

Annual Review 2021

Providing retirement services to those who
work or minister for the Church of England



Welcome



John Ball
CEO



Clive Mather
Chair

The Pensions Board provides retirement services for people who work or minister for the Church. This review highlights the work of the Board in 2021.

In 2021 we all learned what it means to live with an ongoing pandemic. The UK's vaccination programme has been remarkable in its speed, allowing the resumption of very welcome contact with family and friends. However, the pandemic has created continuing challenges, not least market volatility, but also changes to retirement patterns, and to the practicalities of how our teams work together. The Board has responded to all these challenges while continuing to develop the services we provide to the Church and our strategic agenda.

In July, a major milestone was achieved with the completion of legislative changes to simplify the Board's governance arrangements in line with best practice. Following elections, the new Board of Trustees took office from 1 July. It is smaller, nimbler and more diverse than before with a good mix of experienced and new trustees.

We have seen another year of strong investment returns (13%), with our balanced portfolio taking advantage of market opportunities. Ethical and responsible investment is at the very heart of our investment approach, as detailed in our first Stewardship report, published in March. We were delighted to be among just 23 asset owners to be accepted by the Financial Reporting Council as a signatory of the new UK Stewardship Code.

As a result of our investment returns and the faithful contributions by the 700 or so church organisations we serve, all our pension schemes

are in good shape for the long term. In 2022 we will work through the statutory valuation of the Church of England Funded Pension Scheme (which covers clergy pensions) with the expectation that this will report the scheme fully funded for the first time since its inception. This is reassuring for all our clergy members and an important step in the context of the economic outlook and also financial pressures affecting the wider Church family.

The pandemic has accelerated the pace of digital transformation across our society and we are part of that trend. This year, we launched an online pensions portal which is being progressively delivered to members; we strongly encourage everyone to use it. We have also successfully implemented a new IT system within our housing operations, designed to improve customer service by providing a holistic view of all information on a given property.

For housing operations this has been a challenging year, starting as it did with a lockdown that limited house moves and our ability to deliver major property works. As the year went on, we were also hit by the effects of global supply issues. Nonetheless, 82 households moved into new retirement accommodation in the year – a significant increase on 2020.

It is our deep privilege and joy to serve those who work and minister for the Church of England. Looking ahead we are continuing to press forward with our strategic priorities, supporting the vision for a simpler, bolder, humbler Church.



Our strategic priorities and objectives

In improving our services, we have three strategic priorities: to simplify, reduce cost and have meaningful conversations with all those we serve and work with. These priorities are reflected in our work for 2021, and the year ahead.

OUR OBJECTIVES

Effective and efficient delivery of our pension schemes

IN 2021, WE:

- Launched Pensions Online to more than 8,000 members (with more than 25% signed up already), providing online secure access to pensions for the first time.

LOOKING AHEAD TO 2022, WE WILL:

- Conduct the triennial valuation of the clergy scheme (CEFPS), working well with Responsible Bodies.
- Invite every scheme member to sign up to Pensions Online, and develop a version for employers, saving time for all.

Demonstrate leadership in responsible investment to deliver sustainable returns

IN 2021, WE:

- Carefully stewarded the assets of the pension schemes (now almost £3.7bn) with a return of 13% in 2021.¹
- Launched the new TPI Climate Transition Centre, dramatically scaling up capacity for investment analysis on the net zero climate transition.

LOOKING AHEAD TO 2022, WE WILL:

- Manage near-term economic uncertainty well, delivering continued financial security for members.
- Publish a 2030 investor agenda for a reformed mining industry, a key sector for the transition to the low-carbon economy.

¹ Provisional results and subject to audit.

Quality homes and charitable services that our customers and funders value

IN 2021, WE:

- Delivered a new Housing Management system, bringing all information on our services into one place.
- Directly supported more than 350 retired households with welfare advice and help to access specialist services.

LOOKING AHEAD TO 2022, WE WILL:

- Embed the benefits of our new IT system, delivering a more consistent, informed service for our customers.
- Purchase and refurbish properties for the increasing numbers of clergy retiring.



Our pension schemes serve over
41,000
members – 25,000 clergy, and over 16,000 others

Around
700
Church of England employers participate in our pension schemes

We serve just over
2,700
people through our housing and charitable services

Our pensions investments total almost
£3.7bn
across all schemes

Understand what matters most to our customers

IN 2021, WE:

- Received an average score of 8.5 out of 10 for day-to-day customer satisfaction with pensions and housing services.

LOOKING AHEAD TO 2022, WE WILL:

- Pilot new ways of gathering feedback from our customers, e.g. resident panels, focus groups, new surveys, a member 'open day'.
- Work with partners across the Church, to help individuals plan well for the future.

Model good governance and stewardship

IN 2021, WE:

- Simplified the Board's governance arrangements (reducing cost). The new Board took office on 1 July 2021.

LOOKING AHEAD TO 2022, WE WILL:

- Continue to embed best practice in all we do. This includes new online tools, and a continued focus on Trustee diversity and training.

Value our people for who they are and what they do

IN 2021, WE:

- Focused on supporting wellbeing during the pandemic.
- Worked with partner Church bodies on a belonging and inclusion programme for staff.

LOOKING AHEAD TO 2022, WE WILL:

- Invest in training for staff on mental health to better support our customers.
- Embed hybrid working, while improving services.

Pensions

Our schemes have more than 41,000 members, who serve in many different roles within the Church. Around 700 organisations participate in our schemes, including dioceses, cathedrals, parishes, mission agencies and Church charities.

Within the context of the continuing pandemic, and many colleagues working from home, much of 2021 was marked by a relentless focus on customer service. On average, during 2021, our Pensions Administration team dealt with more than 650 calls a month, while also supporting the roll-out of our new member-focused Pensions Online service. Despite the challenges associated with working from home, customer satisfaction averaged 8.5 out of 10 over the whole year, with a new high of 8.9 in the autumn.

In 2021, we formally submitted the results of the CWPF triennial valuation to The Pensions Regulator (with work having taken place with employers in the previous year). At the valuation date, the PB Classic section had shown a deficit, but scheme funding recovered sufficiently that, by December 2021, we were able to declare a discretionary bonus for pensions not yet in payment and pension accrued before 1997.

During the year, we reviewed the risks facing all of the Board's schemes. We took the opportunity afforded by a strong investment performance to reduce risk in both the

CWPF and CAPF schemes and reviewed the strategy for hedging interest rate and inflation risks in the CEFPS.

Our continual review of scheme performance is supported by our actuarial and investment advisers. These advisers are subject to periodic review, and in 2021, we appointed a new defined contribution advice partner.

In 2022, we will carry out the next valuation of the CEFPS (based on the reference date of 31 December 2021). During 2021, we began to prepare for this, with workshops held with Responsible Bodies to explore the issues around the valuation including investment performance, key assumptions and the strength of the covenant underlying the scheme, recognising the short to medium-term financial pressures faced by many parts of the Church. Following strong investment performance over the last three years and continued support from the wider Church, we are hopeful that this next valuation will report the scheme as fully funded, which would be a welcome development for members, Responsible Bodies and the Church as a whole.

THE PENSIONS BOARD IS TRUSTEE OF THREE REGULATED PENSION SCHEMES

Church of England Funded Pension Scheme (CEFPS)

Provides pensions and benefits for clergy and others in ministry, for service from January 1998. Benefits earned before 1998 are administered by the Board and funded by the Church Commissioners.

Church Workers Pension Fund (CWPF)

Provides pensions for the staff of employers linked to the ministry and mission of the Church of England. This has been the fastest growing

scheme in recent years, as parishes and other church organisations choose to join CWPF, to offer qualifying employees a pension scheme that meets auto-enrolment standards and has excellent ethical credentials.

Church Administrators Pension Fund (CAPF)

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

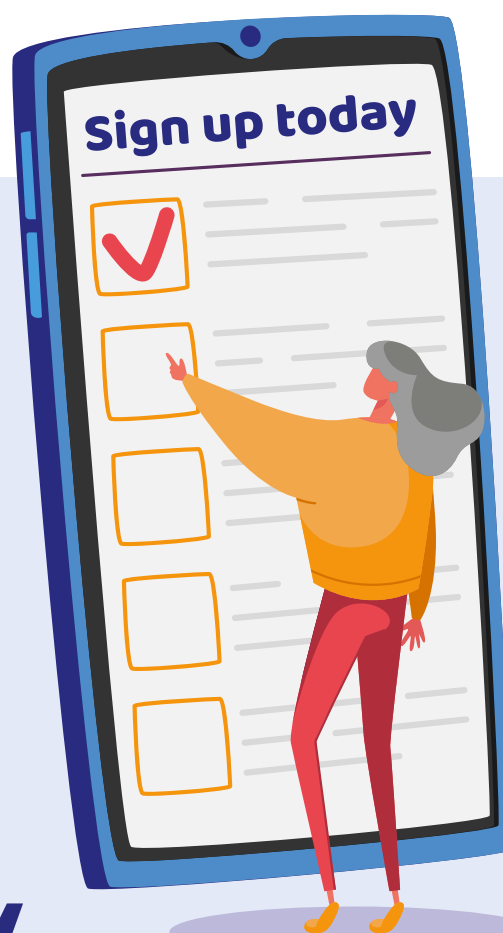
OUR WORK IN ACTION

HAVE YOU SIGNED UP TO PENSIONS ONLINE?

In 2021, we started to invite members to sign up to Pensions Online. This is a new secure online member portal, which allows individuals to access their pension records, as and when they need to. They are also able to communicate directly with our team and view correspondence online, reducing response times to queries.

From an initial invitation to a small number of pensioners in the summer, by the end of 2021, we had extended the invitation to almost 8,900 members within the clergy and CAPF schemes. More than 2,800 individuals have already registered. The roll-out will continue in 2022, eventually covering all schemes and members (active, retired and deferred).

Pensions Online is already saving time – not just for us but for our members too. For instance, if you move house you can quickly update your address online, rather than calling or writing to us. The portal will also reduce our carbon footprint and administration costs. In 2022, we hope to introduce an ‘employer’ equivalent, reducing the work involved in collecting contributions and updating member details. This is all part of continuing to simplify how we work, ensuring we deliver our services as effectively as possible to the Church and to scheme members.



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We developed Pensions Online in response to feedback from customers who want to be able to access information about their pension digitally. The portal is easy to use and we welcome any feedback that helps us to keep improving it.

Peter Dickinson, Pensions Manager

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Investments

The Board is committed to managing the assets under its stewardship, responsibly and in line with the Church's ethos and teachings. We engage with the companies in which we invest, and work with other investors, to drive real change in the world around us. We are the only pension provider offering schemes that fully comply with Church of England ethical investment policies.

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Companies and businesses can be powerful tools for social good when they have ethical systems built in which encourage people to do the right thing, when they value people-centred profits and when they seek relationships of covenant, not just of contract.

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The Archbishop of Canterbury speaking at the Lord Mayor of London's banquet
16 November 2021

We are in the midst of a climate emergency. Climate change is already having a profound effect on the world around us. Investors have a significant part to play in building a more sustainable, low-carbon future. The climate transition is therefore at the heart of our investment approach, both as a risk and an opportunity that we must address on behalf of our members through engagement with our managers and with companies.

We continue to chair and lead the Transition Pathway Initiative (TPI) which has grown to be supported by 110 funds with over \$40tn in assets under management (AUM).

TPI provides investors with a robust tool to assess companies' preparedness for the transition to a low-carbon economy, including those in which we are invested. 2021 marked a 'coming of age' for TPI, with the launch of the Global Climate Transition Centre, which will significantly scale the depth and breadth of TPI's

coverage to 10,000 companies. This year, the world's largest fund manager BlackRock also announced it would join TPI as a supporter.

A hallmark of our ethical investment approach is how we work in partnership with other pension funds and investors globally to collectively drive action. On the climate transition, we, as part of the Institutional Investors Group on Climate Change (IIGCC), led a European-wide initiative with leading investors and major oil and gas companies to agree a demanding net zero standard for the sector. This industry standard will be pivotal to enabling investors to track the success of oil and gas companies' transition plans. Importantly, it recognised that an oil and gas company can have a legitimate strategy to stop exploring for oil and gas, to wind down its assets and to return funds to shareholders. The standard is already being piloted by major industry players, including BP, Eni, Repsol, Shell and Total, and we expect it to become a global benchmark.

KEY HIGHLIGHTS FROM 2021

Engaging well with companies to change corporate practice leads to improved company performance and a better impact on society and the environment.

Using our votes and our voice where we can in order to drive change is part of demonstrating good stewardship of our members' funds.

1,873

Voted at 1,873 company meetings, on 26,520 resolution ballots, across 51 different markets

479

A total of 479 companies assessed under TPI across 16 sectors, including oil and gas, mining, manufacturing and shipping

Accepted as a signatory to the new UK Stewardship Code

Developed and launched with the IIGCC, a net zero standard for the oil and gas sector



On behalf of the Climate Action 100+ global engagement initiative (supported by funds with more than \$60tn AUM) we continue to lead climate engagement with Shell. In June, Shell announced the acceleration of its plans to net zero; however, we are continuing to lead the calls for further action and commitments or we will disinvest our shareholding in line with our commitment to General Synod.

The Board has continued to lead the Church's engagement on mining and extractives, in direct response to the tragic loss of 270 lives in the Brumadinho tailings disaster in 2019. Across 2021, we worked with the United Nations on the set-up of the independent Global Tailings Management Institute, which will be tasked with monitoring the implementation of the Global Industry Standard on Tailings Management.

Following the destruction by Rio Tinto of the 46,000-year-old heritage site in Juukan Gorge, we have worked closely with Australian investors to develop a clear response to the issue of indigenous rights. Last year, 67 institutional investors, led by the Australian Council of Institutional Investors and the Pensions Board, wrote to the 78 largest companies in the mining sector, seeking disclosures as to how they manage engagement with

indigenous communities. This will be an important pillar of our 2030 Investor Agenda for the mining sector, which will be developed over 2022.

We are guided in our engagement activities by advice from the Church's Ethical Investment Advisory Group (EIAG). Based on their guidance, we operate exclusions on certain kinds of investments such as tobacco, gambling, and high-rate lending, or support a mixture of ethical exclusions alongside engagement to change company behaviour. In 2022, we expect the publication of the EIAG's advice on 'big tech', which will help inform our approach to engagement across this important sector.

In our policies and engagement with companies, we coordinate closely with the other National Investing Bodies: the Church Commissioners for England and CBF Church of England Funds. For instance, we supported a collaborative engagement letter on deforestation (a big focus area for the Commissioners) in advance of COP26. The letter was eventually supported by 33 institutions with \$8.7tn AUM. This was one of the issues that saw significant progress at COP, where 110 world leaders committed to end and reverse deforestation by 2030.

OUR WORK IN ACTION

THE TPI GLOBAL CLIMATE TRANSITION CENTRE

On 15 November 2021, the Transition Pathway Initiative (TPI), chaired by the Board, announced the creation of the TPI Global Climate Transition Centre at the opening of the London Stock Exchange.

The Centre will be based at the Grantham Research Institute on Climate Change at the London School of Economics and Political Science. It offers an opportunity to dramatically scale the depth, breadth and coverage of TPI analysis, directly supporting asset owners to align their investments to the net zero transition. Almost half of global assets under management are now using the insights of TPI directly or through initiatives such as Climate Action 100+.

In time, the Centre will have the capability to scale up TPI's assessments to apply to more than 10,000 companies (compared with just 479 today). It will also scrutinise corporate and sovereign bond issuers. This extended analysis will be a key foundation of work post COP26 to support transparency, accountability and action on climate commitments by the world's asset owners and fund managers.

The Centre will also continue to provide the Net Zero Company Benchmark assessment for the global investor engagement initiative, Climate Action 100+, which targets real-world emissions reductions by 167 of the world's most carbon-intensive companies.

For more details on our responsible investment approach and activities in 2021, please look out for the next edition of our Stewardship Report to be published in the spring.

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Information drives markets, and the independent, freely available insights from the TPI Global Climate Transition Centre will help markets clearly see which companies are serious about climate and which are not. It will bring transparency and accountability at scale to empower real-world change.

Adam Matthews,
Chief Responsible Investment Officer

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The launch of the TPI Global Climate Transition Centre at the London Stock Exchange was supported by Alok Sharma MP (President of COP26), John Glen MP (Treasury Minister), the Archbishop of Canterbury, the CEO of the London Stock Exchange and colleagues from the Environment Agency.



Our investment results

Investments performed well in 2021, returning 13% and bringing total assets in our care to almost £3.7bn.

A reopening of developed market economies, following the adoption of mass vaccination programmes and supportive government policies, saw the global economy emerge from recession. This ensured good returns from most financial markets in 2021.

As a pension fund, some of our assets are invested for growth, and others are invested in lower risk assets to back pensions in payment. In aggregate, all assets across the fund returned 13.0% in 2021. This return compares well with the average over the past 5 years of 8.7% p.a.

Our public equity portfolio generated returns of 18.5%. Our other growth assets, including property and our private equity portfolio, returned 18.3% over 2021. Diversifying and more stable assets also posted good returns. Our diversified income pool of infrastructure and private debt recorded returns of 8.8%. Our Liability Driven Investment portfolio, which is principally held for matching specific pensions liabilities, generated returns of 3.9%.

As we look to the year ahead, the near-term outlook for the global economy and markets is uncertain. The recent recovery has been fuelled by an increase in government debt which, along with supply chain issues, has led to an increase in inflation and upward pressure on interest rates.



13%

The assets of the pension schemes returned 13.0%



8.7%

Annualised returns over the past five years have been c.8.7%



£3.7bn

The total value of assets in our care at the end of 2021 was just under £3.7bn*

* Total funds include assets in the common investment fund and individual scheme matching assets, plus an insurance policy relating to CWPF scheme liabilities, clergy AVCs, and DC investments which are held outside the common investment fund (and not included in the calculations of headline returns).



The schemes have benefited from strong returns, prudent management of market risk and our ethical and responsible approach to investment.

Michael Pratten, Chief Investment Officer



A diversified portfolio typically helps to weather such economic uncertainty, in turn offering more certainty to both members and employers. We have seen the benefits of this over the past few years and our longer-term investment plan envisages both restructuring and reducing the proportion of public equity as a share of the total, with further investments in private markets and other assets.

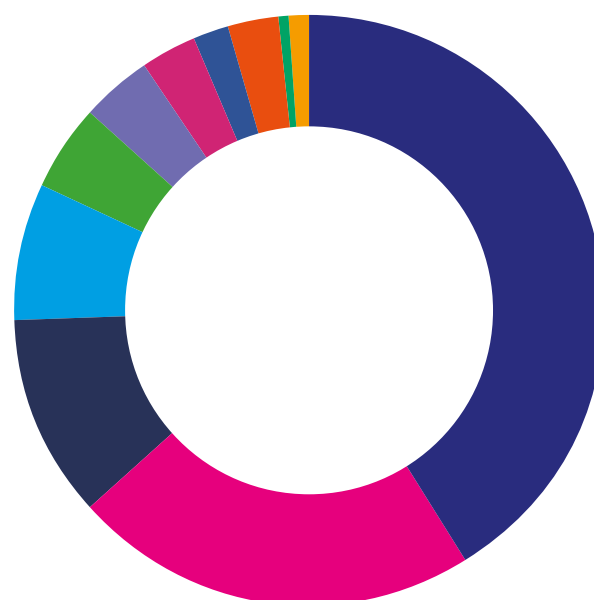
We reduced our public equity investments by c.£250m in 2021. This allowed us to reduce and consolidate the number of asset managers, simplifying the management of our asset portfolio and helping to secure recurring cost savings. The move also directly supports our ethical investment agenda, by allowing us to invest additional funds in areas such as renewable energy, energy efficiency, environmental wellbeing and technology.

In 2021, we signed up to the Asset Owner Diversity Charter, embedding questions on diversity into our selection of asset managers for the fund, and into how we monitor their performance. In 2022, we intend to further enhance how we integrate ethical and responsible investment considerations into our regular review of fund performance, with a particular focus on our infrastructure and emerging market portfolios.

Managing investment risk well remains, of course, a key objective for the Board, alongside continuing to reduce the costs of investment activity.

We pool most of the individual pension scheme assets for investment purposes. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. At the end of 2021, our assets were invested like this:

FUNDS UNDER STEWARDSHIP AS AT 31 DECEMBER 2021



Public Equities	£1,449m
Index-linked Gilts	£784m
Infrastructure	£392m
Property	£259m
Private Debt	£168m
Cash	£135m
Corporate Bonds	£109m
Emerging Market Debt	£71m
Private Equity	£98m
Currency Hedges	£18m
Alternative Income Assets	£31m

These results are provisional (as at 1 February 2022) and subject to audit.

Housing

The Board provides help with housing for retiring and retired clergy, particularly supporting those who have lived in housing provided with their church roles during their ministry.



2021 started with a further national lockdown, requiring us once again to adapt how we run our housing services to keep our customers, staff and suppliers safe. Moves were paused, and only essential repairs allowed. Our repairs partner, Sanctuary, continued though to operate their 24/7 helpline for emergency property issues.

Thankfully, due in no small part to the speed of the vaccine roll-out, something more akin to a 'normal service' was able to resume by the summer. By December, 82 households had moved into retirement homes, and we were able to restart 'open days' at a number of our supported housing schemes.

The ongoing impact of the pandemic continues to be felt, most notably with delays to major works to our homes, due to global supply issues and pent-up demand for good builders. We are very grateful to our customers for their patience, and this will be a focus for us in 2022.

Elsewhere this year, our new Housing Management System went 'live', after much hard work by a team largely working remotely. This system puts data on all our properties into one place, reducing paperwork and freeing up our team to spend more time with

Our portfolio of around 2,000 retirement properties spans England and Wales. The portfolio consists of rental, shared ownership and supported housing options, alongside a legacy mortgage scheme. Rental forms the largest share, with just under 1,200 homes let through our CHARM scheme. Our supported housing schemes provide individuals with the opportunity to have their own flat, while being part of one of seven vibrant retirement communities.

We welcome conversations with potential housing customers up to 5 years before retirement. We can then identify a suitable property in advance of their planned retirement date, helping customers to prepare well for the future.

All pension and housing customers can access expert advice on welfare entitlements, support with navigating the care system, alternative housing providers and help to get in touch with specialist charities.

customers. In 2022, we will start to add to this data with new condition surveys for our homes, informing future property care plans. We will also pilot new ways of gathering feedback from our customers, to help us continue to improve our services.



8.5

We scored an average 8.5 out of 10 on customer surveys, for the help offered with retirement housing



2,700

We have just over 2,700 housing customers, mainly retired clergy and their households



350

Over the year, we supported more than 350 households through our welfare advice and housing support services

OUR WORK IN ACTION

DOING REGULAR SAFETY CHECKS ON OUR PROPERTIES

A critical but often hidden feature of our work is the effort we put into ensuring our homes are safe environments for our customers. As a landlord, the Board has strict regulations it must follow, with an annual programme of property safety checks (e.g. on gas boilers) in place. With restrictions on contractor visits during the pandemic, we put a lot of additional focus on this work in 2021, ensuring our property safety programme stayed on track, with the support of our customers.

Earlier this year, we changed how we undertake checks on gas boilers. The new programme seeks to ensure that checks are carried out over the spring and autumn periods. This avoids residents' heating being turned off for servicing during the winter months.

We are also undertaking a programme of electrical safety testing across all of our rental properties and upgrading our fire alarm systems. Remote monitoring of new alarms will mean that defects can be more easily identified and resolved for residents.

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Customer wellbeing and safety are at the very core of our operation and Committee business where we take a holistic view of performance. We want customers to be safe and feel secure in their homes.

Loraine Miller, Director of Housing

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The work of the Pensions Board is overseen by a Board of Trustees

Our Trustees bring a range of expertise, experience and views to our work, with such diversity directly enabling the successful delivery of all we do.

The Trustees are elected or appointed by the members and employers of the pension schemes, and other interested bodies. The Chair of the Board is appointed by the Archbishops of Canterbury and York with the approval of General Synod. The Board of Trustees normally meets five times a year, supported also by committees covering housing, pensions, investments and audit.

In 2021, Synod approved steps to simplify the Board's governance structure, in line with best practice. The changes meant that, for the first time, all pensions scheme members were invited to take part in Trustee elections. A new, smaller Board of Trustees took up office on 1 July 2021.

"I am grateful to Synod for their support to press ahead with the simplification of the Board's structure. I also offer my sincere thanks to all Board and Committee members – old and new – for their dedication to the work of the Board and all whom we serve." Clive Mather, Chair



THE CHURCH
OF ENGLAND

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For more information on the Church of England
Pensions Board: www.churchofengland.org/cepb

The Trustee Board as at the end of 2021

Appointed Members:

Tony King
Clive Mather (Chair)
Nikesh Patel
The Revd Caroline Titley
Ian Wilson

Elected by the House of Laity:

Roger Boulton FIA
Canon Emma Osborne

Member Nominated Members:

The Revd Hugh Lee
The Revd Eleanor Robertshaw
Maggie Rodger
Michaela Southworth

Employer Nominated Members:

Richard Hubbard

Trustees who retired from the Board during the year:

The Revd Fr Paul Benfield
The Revd Nigel Bourne
Canon Nicolette Fisher
Canon Sandra Newton
The Revd Peter Ould
Canon Susan Pope
Bill Seddon
The Ven David Stanton
The Rt Revd Alan Wilson



We hope you find this report
informative. If you have any feedback,
please email
cepbfeedback@churchofengland.org