoured to host the Secretariat to the Church's Ethical Investment Advisory Group (the EIAG) which serves the NIBs. During 2019 the EIAG's Nominations committee appointed 6 new independent members after an open and competitive process, and the EIAG met 3 times. The Secretariat continued to support the EIAG in its programme of policy reviews and horizon scanning. The EIAG's annual review is available online.

Ethical investment agenda 2020

In the next year the Board will be developing its ethical investment and engagement work, particularly through further support and use of the Transition Pathway Initiative (TPI) and engagement work on extractive industries. The Board will continue to work with the Ethical Investment Advisory Group and partners in the other National Investing Bodies.

Appendix 2
The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2019

Contents

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 2019.

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 three 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");
- Church Workers Pension Fund ("CWPF"); and
- Church Administrators Pension Fund ("CAPF").

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board has established various committees to assist it in this responsibility.

The CEIFP had two pools for 11 months of 2019: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, and the liquidity pool containing cash.

Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the pools in proportions that match its maturity and cash flow needs. Due to the change taking place during the year, investment performance will be quoted at a total asset level.

Unitisation

The 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 assets 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 2019. In particular, we have:

- Continued to work with Cambridge Associates who manage the Board's allocation to private equity.
- Continued to be drawn down for the CEIFP's infrastructure programme.
- Committed to a new fund managed by Blackstone that will take equity stakes in private equity firms.
- Committed to a new sustainable growth private equity fund managed by Generation.

Trustee's report (continued)

Financial developments (continued)

At the end of 2019, the Fund's assets were managed by 23 managers:

Fund manager	Description
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
Blackstone	Alternative income
Cambridge Associates	Private Equity
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
DIF Management	Pooled infrastructure fund
EQT Infrastructure Partners	Pooled infrastructure fund
First State Investments	Pooled infrastructure fund
Generation Investment Management LLP	Global equities
GW&K	Emerging market equities
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
Insight	High quality corporate bonds
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
T Rowe Price	Emerging market equities

Investment Performance

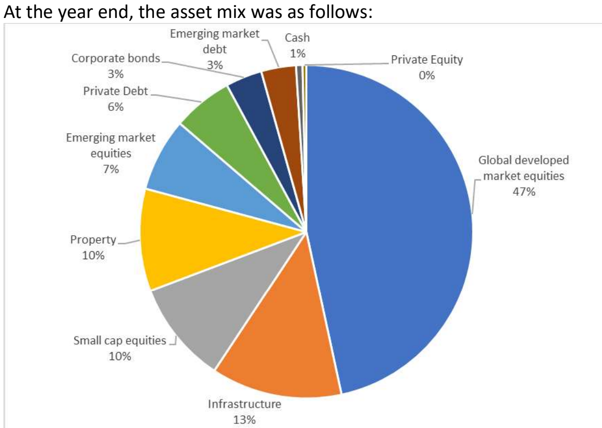
Total assets in the CEIFP returned 15.1% over 2019. The longer term returns, to the end of 2019, after the deduction of fees, were as follows:

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.	15 yr % p.a.
Total assets	15.1	7.8	8.9	9.0	8.5

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.

Total Assets ex-LDI

At the year end, the asset mix was as follows:



Trustee's report (continued)

Investment Performance (continued)

The longer term returns to 31 December 2019 of the broad asset classes 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 %	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
CEPB Total Assets ex-LDI	**15.1**	**7.8**	**8.9**	**9.0**	**8.5**
Public equities	**21.9**	9.5	10.1	10.0	9.0
Property	**0.7**	5.4	7.6	8.9	3.4
Infrastructure equity	**6.5**	7.8	10.8	--	8.9
Fixed income (private debt & emerging market debt)	**1.5**	3.0	4.2	--	4.0
Corporate bonds	**9.4**	4.0	4.6	--	4.9
Cash	**--**	--	--	--	--
Currency hedging (estimated effect)	**1.2**	0.2	-0.5	-0.2	--
Comparators					
UK RPI	*2.6*	*3.0*	*2.5*	*3.0*	*2.9*
FTSE 100	*17.3*	*6.2*	*7.1*	*7.4*	*7.0*
MSCI AC World Index (local currency)	*21.7*	*9.9*	*12.0*	*11.0*	*9.5*
FTSE Over 5-year Index Linked Gilts	*6.8*	*2.9*	*6.5*	*8.5*	*7.6*

Despite concerns over a slowdown in the Chinese economy, the Fed looking to raise rates and the disruptive US/China trade war, markets rallied strongly over the year, with the FTSE 100 returning 17.3% and the MSCI World returning 22.7%.

The CEIFP contains the schemes' investments, excluding investments in liability driven investments ("LDI") which are held directly by each scheme. The CEIFP had just over 60% of its assets invested in public equities at the end of 2019. The CEIFPhas a global bias to public market equity, which has been a key driver for returns, with only a small direct exposure to UK-quoted companies in the portfolio (about 6%). Positions in Global small cap and emerging market equities also had an excellent year, returning 20.3% and 19.9% respectively, which impacted positively on returns.

The alternatives to public market equities, in particular infrastructure equity and corporate bonds also performed well.

Sterling experienced plenty of dramatic swings in 2019 due to the challenge of Brexit, followed by a boost from the General Election result. Although sterling strengthened against a basket of yen, euro and dollar towards the end of the year, the overall currency effect was only slightly positive. This positive effect is estimated to have been equivalent to 1.2% of the total asset 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 2019 it is estimated 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 the passive equity tracker, being 0.3% over the year. Details of the Trustee's policies in respect of environmental, social and governance matters are included in Appendix 1 in each scheme's accounts.

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.

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 2019 these fees (including those charged by Northern Trust as custodian) were £7.1m (2018: £8.0m). This equated to 0.32% (2018: 0.39%) 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 16 June 2020 and signed on its behalf by:

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 (as amended).

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

Opinion

We have audited the financial statements of The Church of England Investment Fund for Pensions ("the Fund") for the year ended 31 December 2019 which comprise the statement of total return, the statement of changes in net assets attributable to unit holders, the statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of the Trustee

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

In preparing 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 have no realistic alternative but to do so.

Auditor's 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 auditor's 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Clergy Pensions Measure 1961 and the General Synod. Our audit work has been undertaken so that we might state those matters we are required in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

16 June 2020

Statement of total return for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Change in market value of investments	6	249,685	(85,798)
Change in market value of investment cash and other investment balances	6	9,431	225
Total change in market value		259,116	(85,573)
Income	4	52,547	51,938
Expenses	5	(7,094)	(8,020)
Changes in net assets attributable to unit holders from investment activities		304,569	(41,655)

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Opening net assets attributable to unit holders		2,041,068	2,055,373
Amounts receivable on issue of units	11	2,327,298	37,339
Amounts payable on cancellation of units	11	(2,343,278)	(9,989)
Net assets before change from investment activities		2,025,088	2,082,723
Changes in net assets attributable to unit holders from investment activities	11	304,569	(41,655)
Closing net assets attributable to unit holders		2,329,657	2,041,068

Statement of net assets attributable to unit holders as at 31 December 2019

	Notes	2019 £000	2018 £000
Investment assets			
Equities	6	1,408,945	1,194,151
Bonds	6	149,937	138,937
Pooled investment vehicles	6	654,278	593,746
Derivative contracts	8	111,543	506
Other investments	6	219	270
Investment cash	6	56,064	121,458
Other investment balances	6	9,106	22,107
Total assets		2,390,092	2,071,175
Investment liabilities			
Other investments	6	-	(141)
Derivative contracts	8	(56,845)	(23,893)
Investment cash	6	-	(1,131)
Other investment balances	6	(3,590)	(4,942)
Total investment liabilities		(60,435)	(30,107)
Total net assets attributable to unit holders	11	2,329,657	2,041,068
Participants' funds	11		
The Church of England Funded Pensions Scheme		1,833,327	1,580,262
The Church Workers Pensions Fund		421,732	371,203
The Church Administrators Pensions Fund		74,598	89,603
Total participants' funds		2,329,657	2,041,068

The notes 1 to 14 form part of these financial statements.

These financial statements were approved by the Trustee on 16 June 2020 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" (2018) (the "SORP") insofar as they relate to common investment funds.

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. Income is shown gross of all withholding taxes, with irrecoverable taxes shown as a separate expense.

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.

The change in market value of investments during the year comprises all profits and losses realised on sales of investments and unrealised changes in market value.

Transaction 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 adopts 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. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used. For investments in vehicles where the Fund's Trustee is the sole ultimate beneficial owner and which are held for the purpose of resale, no consolidated accounts have been prepared as the statutory framework for pension schemes financial reporting does not require consolidation.

- **Derivatives**
  - **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was closed out at the year end date by entering into an equal and opposite contract at that date.
  - **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 translated into 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 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

	2019	2018
	£000	**£000**
Equities	29,398	30,818
Bonds	8,108	7,521
Pooled investment vehicles	13,727	12,677
Cash and cash equivalents	1,314	587
Interest from loan to the CEFPS	-	335
Total income	52,547	51,938

5 Expenses

	2019	2018
	£000	**£000**
Investment managers' fees	7,094	8,020
Total expenditure	7,094	8,020

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	1,194,151	558,830	(567,891)	223,855	1,408,945
Bonds	138,937	30,552	(24,964)	5,412	149,937
Pooled investment vehicles	593,746	343,297	(274,038)	(8,727)	654,278
Other investments	129	7,547	(7,444)	(13)	219
Net derivative contracts (note 8)	(23,387)	94,175	(45,248)	29,158	54,698
	1,903,576	1,034,401	(919,585)	249,685	2,268,077
Investment cash	120,327			9,434	56,064
Other investment balances	17,165			(3)	5,516
Total investments	2,041,068			259,116	2,329,657

Analysed between:		
Investment assets	2,071,175	2,390,435
Investment liabilities	(30,107)	(60,778)
Total investments	2,041,068	2,329,657

Other investment balances include the following balances

	2019	2018
	£000	**£000**
Accrued income	5,958	7,213
Pending trade purchases	2,059	2,985
Pending trade sales	(2,910)	(4,942)
Variation margin	409	11,909
Total other investment balances	5,516	17,165

Disposals of pooled investment vehicles include £40.8m in respect of the redemption of a fund managed by Bridgewater and a redemption of £39.4m in respect of a fund managed by Winton. This represented the entire holding in funds managed by both managers. The cash proceeds were reinvested in various pooled investment vehicles in line with the capital drawdown requirements of those vehicles. Disposals of equities includes £72.8m relating to the termination of a segregated mandate with Edinburgh Partners.

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:

	2019			**2018**		
	Commission	Other charges	**Total**	Commission	Other charges	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Equities	366	216	**582**	470	170	**640**
	366	216	**582**	470	170	**640**

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

	2019	2018
	£000	£000
Equities	14,396	2,178
Property	219,890	218,348
Cash	12,477	22,515
Hedge funds	-	89,053
Infrastructure	275,299	165,929
Private debt	132,216	95,723
Total pooled investment vehicles	654,278	593,746

Private debt is the Fund's investment in the Thorney Island Limited Partnership (number LP017097), of which the Church of England Pensions Board is the sole Limited Partner as trustee for the Church of England Investment Fund for Pensions. A summary of the assets and liabilities of the Limited Partnership are below. The valuation difference between the figures quoted above and the sterling equivalents below is due to timing differences in the provision of information to the Fund.

	2019	**2019**	**2018**	**2019**
	$000	**£000**	**$000**	**£000**
Investments	170,667	128,829	117,470	92,235
Current assets	8,530	6,439	7,552	5,930
Current liabilities	(1,349)	(1,018)	(1,867)	(1,465)
Total net assets	177,848	134,250	123,155	96,700

7 Investment analysis

Investments of over 5% of net assets

The Fund holds one investment of over 5% of net assets, representing 5.68% of net assets (2018: one asset representing 5.48% of net assets).

	2019	**2018**
	£000	£000
Thorney Island Limited Partnership	132,216	-
CBRE GIP GA Fund Class III Dis	-	111,862
	132,216	111,862

Employer related investments

There were no employer related investments as at 31 December 2019 (2018: none).

8 Derivatives

		2019			**2018**	
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	33	(1)	**32**	219	(4,362)	**(4,143)**
Futures – bonds	91	(64)	**27**	77	(208)	**(131)**
Forward foreign currency contracts	111,419	(56,780)	**54,639**	210	(19,323)	**(19,113)**
Total derivatives	111,543	(56,845)	**54,698**	506	(23,893)	**(23,387)**

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:

		2019			**2018**	
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*150*	1	-	*5,061*	-	(79)
Equities futures: Overseas	*3,888*	32	(1)	*78,622*	219	(4,283)
Total equities futures	***4,038***	**33**	**(1)**	***83,683***	**219**	**(4,362)**
Bonds: UK	*6,569*	-	(64)	*8,252*	77	-
Bonds: Overseas	*(5,968)*	91	-	*(6,479)*	-	(208)
Total bonds futures	***601***	**91**	**(64)**	***1,773***	**77**	**(208)**

All contracts have expiry dates of three months after the year end. Included within other investment balances is an asset of £409,000 (2018: £11,909,000) 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	Nominal value	Assets at 31 December 2019 £000	Liabilities at 31 December 2019 £000
US Dollar			
Forward to buy US Dollars	$848,616,708	-	(46,346)
Forward to sell US Dollars	$1,328,604,514	90,598	-
Euros			
Forward to buy Euros	€160,678,989	-	(6,765)
Forward to sell Euros	€283,899,545	13,416	-
Japanese Yen			
Forward to buy Japanese Yen	¥6,168,187,104	-	(3,601)
Forward to sell Japanese Yen	¥92,082,177	7,139	
Other currencies			
Forward to buy other currencies		266	(68)
Forward to sell other currencies		-	-
		111,419	(56,780)

All contracts had maturity dates falling between 2 January 2020 and 12 March 2020.

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 2019:

Level	**1**	**2**	**3**	**Total 2019**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,405,870	52	3,023	1,408,945
Bonds	-	149,937	-	149,937
Pooled investment vehicles	21,225	-	633,053	654,278
Other investments	-	-	219	219
Derivatives contracts	59	54,639	-	54,698
Investment cash	56,064	-	-	56,064
Other investment balances	5,957	(441)	-	5,516
Total investments	1,489,175	204,187	636,295	2,329,657

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2019**
	£000	**£000**	**£000**	**£000**
Public equity pool	1,443,631	34,128	3,421	1,481,180
Diversified growth pool	20,716	4,356	213,060	238,132
Diversified income pool	7,957	88,146	419,814	515,917
Liquidity pool	14,267	-	-	14,267
Listed credit pool	2,604	77,557	-	80,161
Total investments	1,489,175	204,187	636,295	2,329,657

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 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**
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**

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 Trustee determines the investment strategy after taking advice from a professional investment advisor. The Fund has exposure to 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 the Annual Report. 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.

The Fund's investment pools are unitised. 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 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	**2019**	**2018**
					£000	**£000**
Equities	○	◑	○	●	1,408,945	1,194,151
Bonds	●	◑	●	●	149,937	138,937
Pooled investment vehicles	◑	◑	◑	◑	654,278	593,746
Other investments (net)	●	◑	○	○	219	129
Derivatives contracts (net)	●	◑	◑	◑	54,698	(23,387)
Investment cash	●	◑	○	○	56,064	120,327
Other investment balances	●	◑	○	○	5,516	17,165
Total investments					2,329,657	2,041,068

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

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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.

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.

	2019	2018
	£000	£000
Bonds	149,937	138,937
Pooled investment vehicles	654,278	593,746
Derivatives: forwards	111,419	210
Investment cash	56,064	120,327
Total investments exposed to credit risk	971,698	853,220

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

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. 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.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2019	2018
	£000	£000
Limited Partnerships	350,829	210,966
SICAVs (*)	12,477	22,512
Exchange Traded Funds	6,489	2,145
Company limited by shares	-	50,276
Public Limited Companies	819	446
Cooperatief U.A (**)	36,821	15,356
FCP (**)	153,669	161,786
Property Authorised Investment Fund	10,636	10,922
Property Unit Trusts	38,138	39,645
Other funds	44,400	79,692
Total pooled investment vehicles	654,278	593,746

(*) A Société d'investissement à Capital Variable (SICAV) fund is an open-ended investment fund structure offered by European financial companies.

(**) A Cooperateif U.A is a Dutch Cooperative.

(***) A FCP- Fond commun de placement is a type of specialised investment fund used by European financial institutions.

Currency 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.

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.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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

	Gross exposure £000	Hedged exposure £000	**Net exposure 2019 £000**	**Net exposure 2018 £000**
Pounds sterling	284,850	791,226	**1,076,076**	1,107,375
US Dollars	1,227,368	(616,311)	**611,057**	399,187
Euros	311,681	(134,313)	**177,368**	190,297
Japanese Yen	116,808	(41,770)	**75,038**	40,225
Other currencies	334,311	1,168	**335,479**	323,097
Total investments (excluding forwards)	2,275,018	-	**2,275,018**	2,060,181
Forwards	54,639	-	**54,639**	(19,113)
l investments	2,329,657	-	**2,329,657**	2,041,068

Interest rate risk

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. The Fund is subject to interest rate risk due to its bond investments in the Public equity pool and, primarily, Listed credit 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

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'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 had two pools for 11 months of the year: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, and the liquidity pool containing cash.

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 pools:

Return seeking pool:

	At 1 January 2019 £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 2019 £000**
The Church of England Funded Pensions Scheme	1,525,178	40,100	(1,781,339)	216,061	-
The Church Workers Pension Fund					-
Pension Builder 2014	18,010	4,464	(25,232)	2,758	-
Pension Builder Classic	96,916	1,344	(111,979)	13,719	-
Defined Benefit Scheme – Employer section	187,068	3,261	(216,071)	25,742	-
Defined Benefit Scheme – Life Risk section	61,348	15,435	(84,636)	7,853	-
The Church Workers Pension Fund	363,342	24,504	(437,918)	50,072	-
The Church Administrators Pension Fund	79,286	-	(89,969)	10,683	-
Total return seeking pool	1,967,806	64,604	(2,309,226)	276,816	-

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Listed credit pool (formerly Liability Matching Pool):

	At 1 January 2019	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2019
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	55,084	-	(13,000)	4,173	**46,257**
The Church Workers Pension Fund					
Pension Builder Classic	6,836	-	-	643	**7,479**
Defined Benefit Scheme – Employer section	-	1,275	-	36	**1,311**
Defined Benefit Scheme – Life Risk section	1,025	13,000	(1,275)	1,073	**13,823**
The Church Workers Pension Fund	7,861	14,275	(1,275)	1,752	**22,613**
The Church Administrators Pension Fund	10,317	-	-	974	**11,291**
Total Listed credit pool	73,262	14,275	(14,275)	6,899	**80,161**

Public equity pool:

	At 1 January 2019	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2019
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	-	1,156,591	-	17,982	**1,174,573**
The Church Workers Pension Fund					
Pension Builder 2014	-	16,503	-	257	**16,760**
Pension Builder Classic	-	73,240	-	1,139	**74,379**
Defined Benefit Scheme – Employer section	-	131,268	(774)	2,028	**132,522**
Defined Benefit Scheme – Life Risk section	-	40,491	-	630	**41,121**
The Church Workers Pension Fund	-	261,502	(774)	4,054	**264,782**
The Church Administrators Pension Fund	-	41,185	-	640	**41,825**
Total public equity pool	-	1,459,278	(774)	22,676	**1,481,180**

Diversified growth pool:

	At 1 January 2019	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2019
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	-	190,144	-	(228)	**189,916**
The Church Workers Pension Fund					
Pension Builder 2014	-	2,822	-	(4)	**2,818**
Pension Builder Classic	-	12,060	-	(14)	**12,046**
Defined Benefit Scheme – Employer section	-	21,620	(127)	(26)	**21,467**
Defined Benefit Scheme – Life Risk section	-	5,234	-	(6)	**5,228**
The Church Workers Pension Fund	-	41,736	(127)	(50)	**41,559**
The Church Administrators Pension Fund	-	6,666	-	(9)	**6,657**
Total diversified growth pool	-	238,546	(127)	(287)	**238,132**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Diversified income pool:

	At 1 January 2019	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2019
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	-	412,385	-	(1,118)	**411,267**
The Church Workers Pension Fund					
Pension Builder 2014	-	6,293	-	(17)	**6,276**
Pension Builder Classic	-	26,155	-	(71)	**26,084**
Defined Benefit Scheme – Employer section	-	46,887	(270)	(126)	**46,491**
Defined Benefit Scheme – Life Risk section	-	11,408	-	(31)	**11,377**
The Church Workers Pension Fund	-	90,743	(270)	(245)	**90,228**
The Church Administrators Pension Fund	-	14,461	-	(39)	**14,422**
Total diversified income pool	-	517,589	(270)	(1,402)	**515,917**

Liquidity pool:

	At 1 January 2019	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2019
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	-	22,318	(10,898)	(106)	**11,314**
The Church Workers Pension Fund					
Pension Builder 2014	-	549	(386)	(2)	**161**
Pension Builder Classic	-	1,413	(690)	(7)	**716**
Defined Benefit Scheme – Employer section	-	2,533	(1,249)	(12)	**1,272**
Defined Benefit Scheme – Life Risk section	-	5,149	(4,745)	(3)	**401**
The Church Workers Pension Fund	-	9,644	(7,070)	(24)	**2,550**
The Church Administrators Pension Fund	-	1,044	(638)	(3)	**403**
Total liquidity pool	-	33,006	(18,606)	(133)	**14,267**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2019 (2018: nil).

As at 31 December 2019, the Board had made the following commitments

	2019	2018
	£m	£m
Pooled investment vehicles (equity)	30.3	-
Pooled investment vehicles (private equity)	76.2	-
Pooled investment vehicles (property)	6.4	-
Pooled investment vehicles (infrastructure)	229.3	242.9
Pooled investment vehicles (private debt)	30.7	66.3
Total commitments	372.9	309.2

13. Related party transactions

Four Board members (2018: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

Certain private debt investments are made through Thorney Island Limited Partnership (number LP017097), of which the Church of England Pensions Board is the Limited Partner as trustee for the Church of England Investment Fund for Pensions.

14. Post balance sheet event

Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Fund's investments fell in value by £138.2m (5.9%) from £2,329.6m at 31 December 2019 to £2,191.4m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.