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Church Workers Pension Fund ("the Fund")
Actuarial report as at 31 December 2011

This report is addressed to the Church of England Pensions Board ("the Trustee"). It has been prepared by Aaron Punwani, of Lane Clark & Peacock LLP, the Scheme Actuary to the Fund. Its purpose is to provide the Trustee with an estimate of the ongoing funding position of the Fund as at 31 December 2011 in accordance with section 224 of the Pensions Act 2004 ("the Act").

This report is the first actuarial report (as defined in Section 224 (2) (c) of the Act) that we have prepared since the completion of the actuarial valuation as at 31 December 2010, which was the subject of our previous report dated 28 March 2012. The Trustee is required to provide a copy of this report to the employers within seven days of receiving it. We have undertaken this work on the basis that there are no specific decisions for you to take. 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.

1. Summary

The figures in this report are based on the actuarial assumptions and method determined by the Trustee in consultation with the participating employers, details of which were set out in the Trustee's statement of funding principles dated 28 March 2012. The financial assumptions have been updated only to reflect market conditions as at 31 December 2011. We have not considered other changes to the assumptions; such changes would be reviewed as part of a full valuation. We have based our calculations on the Fund's audited but as yet unsigned accounts as at 31 December 2011.

1.1. DCS section

There was a funding surplus of £2.3m as at 31 December 2010.

We estimate that there was a deficit of £7.4m as at 31 December 2011.

1.2. DBS section

There was a funding deficit of £40.3m as at 31 December 2010.

We estimate that there was a deficit of £86.5m as at 31 December 2011.

The deterioration over the year for both sections reflects primarily the reduction in the yields available on long-dated gilts over the period.

2. Data

2.1. Significant events

We understand the Board did not grant a discretionary increase in DCS benefits as at 1 January 2012 and have allowed for this in our calculations.

We understand that over the period between 31 December 2010 and 31 December 2011, there have been no other material changes to the Fund's accrued benefits, including any made by the exercise of discretions or by way of augmentation.

2.2. Asset data

We have been provided with an unsigned copy of the audited Fund's accounts for the year ending 31 December 2011 and have relied on these accounts for the purposes of this report.

3. Assumptions

Our calculations are based on the assumptions set out in the Trustee's statement of funding principles dated 28 March 2012, updated only to reflect changes in gilt yields between 31 December 2010 and 31 December 2011.

As at 31 December 2011, the annualised yield available on fixed interest gilts of an appropriate duration was 3.1% pa. The level of future RPI price inflation implied by the yields on fixed interest and index-linked gilts of an appropriate duration was 3.3% pa.

Accordingly, our calculations for this report have been made using the financial assumptions set out overleaf. We have also shown the assumptions at 31 December 2010 for comparison.

3.1. Assumptions for the DCS section

	31 December 2011 % pa	31 December 2010 % pa
Rate of RPI price inflation	3.3%	3.7%
Gilt yield	3.1%	4.2%
Net discount rates		
Pre-retirement	2.8%	3.5%
Post-retirement (for pre 97 pensions)	2.8%	3.5%
Post-retirement (for post 97-06 pensions)	-0.1%	0.7%
Post-retirement (for post 06 pensions)	0.9%	1.9%

All other assumptions are set out in the statement of funding principles.

3.2. Assumptions for the DBS section

	31 December 2011 % pa	31 December 2010 % pa
Rate of RPI price inflation	3.3%	3.7%
Rate of CPI inflation	2.8%	3.2%
Gilt yield	3.1%	4.2%
Discount rates		
Pre-retirement	5.1%	6.2%
Post-retirement	3.6%	4.7%
Future salary increases	4.8%	5.2%
Rate of pension increases		
RPI, maximum 2.5% pa	2.2%	2.3%
RPI, maximum 5% pa	3.2%	3.5%

All other assumptions are set out in the statement of funding principles.

4. Method of calculation

We have estimated the funding position as at 31 December 2011 by projecting forward the position as at 31 December 2010. Our projection allows for the following over the period:

- interest on the technical provisions;
- additional accrual of benefits to active members;
- any bonuses paid under the DCS section; and
- cashflows, as set out in the Fund's accounts.

We have then adjusted the calculations to reflect the updated assumptions at 31 December 2011, as described above.

5. Results

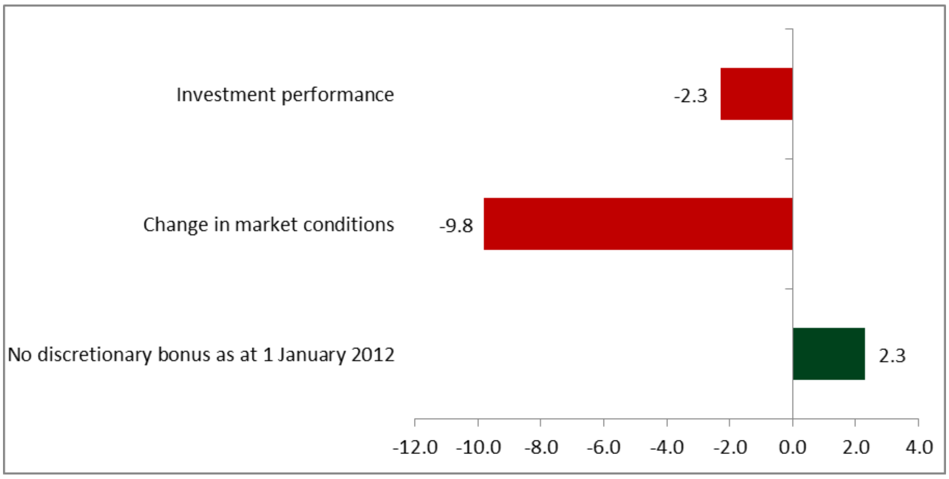
5.1. DCS section results

The results of our calculations for the DCS section are shown below, with figures at 31 December 2010 for ease of comparison:

	31 December 2011 £m	31 December 2010 £m
Market value of assets	70.4	68.6
Technical provisions	(77.8)	(66.3)
Surplus/(deficit)	(7.4)	2.3

The surplus shown as at 31 December 2010 was £2.3m. After allowing for anticipated investment returns on the assets and technical provisions and for the contributions paid under the schedule of contributions, the surplus at 31 December 2011 would have been £2.4m. The overall position is therefore significantly less favourable than anticipated and the main reasons for this are shown overleaf:

Experience from 31 December 2010 to 31 December 2011



"Change in market conditions" refers to the fall in government bond yields

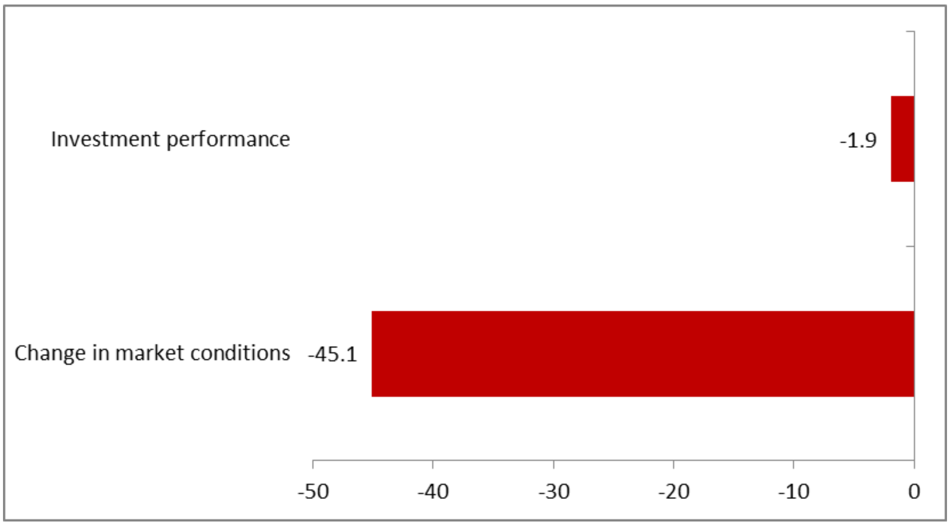
5.2. DBS section results

The results of our calculations for the DBS section are shown below, with figures at 31 December 2010 for ease of comparison:

	31 December 2011 £m	31 December 2010 £m
Market value of assets	236.6	220.7
Technical provisions	(323.1)	(261.0)
Surplus/(deficit)	(86.5)	(40.3)

The deficit shown as at 31 December 2010 was £40.3m. After allowing for anticipated investment returns on the assets and technical provisions and for the contributions paid under the recovery plan, the deficit at 31 December 2011 would have been £39.5m. The overall position is therefore significantly less favourable than anticipated and the main reasons for this are shown overleaf:

Experience from 31 December 2010 to 31 December 2011



6. Next report

The next actuarial report is due with an effective date as at 31 December 2012 and the next formal valuation is due to have an effective date no later than 31 December 2013.

7. Important notes

The calculations in this report have been prepared in accordance with requirements of the Pensions Act 2004; the Occupational Pension Schemes (Scheme Funding) Regulations 2005; and the Pensions Regulator's Code of Practice: "Funding defined benefits". We understand that the figures in this report will be included in the next summary funding statement sent to Fund members.

Our calculation of the technical provisions is based on an approximate projection which is less accurate than performing detailed calculations based on individual member data as at 31 December 2011.

We have used unsigned accounts and it is possible that, when signed final accounts are available, the final asset figure may be different, which would affect the funding position disclosed in this report.

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

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15 June 2012

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Professional Standards

Our work in preparing this document is subject to and complies with the Board for Actuarial Standards' Technical Actuarial Standard on reporting actuarial information (version 2), on data (version 1) and on modelling (version 1), together with the Pensions Technical Actuarial Standard (version 1).