Church Workers' Pension Fund (CWPF)

Pension Builder 2014 Section (PB 2014)

Actuarial valuation at 31 December 2019

Introduction

This summary report is intended for all employers who participate in the PB 2014 section of CWPF. It summarises the results of the actuarial valuation at 31 December 2019 for the section.

Please feel free to get in touch with us if you would like to talk about the valuation results or any other aspect of the Church Workers Pension Fund.

Peter Dickinson
Pensions Manager
On behalf of the Church of England Pensions Board

How PB 2014 works

PB 2014 is a cash balance arrangement.

Member and employer contributions are invested to build up a cash sum in individual retirement accounts to provide retirement benefits.

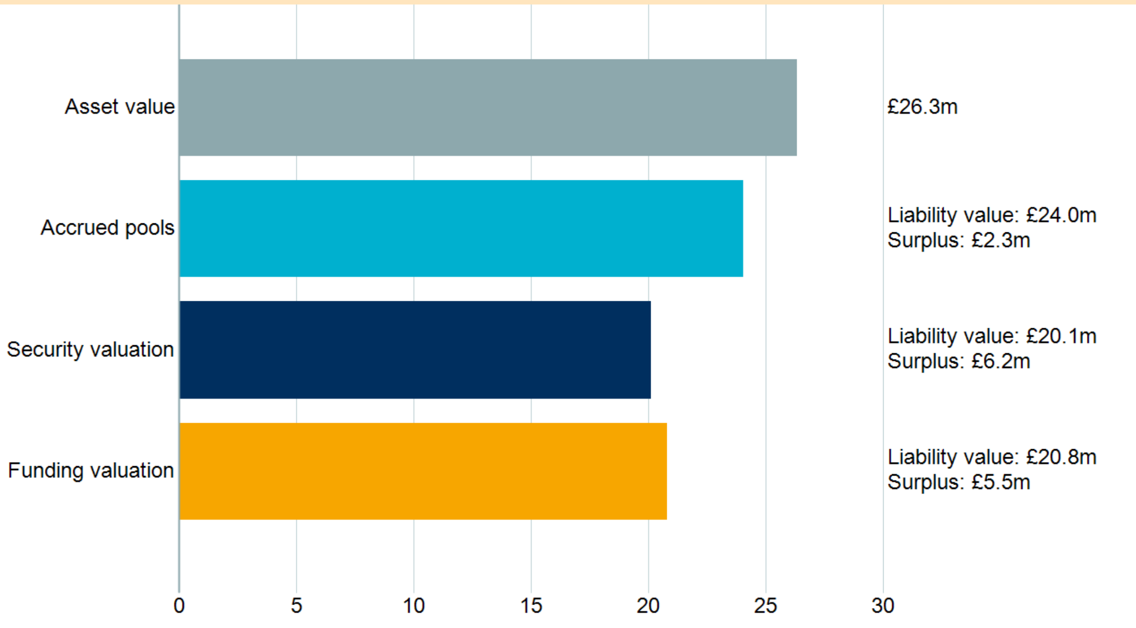
The retirement accounts are invested in line with the Church's ethical policies. Each year we aim to add a discretionary bonus to the individual retirement accounts, depending on the investment performance of the underlying PB 2014 assets.

A member's retirement account is guaranteed at age 65 to be the total contributions paid and bonuses awarded. A reduction may be made if benefits are drawn before this age.

We maintain a reserve (from investment returns achieved in years of good performance) to support retirement payments in years of poor performance.

The valuation position at 31 December 2019

Here are the results of the actuarial valuation of PB 2014 at 31 December 2019:



There are three different measures

- The total account values built up to date, including bonuses declared previously (**accrued pools**).

  We declared a bonus during 2020 based on the surplus on this measure.

- The **security valuation** considers the position with no allowance for future bonuses and no allowance for returns on assets above those on gilts.

  A surplus on this measure indicates that, if all employers were to cease supporting PB 2014, we could invest in low-risk assets to ensure the guaranteed retirement accounts are paid in full at retirement.

- The funding basis (**technical provisions**) allows for additional asset returns of 3.5% pa above gilts and bonuses in line with the policy on page 3.

  Although Scheme Funding legislation requires us to do a valuation on this basis, it is the accrued pools and security valuation which are used to determine future bonus policy.

Please feel free to get in touch if you would like further detail on the assumptions used to calculate the liabilities.

Automatic enrolment certification

Employers using PB 2014 to meet their automatic enrolment requirements will need to check PB 2014 continues to meet the 'qualifying pension scheme' criteria for automatic enrolment. We use the valuation process to remind you of this requirement.

We understand that PB 2014 can be assessed using the 'alternative money purchase' quality criteria.

To qualify as an automatic enrolment scheme under the alternative money purchase quality requirement, an employer would need to be able to confirm that the contributions being paid to PB 14 are the same or better than one of those set out below for each eligible jobholder. The contribution being paid for life cover should be ignored for this purpose.

Contribution rate	Pensionable pay required to be at least:
9% in total, with at least 4% by the employer	equal to basic pay
8% in total, with at least 3% by the employer	equal to basic pay, and total pensionable salaries across all relevant jobholders must be at least 85% of their total earnings
7% in total, with at least 3% by the employer	equal to total earnings for each relevant jobholder

Our understanding is that you are required to revisit this certification every 18 months.

Further details can be found in https://www.gov.uk/government/publications/automatic-enrolment-guidance-on-certifying-money-purchase-pension-schemes/automatic-enrolment-guidance-on-certifying-money-purchase-pension-schemes#annex-g

Discretionary bonuses

We carry out an annual review of our investment performance and we declare a bonus to members' accounts the following April subject to that performance, which is applied over the subsequent year. Once added, the bonus is guaranteed when the benefits are drawn at age 65.

Here is our current bonus policy:

- our starting point is the percentage investment return over the calendar year, after investment expenses,
- we deduct 0.75% for our running costs,
- we deduct 1% to provide for the cost of the guarantee at age 65,
- after this, if the return is above 10%, we hold back the excess to cover further the cost of guaranteeing accounts at age 65 and to improve the chance of declaring future bonuses in years when our investment returns are not as strong,
- if make a loss, we do not expect to add a bonus for that year.

We regularly review our policy, and we may change it in future.
Here are the bonuses for the last 5 years:

		Bonus				
		2016	2017	2018	2019	2020
Contributions paid during a calendar year	2014	1.8%	15%	9.6%	0%	4.8%
	2015		15%	9.6%	0%	4.8%
	2016			9.6%	0%	4.8%
	2017				0%	4.8%
	2018					10.2%

There are two different bonuses for 2020, reflecting the impact of investment losses over the 2018 calendar year (which gave rise to the 0% bonus at 1 April 2019). We made allowance for when contributions were paid and the rate of return that applied to the different investment streams. Contributions paid before 2018 therefore received a lower bonus than contributions paid more recently.

Section 75 debt

If you stop using CWPF as your pension scheme, you might have to pay a final exit debt. This is commonly called a "Section 75 debt".

If you trigger a 'cessation event', you are responsible for the liabilities your members have built up in PB 2014, plus a share of any 'orphan' liabilities (those liabilities relating to former employers in the scheme). You will trigger a 'cessation event' if you:

- no longer employ someone who is accruing benefits in Pension Builder 2014 or any other section of CWPF and you do not intend to enrol anyone else,
- become insolvent or you begin to wind-up, or,
- stop using CWPF to provide pensions for your employees.

If you trigger a cessation event, Section 75 of the Pensions Act 1995 requires you to pay a share of the 'buy-out' deficit. This is the amount an insurance company would charge to pay members' benefits.

We measure each section of CWPF separately. If you participate in DBS or PB Classic, your individual employer report will set out further details relating to that section.

Further details can be found in our guide for employers: https://www.churchofengland.org/sites/default/files/2019-12/Section%2075%20-%20December%202019.pdf

A section 75 debt will only apply if the underlying assets in the PB 2014 are lower than the estimated cost of securing all the accrued PB 2014 benefits (without any future bonuses) with an insurer.

At 31 December 2019, the assets were greater than the estimated cost of securing the benefits and no cessation debt would have been payable to PB 2014 had you ceased participating.

Professional Standards

Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.