THE CHURCH OF ENGLAND PENSIONS BOARD

Church Workers Pension Fund (CWPF) – Pension Builder 2014 Section (PB14)

Actuarial valuation at 31 December 2022

Employer report

This summary report is intended for all employers who participate in the PB14 section of CWPF. It summarises the results of the actuarial valuation at 31 December 2022 for the section.

You do not need to take any action, but please feel free to get in touch with us if you would like to talk about the valuation results or any other aspect of CWPF.

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

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Section 1: How PB14 works

PB14 is a 'cash balance' arrangement.

Each month, member and employer contributions are added to member's individual retirement accounts, which build up a cash sum. This cash sum is used to provide retirement benefits.

Each year we aim to add a discretionary bonus to everyone's individual retirement account, depending on the investment performance of the underlying assets (see more below).

We guarantee that when the member reaches age 65, their account will be the total contributions paid, plus bonuses. If the member retires or transfers out before this age, we may reduce their account if financial conditions at that time are poor.

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

We invest all assets in line with the Church's ethical policies. You can find out more here [Pensions Board Investments | The Church of England]

Discretionary bonuses

At the end of each year, we review our investment performance. If this has been strong, we add a bonus to members' accounts from the following April, that is added monthly over the next 12 months.

Once added, the bonus is guaranteed, providing the member retires or transfers at or over age 65.

We regularly review our bonus policy, and we may change it in future.

What is our current bonus policy?

Our approach in setting a bonus is as follows:

- our starting point is the percentage investment return over the calendar year, after investment expenses,
- we deduct 0.75% for the scheme's running costs,
- we also deduct a further 1% to provide for the cost of the guarantee at age 65,
- after this, we apply the entire return as a bonus, up to 10.2%. If it is more than this, 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 investment returns are not as strong,
- if we make a loss, we do not expect a bonus that year.

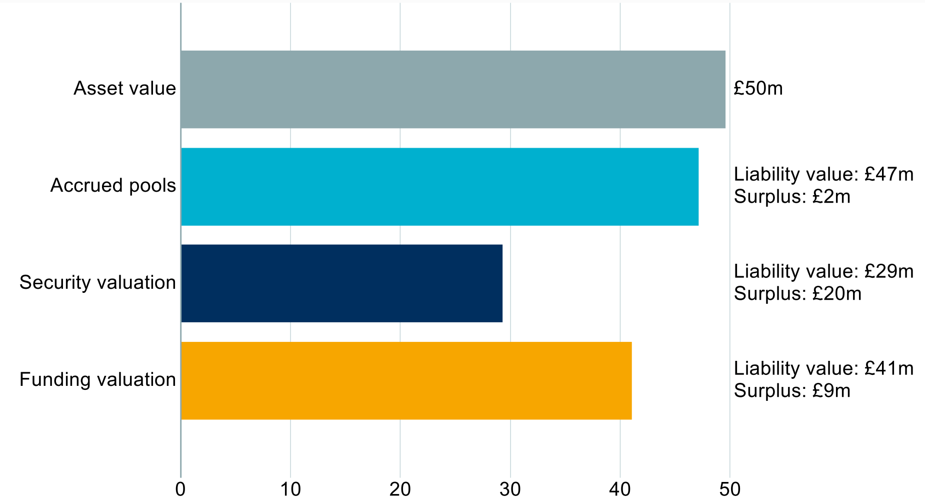
Each year's contributions are considered separately, having regard to the cumulative return achieved, the bonuses granted to date and the financial position on the various funding measures as set out on the next page.

This table sets out bonuses granted since the 31 December 2019 valuation. The zero bonus in 2023 is the result of the poor investment return in 2022.

Bonus granted in		2020	2021	2022	2023
Contributions received in	2018	10.2%	6.0%	10.2%	0%
	2019		6.0%	10.2%	0%
	2020			10.2%	0%
	2021				0%

Section 2: The valuation position at 31 December 2022

Here are the results of the actuarial valuation of PB14 at 31 December 2022:



Figures may not sum due to rounding.

Details of the different funding measures are on the right.

At 31 December 2022, PB14 held sufficient assets to cover member's accrued pools (a £2m surplus).

In addition, there was a surplus on both the security valuation (which makes no allowance for future bonuses being granted) and on the funding valuation (which allows for future bonuses granted in line with our policy set out on page 2).

What are the funding measures and assumptions?

There are three different measures:

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

  We declared bonuses in all three years since the previous valuation based on there being surpluses on this measure at the relevant time. Details of these bonuses are set out on the previous page.

- The **security valuation** considers the position with no allowance for future bonuses and discounting in line with gilt yields (a single equivalent discount rate of 3.9% pa, compared to 1.2% pa in 2019).

  A surplus on this measure indicates that, if all employers were to cease supporting PB14, 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 after expenses of 3.1% pa above gilts (a single equivalent rate of 7% pa, compared to 4.7% pa in 2019) and bonuses of 2.1% pa above gilt returns (a single equivalent rate of 6% pa, compared to 3.7% pa in 2019).

  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 bonuses.

Section 3: 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 PB14, 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 in PB14 at that time. 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 employers page:
[Church Worker Employers | The Church of England]()

A section 75 debt would therefore only apply if the underlying assets in PB14 are lower than the estimated cost of securing all the accrued PB14 benefits (without any future bonuses) with an insurer.

At 31 December 2022, the assets were greater than the estimated cost of securing the benefits and no cessation debt would have been payable to PB14 had you ceased participating at that date.