

# Church Workers Pension Fund ("the Fund")

Actuarial report as at 31 December 2023



*This report is addressed to the Church of England Pensions Board as Trustee of the Fund and is the first actuarial report since the actuarial valuation as at 31 December 2022.*

Its purpose is to provide an estimate of the ongoing funding position as at 31 December 2023 and an indication of how the funding position has developed from 31 December 2022 to 31 December 2023.

Consistent with the approach taken by the Board in running the Fund, we have considered the positions separately for each of the following sections:

- the Defined Benefits Scheme;
- Pension Builder Classic; and
- Pension Builder 2014.

The Board is required to share this report with the employers participating in the Fund within seven days of receiving it. Some of the information in this report also needs to be included in the next summary funding statement for members.



**Aaron Punwani FIA**  
**Partner**  
**Appointed Scheme Actuary**

**+44 (0)20 7432 6785**  
**aaron.punwani@lcp.uk.com**

## Scope

We have prepared the calculations in this report in accordance with the requirements of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

We have undertaken this work assuming that there are no specific decisions for you to take as a result of this report. Please contact me if you do intend to take some specific actions on receiving this report, as it may then be appropriate for me to provide additional advice.

The next actuarial report is due with an effective date as at 31 December 2024 and the next full actuarial valuation is due as at 31 December 2025.

## Method

We have estimated the technical provisions as at 31 December 2023 by projecting forward the technical provisions as at 31 December 2022. Our projection allows for:

- changes in the financial conditions;
- interest on the technical provisions;
- increases to pensions in payment and revaluation of deferred benefits since 31 December 2022;
- the accrual of additional benefits over the period; and
- net payments out of the Fund.

We have assumed that all other experience over the period was in line with the assumptions used in calculating the technical provisions, as set out in the Fund's Statement of Funding Principles. If the Fund's experience was significantly different from these assumptions or if there were significant events of which we are not aware, then the technical provisions based on a full actuarial valuation could be significantly different from those we have estimated.

We have produced the figures shown at other dates using a more approximate method as they are for illustration only.

This report does not consider the solvency level of the sections of the Fund, either on a buy-out basis or on a basis relative to the compensation provided by the Pension Protection Fund. The cost of buying out benefits with an insurance company is likely to be significantly higher than the technical provisions.

A June 2023 High Court decision confirmed that amendments to Scheme Rules affecting certain contracted-out rights were invalid if relevant written actuarial confirmations were not sought or obtained. We have assumed for the purpose of this report that there are no additional liabilities arising in the Fund as a result of this matter.

## Use of our work

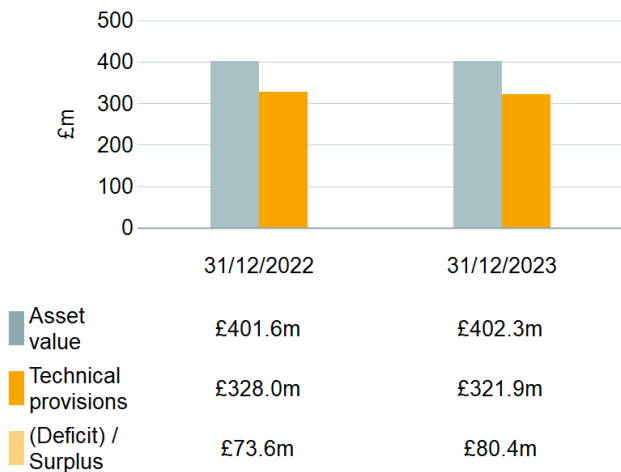
This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with the Church of England Pensions Board as Trustee of the Church Workers Pension Fund ("Our Client"). This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use, although we acknowledge that you are required to pass it to the employer sponsoring the Fund and, on request, to Fund members. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing. We accept no liability to anyone who is not Our Client. If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please make it clear that we accept no liability towards them.

## Professional Standards

This report is part of the work in connection with the valuation of the Fund. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. Our work in preparing this document complies with Technical Actuarial Standard 100: General Actuarial Standards. Under the terms of our professional guidance this work has been reviewed by Paul Meredith (a qualified actuary and LCP partner). We are satisfied that this complies with our professional requirements and that the degree of independence of the reviewing actuary is appropriate.

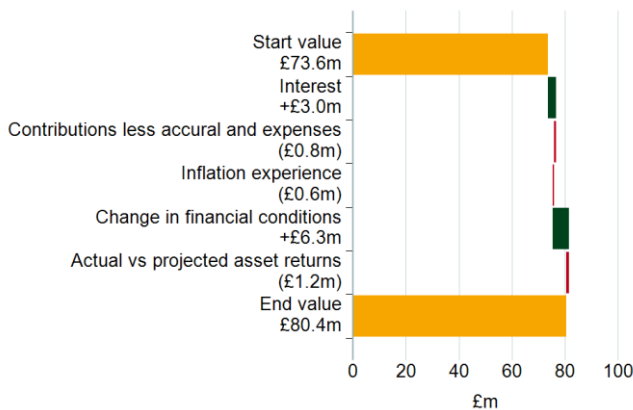
# Defined Benefits Scheme (DBS)

## Estimate of DBS funding position at 31 December 2023



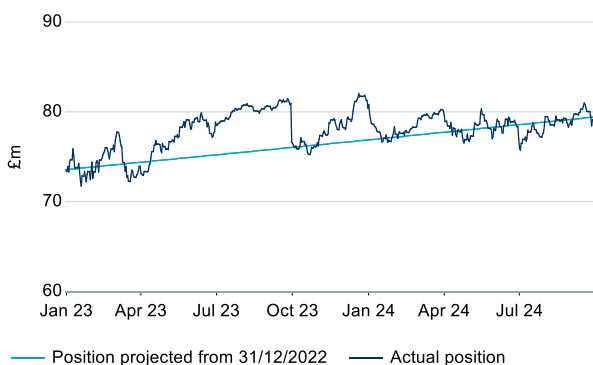
## Why has the DBS funding position changed from 31 December 2022 to 31 December 2023?

The position improved by £6.8m over the period, and the main reasons for the change in surplus are shown in the chart.



The figures may not sum due to rounding

## How are we doing compared to what was expected – up to 30 September 2024?



Since 31 December 2022, the estimated surplus has varied between about £72m and £82m over the period.

The chart illustrates how sensitive the funding position is to market movements, even over short time periods.

## Data (DBS)

We have used the following data:

- the membership data provided for the actuarial valuation of the Fund as at 31 December 2022 and summarised in our valuation report dated 27 March 2024;
- cashflow information from the Church Workers Pension Fund annual report and accounts as at 31 December 2023, including:
  - net benefit cash flows of £14.2m for the year to 31 December 2023; and
  - administrative expenses of £1.5m for the year to 31 December 2023.
- an estimated value for benefit accrual over the period based on we have used the 31 December 2022 valuation data to calculate an assumed payroll of £3.5m for the year to 31 December 2023
- an audited value of the Fund's net assets as at 31 December 2023 from the Church Workers Pension Fund annual report and accounts for the year to 31 December 2023, showing a total asset figure for the DBS of £402.3m.

## Special events (DBS)

The Board agreed to grant a 5% increase to all pensions in payment as at 1 January 2024, ie including benefits that increase in line with RPI capped at 2.5% pa. This discretionary increase is reflected in the results as at 31 December 2023.

We understand that there were no other material changes to the DBS during the period to 31 December 2023.

Since 31 December 2023:

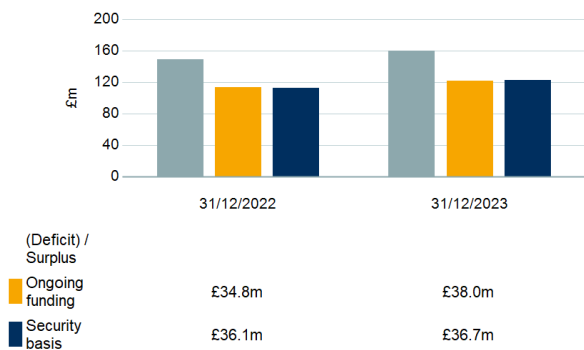
- the Board entered into a consultation with DBS employers over the closure of accrual to their sections and the use of surplus for the purpose of augmentations or in lieu of future contributions to PB Classic or PB14. Known augmentations to a value of c£1.5m are reflected in the liabilities from 30 June 2024 onwards in the projection chart to the left.
- in October 2024, the Board insured the accrued benefits in full with Aviva – as a result, we have only shown a projection to 30 September in the chart to the left.

# Pension Builder Classic (PB Classic)

The Board considers two valuation measures in respect of PB Classic.

- The “ongoing” valuation is used for funding purposes and assumes future bonuses are in line with RPI inflation and that return-seeking assets deliver 3.1% pa in excess of gilt returns.
- The “security” valuation is used as a key measure when deciding whether to grant future discretionary bonuses and makes no allowance for future discretionary bonuses, assuming all the assets are switched into gilts.

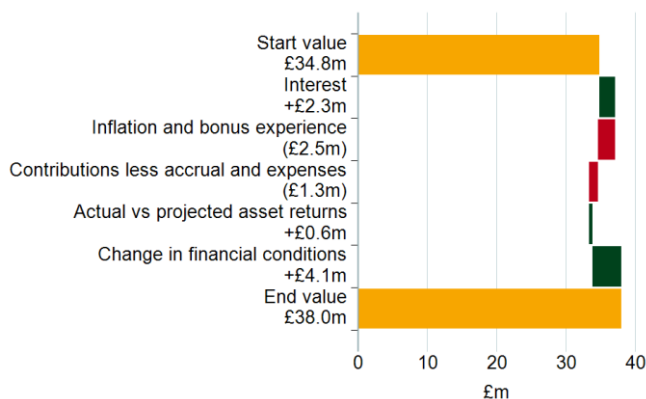
## Estimate of the PB Classic ongoing and security positions at 31 December 2023



## Why have the positions changed from 31 December 2022 to 31 December 2023?

### Ongoing funding

The ongoing funding position improved by £3.2m over the period, and the main reasons for the change in surplus are shown in the chart.



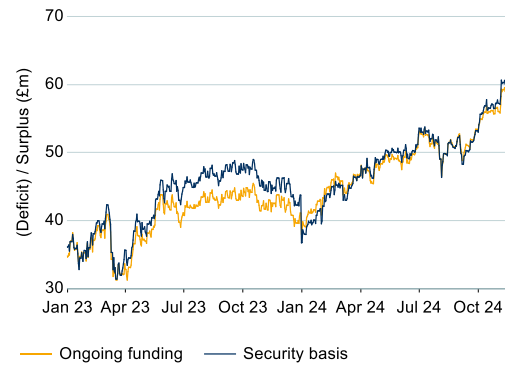
The figures may not sum due to rounding

### Security valuation

The security position improved by £0.6m over the period. The main reasons for this are consistent with the chart above, other than:

- a greater funding strain from the bonus granted over the year, as there is no allowance for future bonuses in the security position; this is partially offset by
- a greater actual vs projected asset returns item as the assumed investment returns allowed for no outperformance over gilt returns.

## Variability in position to 18 November 2024



- Since 31 December 2022, the estimated surpluses on both the ongoing basis and security basis have varied between c£30m and £60m. The chart illustrates how sensitive the funding position is to market movements, even over short time periods.

## Data (PB Classic)

We have used the following data:

- the membership data provided for the actuarial valuation of the Fund as at 31 December 2022 and summarised in our valuation report dated 27 March 2024;
- cash flow information from the Church Workers Pension Fund annual report and accounts as at 31 December 2023:
  - net benefit cash flows of £5.3m over 2023;
  - administration expenses of £1.3m over 2023; and
  - we have allowed for benefit accrual based on contributions paid of £8.0m over 2023.
- an audited value of the Fund’s net assets as at 31 December 2023 from the Church Workers Pension Fund annual report and accounts as at 31 December 2023, showing a total asset figure for the PB Classic of £159.9m.

## Bonus experience and special events

The Board granted the following PB Classic increases as at 1 January 2024, which we have reflected in the results as at 31 December 2023:

	Guaranteed increase	Total increase awarded
Pre-retirement and pre-97 pensions in payment	Nil	6.7% (discretionary PB Classic bonus)
Post 97 pensions in payment	5%	5%
Post 06 pensions in payment	2.5%	5% (discretionary increase awarded)

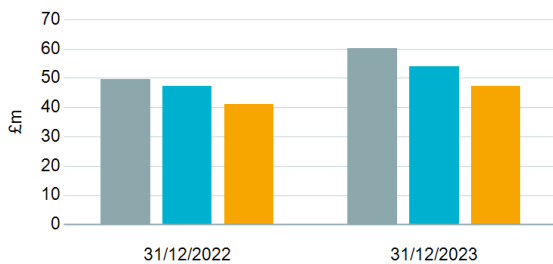
We understand that there were no other material changes to the PB Classic section of the Fund during the period.

# Pension Builder 14 (PB 14)

We have included an update on the PB 14 funding position on the following measures:

- The “funding valuation” assumes future bonuses are in line with investment returns, less an appropriate deduction to reflect the bonus policy at the valuation date. Investments are assumed to deliver 3.1% pa in excess of gilt returns; and
- The “accrued pools” basis measures the total level of members’ accounts including bonuses granted to date only, compared to the current assets, with no allowance for future investment returns.

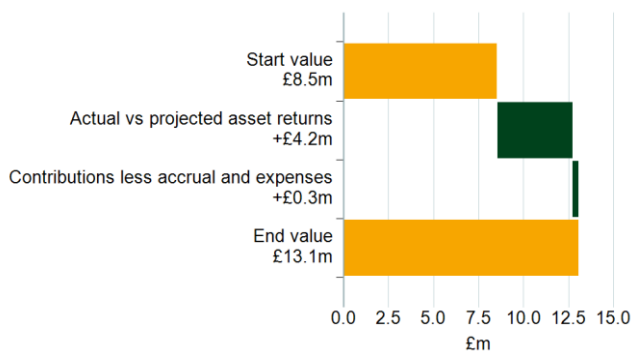
## Estimate of PB 14 funding position at 31 December 2023



(Deficit) / Surplus	31/12/2022 (£m)	31/12/2023 (£m)
Accrued pools	£2.4m	£6.3m
Funding valuation	£8.5m	£13.1m

## Why have the positions changed from 31 December 2022 to 31 December 2023?

### Funding valuation



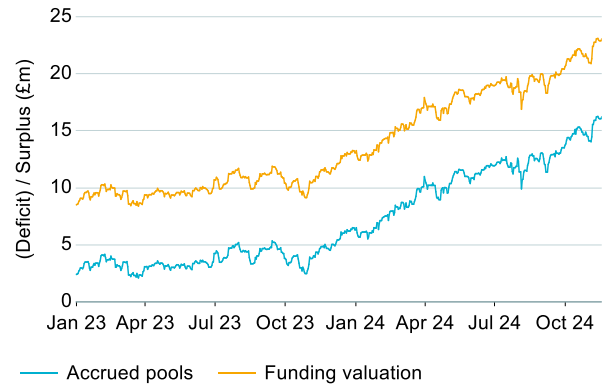
The figures may not sum due to rounding

The surplus increased by £4.6m over the period, and the main reasons for this are shown in the chart.

### Accrued pools

The surplus on an accrued pools measure (comparing assets to the total level of members’ accounts including bonuses granted to date) increased by £3.9m over the period. The main reasons for this are broadly in line with the chart above other than there is no funding gain from contributions received (as contributions are reflected at their full value under this measure).

## Variability in position to 18 November 2024



- The surplus on the funding valuation has varied between about £8m and £23m since 31 December 2022.
- The surplus on the accrued pools basis has varied between £2m and £16m over the period.
- The chart illustrates how sensitive the funding position is to market movements, even over short time periods.

## Data (PB 14)

We have used the following data:

- the membership data provided for the actuarial valuation of the Fund as at 31 December 2022 and summarised in our valuation report dated 27 March 2024;
- net benefits cashflows of £1.4m for the year to 31 December 2023 from the Church Workers Pension Fund annual report and accounts as at 31 December 2023;
- contributions paid of £8.3m over the year to 31 December 2023 from the Church Workers Pension Fund annual report and accounts as at 31 December 2023, which we have used to estimate benefit accrual over the period.
- an audited value of the Fund’s net assets as at 31 December 2023 from the Church Workers Pension Fund annual report and accounts for the year to 31 December 2023, showing a total asset figure for the PB 14 of £60.2m.

## Bonus experience and special events

The Board did not grant a PB 14 discretionary bonus as at 1 April 2023 due to negative investment returns over 2022.

The Board since granted a PB 14 discretionary bonus, to be applied from 1 April 2024, of 4.8% to contributions paid in 2022. This is included in the projected figures from 1 April 2024 onwards in the chart above.

We understand that there were no material changes to the PB 14 section of the Fund during the period.

## Assumptions as at 31 December 2023

The key financial assumptions used have been set in line with the approach set out in the Board's Statement of Funding Principles dated 25 March 2024. All non-financial assumptions are as set out in the Statement of Funding Principles.

### DBS

Key financial assumptions	31 December 2022	31 December 2023
Rate of return from gilts	3.90% pa	4.00% pa
Retail Price Inflation (RPI)	3.50% pa	3.30% pa
Consumer Price Inflation (CPI)	2.90% pa	2.80% pa
<b>Discount rates (margin over gilts)</b>		
Post-retirement	0.20% pa	0.20% pa
Pre-retirement	0.20% pa	0.20% pa
<b>Rate of pension increases</b>		
RPI min 0%, max 5% pa	3.30% pa	3.20% pa
RPI min 0%, max 2.5% pa	2.20% pa	2.10% pa

### PB Classic

Key financial assumptions	31 December 2022	31 December 2023
Rate of return from gilts	3.90% pa	4.00% pa
Retail Price Inflation (RPI)	3.50% pa	3.30% pa
Consumer Price Inflation (CPI)	3.00% pa	2.90% pa
<b>Discount rates (margin over gilts)</b>		
Post-retirement for post 1997 pensions	0.00% pa	0.00% pa
Post-retirement for pre 1997 pensions	3.10% pa	3.10% pa
Pre-retirement	3.10% pa	3.10% pa
<b>Rate of pension increases</b>		
Bonuses granted	3.00% pa	2.90% pa
RPI min 0%, max 5% pa	3.30% pa	3.20% pa
RPI min 0%, max 2.5% pa	2.20% pa	2.10% pa

### PB 14

Key financial assumptions	31 December 2022	31 December 2023
Rate of return from gilts	3.90% pa	4.00% pa
Investment returns (margin over gilts)	3.10% pa	3.10% pa
Future bonuses and expense allowance (margin over gilts)	2.10% pa	2.10% pa

All financial assumptions are term-dependent and calculated by reference to the relevant gilt yield curves. The rates above are approximate single-equivalent rates, weighted by reference to the relevant sections' projected benefit cashflows.

Prepared December 2024