Church Administrators Pension Fund

Annual Report and Financial Statements
31 December 2018

Contents

Trustee's report

The Church of England Pensions Board ("the Board"), as Trustee of the Church Administrators Pension Fund ("CAPF", or "the Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2018.

Scheme constitution and management
The Scheme was established in 1985, under the provisions of Section 27 of the Clergy Pensions Measure 1961, to provide pensions for the lay staff of the General Synod and The Central Board of Finance of the Church of England (who transferred to the Archbishops' Council on its establishment in 1999). It was established to provide similar pension benefits to those staff as provided by the Church Commissioners Superannuation Scheme ("CCSS") for employees of the other National Church Institutions (ie the Church Commissioners and the Board). It was approved, from 1 January 1985, as a retirement benefits scheme for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988.

With effect from 1 January 2000, the staff of the national church bodies and episcopal staff who had previously been covered under the CCSS were transferred to this Scheme (the CCSS was established under Section 17 of the Church Commissioners Measure 1947). Benefits arising from service prior to 2000 are wholly funded by the Church Commissioners. The Board administers the CCSS on behalf of the Church Commissioners and from the members' perspective, runs the CAPF and the CCSS seamlessly, so that those with pension benefits earned from both schemes have a single point of contact and on retirement receive a single lump sum and consequently a single pension payment each month. The CAPF makes these payments on behalf of the Church Commissioners and is fully reimbursed by them in respect of the pre-2000 element of the payment they are responsible for funding. These amounts are not included in the financial statements of the CAPF.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown in Appendix 1.

There are two sections of the Scheme: a Defined Benefit section and a Defined Contribution section.

<u>Defined Benefit</u>
The Defined Benefit section was closed to new entrants with effect from 1 July 2006. In 2010, the final salary arrangement was replaced with one based on career average earnings for future service, and contracted into the State Second Pension Scheme.

Other than the Scheme's liability driven investments ("LDI"), the Scheme's Defined Benefit investments are principally held in a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"). The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, to which the smaller schemes would not have access on their own. The CEIFP's annual report and financial statements are attached at Appendix 3.

The CEIFP has two pools with differing risk and return characteristics: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures in Appendix 3 for more information.

Members of the defined benefit scheme can also make additional voluntary contributions. More information is given in the AVC section on page 5 regarding these arrangements.

<u>Defined Contribution</u>
New staff who join the Scheme join the Defined Contribution section. These contributions are managed by Legal and General Investment Management ("Legal and General") who offer members a range of investment funds depending on their requirements.

Rule changes
There were no changes to the Scheme rules during 2018. A full copy of the Scheme rules is available on request.

Financial developments
There were no significant financial developments within the Defined Benefit or Defined Contribution sections of the Scheme during the year.

Information about the CEIFP's own financial developments in the year are set out in its Trustee's Report in Appendix 3.

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41(1) and (6) of that Act.

Trustee's report (continued)

Membership

The change in membership during the year is as follows:

Defined Benefit	**Active**	**Deferred**	**Pensioners**	**Beneficiaries**	**Total**
At 1 January	124	462	814	98	1,498
Members retiring	(7)	(20)	27	-	-
Members leaving prior to pension age	(12)	12	-	-	-
Deaths	(1)	-	(21)	(8)	(30)
New spouse and dependent pensions	-	-	-	18	18
Total at 31 December	**104**	**454**	**820**	**108**	**1,486**

Note: Total number of pensioners receiving pensions and deferred members in the table above include both CAPF and the CCSS.

Defined Contribution	**Active**	**Deferred**	**Total**
At 1 January	514	397	911
New members joining	158	-	158
Members retiring	(7)	(5)	(12)
Members leaving prior to pension age	(111)	111	-
Re-entrants	1	(1)	-
Transfers out	(2)	(10)	(12)
Deaths	-	(1)	(1)
Other	(1)	-	(1)
Total at 31 December	**552**	**491**	**1,043**

Pension Increases

Increases to pensions in payment in the Defined Benefit section of the CAPF are made in line with the Retail Prices Index ("RPI"). The changes in RPI for the period September to September is the reference period for pension increases from 1 January or 1 April in the following year.

The increase in RPI in the year to 30 September 2018 was 3.3% (2017: 3.9%). Pensions in payment on 1 January or 1 April 2019 increased therefore by 3.3% (2018: 3.9%). The part that represents Post 1988 Guaranteed Minimum Pension was increased by 3%. There were no discretionary increases, apart from an increase of 3% from 1 April 2019 for pre 1997 excess in line with recent practice.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuary. There were no discretionary benefits.

With effect from 1 April 2009, the Board ceased accepting transfers into the Defined Benefit section of the Scheme.

Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions determined by the Trustee, after considering actuarial advice and having consulted with the National Church Institutions, and is set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme's Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2017. This showed that on that date:

- the value of the technical provision was £143.1 million; and
- the value of the net assets of the Defined Benefit section was £129.8 million
- the deficit was £13.3 million

The method and significant actuarial assumptions used to determine the technical provisions are set out below (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Trustee's report (continued)

Actuarial liabilities (continued)

Significant actuarial assumptions

Discount rate	3.7% for return seeking assets, 1.7% for liability matching assets
RPI	3.3% p.a.
CPI	2.4% p.a.
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.3% p.a.
Increasing in line with CPI (capped at 5%)	2.4% p.a.
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables projected from 2007 in line with the CMI 2017 core projections with long-term annual rate of improvement of 1.5% p.a. for both males and females and a smoothing parameter of 8

As a result of this actuarial valuation as at 31 December 2017, the Trustee set the recovery period (the period over which the identified deficit is targeted to be eliminated) at 7.3 years. The employer contribution rate remains 19.1% of pensionable salary until 1 May 2023, when the employer contribution rate will increase to 23.5%.

In addition to the future service contributions, the employers are paying contributions towards the Scheme deficit of £2,667,723 per annum from 1 January 2018 to 30 April 2023, increasing by 3.3 p.a.%. This sum is being paid by each employer in proportion to pensionable salaries.

The Summary of Contributions and certificate are set out on pages 23 and 24.

In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- This is a closed Scheme with a much reduced active membership since the last valuation;
- The modifications to the benefit structure of the defined benefit section implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by CPI plus 1.2%;
- The anticipated rate of return on return-seeking assets being 2.0% pa above the return from gilts in the calculation of the technical provisions and in the recovery plan.

Investment management

Investment strategy and principles
The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for the Scheme by the Trustee. This incorporates the investment strategy and is supported by documents that set out how the investment strategy is implemented. The SIP is included in this annual report, and copies of the SIP may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Defined Benefit
Management and custody of investments
The Scheme holds £38.4m (2017: £38.5m) of its liability matching assets outside the CEIFP in its own LDI account. Apart from a cash reserve (held to meet the monthly pension commitments), all other assets other than AVC investments are held in the CEIFP return seeking or liability matching pools.

The CEIFP's custody arrangements are described in the CEIFP's Trustee Report in Appendix 3. The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Scheme's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments.

Investment performance
At the end of 2018, the Defined Benefit section held 61.8% (2017: 61.0%) of its net assets in the CEIFP Return Seeking Pool, which comprises public equities, private infrastructure equity, private debt, emerging market sovereign debt, property unit trusts, hedge funds and cash; and 8.0% (2017: 8.0%) in the CEIFP's Liability Matching Pool, which consists solely of corporate bonds. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 3.

The remaining investments, representing 30.0% (2017: 30.0%) of the Defined Benefit section's net assets, were in its own LDI account. Index-linked Gilts posted small losses over the year, with the FTSE Over 5-Year Index-linked Gilt index falling by 0.4% in 2018. The Scheme's LDI losses were 0.3% (2017: gain of 2.6%). The LDI was implemented less than three years ago so longer term returns are not available.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Trustee's report (continued)

Additional Voluntary Contributions (AVCs)

AVCs to the Defined Benefit section are paid into one of the following arrangements:

- Church Workers Pension Fund – Pension Builder Classic section, where they are converted into guaranteed pension when they are received;
- CAPF Defined Benefits section – where they purchase added years; or
- Standard Life policy – where they are used to purchase investment units.

At the end of 2018, 9 (2017: 9) Defined Benefit members were paying AVCs.

Defined Contribution
The Board has appointed Legal and General to manage its Defined Contribution investments. A range of funds are available to the members and there are three main types of investments: equities; bonds and gilts; and cash.

The default investment strategy is a lifestyle arrangement that means a member is invested wholly in global equities (30% in the UK and 70% overseas) in the early years, before de-risking into index-linked gilts and cash five years prior to the member's selected retirement age, until at retirement the member is invested 75% in index-linked gilts and 25% in cash.

The performance of the Defined Contribution section assets will vary depending on each member's units selected. The default arrangement in the early years resulted in a loss of 7.8% over one year, gains of 7.5% over 3 years and gains of 6.4% over 5 years.

Additional Voluntary Contributions (AVCs)
AVCs are used to purchase units in the investment funds offered by Legal and General.

At the end of 2018, 318 (2017: 277) members were paying AVCs.

Employer-related investments
Details of employer-related investments are given in note 14 to the financial statements.

Further Information
Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed in Appendix 1.

Approval
The Trustee's Report and the Statement of Trustee's Responsibilities set out on page 10 were approved by the Trustee on 26 June 2019 and signed on its behalf by:

Clive Mather
Chairman of the Church of England Pensions Board

Defined Contribution Governance statement for the year ended 31 December 2018

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the DC Section of the Church Administrators Pension Fund ("CAPF"), to help members achieve a good outcome from their pension savings. The Church of England Pensions Board, the Board, as Trustee, is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- the investment options in which members can invest (this means the "default arrangement" and other funds members can select);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This Statement covers the period from 1 January 2018 to 31 December 2018.

Default Investment Arrangement

The default investment arrangement is designed for members who join the DC Section and do not choose an investment option. The Board is responsible for investment governance, and this includes setting and monitoring the investment strategy for the default arrangement.

When deciding on the investment strategy, the Board recognises that the majority of members do not take active investment decisions and instead invest in the default option. The default option is currently a lifestyle strategy, whereby members' assets are automatically moved between different investment funds as they approach their retirement date.

Details of the objectives and the Board's policies in regards to the default arrangement are set out in a document called the Statement of Investment Principles ("SIP"). The DC Section's SIP is available on our website, on request and it is appended to this annual report.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- To provide a prudent default arrangement for those that do not wish to make a choice;
- Provide an investment that should be easy to buy and sell;
- Reduces risk and cost to members by offering a passively invested fund;
- To review the arrangement to make sure it is fit for purpose.

The default arrangement was last reviewed in 2017. As part of this review, the Trustee decided to appoint Legal & General to manage a Target Date Fund ("TDF") strategy. This follows an initial review conducted in 2015, where the Board agreed to replace the default arrangement from a lifestyle strategy targeting annuities to a TDF strategy. This decision was made to allow members additional flexibility to access the new retirement freedoms. The switch to this new arrangement took place in February 2019. The Board monitors the performance of the default strategy on an annual basis and will review the new default arrangement at least every three years or immediately following any significant change in investment policy or the CAPF DC Section's member profile.

Requirement for processing core financial transactions

Processing of core financial transactions (eg investment of contributions, processing transfers within and into/out of the DC Section, and payments to members/beneficiaries) is carried out by the administration team of the Church of England Pensions Board.

The administration team have confirmed to the Board that there are adequate internal controls to ensure that core financial transactions relating to the DC Section are processed promptly and accurately.

CAPF has a service level agreement ("SLA") in place with the administration team which covers the accuracy and timeliness of all core transactions. The key processes adopted by the administration team to help them meet the SLA are as follows:

- Process management within the administration system detailing time outstanding to complete tasks within their assigned SLA;
- Weekly reporting to senior managers detailing any SLA failures and reason for failure;
- Daily monitoring of emails by an assigned member of staff;
- Daily monitoring of bank accounts; and
- Checking by two people of investment and banking transactions.

The Board receives annual reports about the administration team's performance, and based on information provided by them, is satisfied that over the period covered by this statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed within a reasonable timeframe.

The Board is satisfied that this is the case as there have been no breaches reported in the quarterly administration reports.

Defined Contribution Governance statement (continued)

Member-borne charges and transaction costs
The Board is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs); this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges exclude administration costs since these are not met by the members.

The Board is also required to disclose the level of any transaction costs. These are incurred when the DC Section's investment managers buy and sell assets within funds, but are exclusive of any costs incurred when members invest in and switch between funds. The charges and transaction costs have been supplied by the DC Section's investment manager, Legal & General. When preparing this section of the statement the Board has taken account of statutory guidance.

Default arrangement
For the period covered by this statement, the default arrangement has been set up as a lifestyle approach, whereby members' assets are automatically moved between different investment funds as they approach their retirement date. Therefore, the level of charges and transaction costs vary according to each member's proximity to retirement and the underlying funds they are invested in. More specifically, the annual charges ranged from 0.20% to 0.11% during the period covered by this statement. As of February 2019, the default arrangement has been switched to a Target Date Fund strategy. This will result in different annual charges and transaction costs in next year's Governance Statement.

Years to retirement	Annual charge	Transaction costs
5 or more years to retirement	0.20%	0.05%
4 years to retirement	0.18%	0.05%
3 years to retirement	0.16%	0.05%
2 years to retirement	0.14%	0.04%
1 year to retirement	0.13%	0.04%
At retirement	0.11%	0.04%

Self-select options
In addition to the default lifestyle, members also have the option to invest in an ethical lifestyle strategy. The annual charges for this lifestyle ranged between 0.25% and 0.11% during the period covered by this statement.

The level of charges for each self-select fund (including those used in the default arrangement) and transaction costs over the period covered by this statement are set out in the following table. The underlying funds used within the current default arrangement are shown in bold.

Manager – Fund name	Annual charge	Transaction costs
LGIM Ethical UK Equity Index	0.200%	0.01%
LGIM Ethical Global Equity Index Fund	0.300%	0.01%
LGIM UK Equity Index Fund	0.100%	0.00%
LGIM Overseas Equity Consensus Index Fund	0.250%	0.00%
LGIM Global Equity Market Weights (30:70) Index Fund	**0.200%**	0.05%
LGIM Over 5 years UK Index-Linked Gilts Fund	**0.100%**	0.05%
LGIM Over 15 years Gilts Index Fund	0.100%	0.00%
LGIM AAA-AA-A Corp Bond All Stocks Index Fund	0.150%	0.00%
LGIM Managed Property Fund	1.070%	0.00%
LGIM Cash Fund	**0.125%**	0.00%

Additional voluntary contributions
All contributions, including Additional Voluntary Contributions, are managed in the same way as set out above.

Defined Contribution Governance statement (continued)

Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by L&G over the last year, subject to a floor of zero (ie the illustration does not assume a negative cost over the long term).
- The illustration is shown for the default option since this is the arrangement with the most members invested in it, as well as four funds from the DC Section's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the LGIM Global Equity Market Weights (30:70) Index Fund
  - the fund with the lowest before costs expected return – this is the LGIM Cash Fund
  - the fund with highest annual member borne costs – this is the LGIM Managed Property Fund
  - the fund with lowest annual member borne costs – this is the LGIM UK Equity Index Fund

	Default option		LGIM Global Equity Market Weights (30:70) Index Fund		LGIM Cash Fund		LGIM Managed Property Fund		LGIM UK Equity Index Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£13,300	£13,300	£13,300	£13,300	£12,700	£12,700	£13,100	£13,000	£13,300	£13,300
3	£19,800	£19,700	£19,800	£19,700	£17,600	£17,600	£19,100	£18,600	£19,800	£19,700
5	£26,700	£26,500	£26,700	£26,500	£22,400	£22,300	£25,300	£24,400	£26,700	£26,600
10	£46,400	£45,600	£46,400	£45,600	£33,600	£33,400	£42,100	£39,300	£46,400	£46,100
15	£69,700	£68,100	£69,700	£68,100	£44,100	£43,600	£60,500	£54,800	£69,700	£69,000
20	£97,400	£94,400	£97,400	£94,400	£53,800	£53,000	£80,900	£71,200	£97,400	£96,200
25	£130,300	£125,300	£130,300	£125,300	£62,800	£61,700	£103,400	£88,200	£130,300	£128,300
30	£169,400	£161,600	£169,400	£161,600	£71,100	£69,700	£128,300	£106,100	£169,400	£166,200
35	£215,800	£204,100	£215,800	£204,100	£78,900	£77,100	£155,700	£124,900	£215,800	£211,000
40	£234,400	£220,500	£270,900	£254,000	£86,000	£83,900	£186,000	£144,500	£270,900	£264,000

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- The starting pot size used is £10,200 which is broadly in-line with the average active member.
- The starting salary is assumed to be £33,500 which is broadly in-line with the average active member.
- Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line within inflation to allow for prudence in the projected values.
- Contributions are assumed to be 8% per year, as this is the employer's contribution for members under 30 years of age.
- Values shown are estimates and are not guaranteed. In particular, the illustration does not indicate the variance and possible volatility in the possible outcomes from each fund.
- The projected annual gross of fee returns used are as follows:
  - Default option: 3.5% above inflation for the initial years, gradually reducing to a return of 1.5% *below* inflation at the ending point of the lifestyle.
  - LGIM Global Equity Market Weights (30:70) Index Fund 3.5% above inflation
  - LGIM Cash Fund 1.5% *below* inflation
  - LGIM Managed Property Fund 2.0% above inflation
  - LGIM UK Equity Index Fund 3.5% above inflation
- No allowance for active management has been made.
- This basic illustration, unlike the annual SMPI statements issued to scheme members, does not take account of the CAPF DC scheme design of increasing employer contribution rates as the scheme member gets older.

Value for members assessment

The Board is required to consider the extent to which the investment options and the benefits offered by the DC Section represent good value for members, compared to other options available in the market. There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. The general policy of the Board in relation to value for member considerations is set out below.

It is the Board's policy to review all member borne charges (including transactions costs where these are available) on a regular basis, with the aim of ensuring that members are obtaining value for money given the circumstances of the DC Section. The Board notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in the 'value for members' assessment. The Board's advisors have confirmed that the fund charges are competitive for the types of fund available to members.

Defined Contribution Governance statement (continued)

The Board's assessment included a review of the performance of the DC Section's investment funds (after all charges) in the context of their investment objectives. The returns on the investment funds members can select during the period covered by this statement have been consistent with their stated investment objectives, except for the actively managed property fund, which underperformed its benchmark over the year. The Board will continue to monitor the performance of the investment funds closely.

The Board also considers the other benefits members receive from the DC Section, which include: the design of the default arrangement and how this reflects the interests of members; the range of investment options and strategies; the efficiency of administration processes and the extent to which the administration team met and exceeded its service level standards for the year; the quality of communications delivered to members; and the quality of support services and scheme Governance. As detailed in the previous section covering processing of financial transactions, the Board is comfortable with the quality and efficiency of the administration processes.

Overall, the Board believes that members of the DC Section are receiving good value for money. The Board aims to improve this further by looking for opportunities to reduce fees for members, setting aside more time at Trustee meetings to discuss DC matters and considering the retirement options available via the DC Section (particularly once the new strategy has been implemented).

Trustee knowledge and understanding
The members of the Pensions Committee / Trustee Board are required to maintain appropriate levels of knowledge and understanding.

The Board has measures in place to secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pension and trust law. This, together with the advice available, enables the Board to properly exercise its functions and run the DC Section properly and effectively. A Trustee training log is maintained in line with best practice.

During the year covered by this statement, they have ensured their knowledge and understanding is up to date by:

- Completing the Pension Regulator's Trustee Toolkit;
- Receiving formal and informal training at relevant Trustee Board and Committee meetings, including training on GDPR and corporate fraud; and
- Where appropriate, completing self-assessments of training needs.

In addition, the Board reviews the trust deed and rules, SIP and all other documents setting out the Board's current policies as appropriate to ensure they have a good working knowledge of these documents.

Taking into account the knowledge and experience of the Board with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Board believes it is well placed to properly exercise its functions as Trustee of the CAPF DC Section.

Approval
The DC Governance Statement was approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather
Chairman of the Church of England Pensions Board

Statement of Trustee's Responsibilities

The Church of England Pensions Board is Trustee of the Church Administrators Pension Fund.

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions
The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Independent Auditors' report to the Trustee of the Church Administrators Pension Fund and the General Synod of the Church of England

Report on the audit of the financial statements

Opinion
In our opinion, the Church Administrators Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the statement of net assets available for benefits as at 31 December 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the scheme, its operations and other organisations on which it depends, and the wider economy.

Reporting on other information
The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements
As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' report to the Trustee of the Church Administrators Pension Fund and the General Synod of the Church of England (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25/6/2019

Fund Account for the year ended 31 December 2018

	Notes	Defined Contribution	Defined Benefit	**2018 Total**	Defined Contribution	Defined Benefit	**2017 Total**
		£000	£000	**£000**	£000	£000	**£000**
Contributions and other income							
Employer contributions	4	2,631	3,960	**6,591**	2,249	4,171	**6,420**
Employee contributions	4	644	141	**785**	521	170	**691**
Transfers in		282	-	**282**	26	-	**26**
Other income	4	-	-	**-**	598	-	**598**
Total contributions and other income		3,557	4,101	**7,658**	3,394	4,341	**7,735**
Benefits							
Benefits paid or payable	5	(187)	(3,618)	**(3,805)**	(694)	(2,949)	**(3,643)**
Payments to and on account of leavers	6	-	(2)	**(2)**	(83)	(13)	**(96)**
Transfers out		(599)	-	**(599)**	(1,210)	(355)	**(1,565)**
Administrative expenses	7	-	(574)	**(574)**	-	(491)	**(491)**
Total benefits and other expenses paid		(786)	(4,194)	**(4,980)**	(1,987)	(3,808)	**(5,795)**
Net additions (withdrawals) from dealings with members		2,771	(93)	**2,678**	1,407	533	**1,940**
Returns on investments							
Deposit interest		-	9	**9**	-	2	**2**
Change in market value of investments	8	(1,588)	(1,899)	**(3,487)**	2,622	9,362	**11,984**
Investment management expenses		-	(34)	**(34)**	-	(23)	**(23)**
Net returns on investments		(1,588)	(1,924)	**(3,512)**	2,622	9,341	**11,963**
Net increase (decrease) in the fund		1,183	(2,017)	**(834)**	4,029	9,874	**13,903**
Opening net assets		21,270	130,268	**151,538**	17,241	120,394	**137,635**
Closing net assets		22,453	128,251	**150,704**	21,270	130,268	**151,538**

The notes 1 to 17 form part of these financial statements.

Statement of Net Assets available for benefits as at 31 December 2018

	Notes	Defined Contribution	Defined Benefit	**2018 Total**	Defined Contribution	Defined Benefit	**2017 Total**
		£000	£000	**£000**	£000	£000	**£000**
Investment assets							
Pooled investment vehicles (CEIFP)	8	-	89,603	**89,603**	-	89,984	**89,984**
Pooled investment vehicles (other)	8	22,266	38,430	**60,696**	20,801	38,539	**59,340**
AVC investments	8	-	460	**460**	-	457	**457**
Total investment assets		22,266	128,493	**150,759**	20,801	128,980	**149,781**
Current assets	9	802	757	**1,559**	1,027	1,396	**2,423**
Current liabilities	10	(615)	(999)	**(1,614)**	(558)	(108)	**(666)**
Net current assets (liabilities)		187	(242)	**(55)**	469	1,288	**1,757**
Total net assets available for benefits		22,453	128,251	**150,704**	21,270	130,268	**151,538**

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the defined benefit section of the Scheme, which does take into account such obligations, is described in the report on actuarial liabilities on page 3, and these financial statements should be read in conjunction with this report.

The notes 1 to 17 form part of these financial statements.

These financial statements were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather
Chairman of the Church of England Pensions Board

Notes to the financial statements

1. Legal status

The Church Administrators Pension Fund (the "Scheme") is an occupational pension scheme established under trust. The Scheme was established in 1985 under the provisions of Section 27 of the Clergy Pensions Measure 1961, to provide retirement benefits to staff of the General Synod and the Church of England Central Board of Finance (who transferred to the Archbishops' Council on its establishment in 1999), and subsequently most staff of the National Church Institutions.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

There are two sections of the Scheme: a Defined Benefit section and a Defined Contribution section.

2. Basis of preparation

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) (the "SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on the financial statements, however it will require certain additions to, or amendments of, disclosures in the financial statements.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Contributions

Employer contributions, which consist of both normal and deficit contributions, are accounted for on the accruals basis in the payroll month to which they relate. Employer contributions towards supplementary pension payments are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Employee contributions are accounted for on the accruals basis in the payroll month to which they relate. Employee contributions for AVCs are accounted for on the accruals basis, in the payroll month to which they relate. Employers contribute an element of matching AVC contributions.

Other income contributions made by employers to reimburse administration costs and levies payable by the Scheme are accounted for on the same basis as the corresponding expense.

Insurance claims for death in service claims are accounted for on the accruals basis on the date death.

b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on the accruals basis on the later of the date of retirement and the date the option is exercised.

Pensions in payment are accounted for in the period to which they relate. Other benefits are accounted for on the accruals basis on the date of retirement, death or leaving the Scheme, as appropriate.

c) Transfers to/from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on the accruals basis, which is generally when funds are transferred unless the trustee of the receiving scheme have agreed to accept the liability in advance of receipt of funds.

d) Administrative and other expenses

Administrative and investment management expenses are accounted for on the accruals basis.

e) Investment income and expenditure

Most of the Scheme's Defined Benefit investments are units in the Church of England Investment Fund for Pensions ("CEIFP"), which is an accumulation fund. The CEIFP's net investment income, after paying management and transaction fees is retained within the fund for reinvestment. The value of the Scheme's holding in CEIFP units consequently is affected by the change in market value of investments, comprising all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

The Scheme's Defined Contribution and AVC investments are also invested in accumulation funds, which do not pay out investment income.

Investment income

Income from other pooled investment vehicles which distribute income is accounted for on the date stocks are quoted ex-dividend/interest.

Income from cash and short term deposits is accounted for on the accruals basis.

Investment expenditure

Transactions costs are included in the cost of purchases and sales proceeds. These include commissions, stamp duty and other fees.

Notes to the financial statements (continued)

3. Accounting policies (continued)

f) Investment valuation

The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, provided by the custodian Northern Trust. These prices are calculated using the number of units held and the fair value of the CEIFP's underlying investment assets and liabilities. Where separate bid and offer prices are available for the underlying investment assets and liabilities, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

The Scheme's Defined Contribution and AVC investments are valued based on prices provided by the investment managers.

Investment assets and liabilities are measured at fair value. Where an active market is unavailable, the Trustee adopts valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

Pooled investment vehicles: Unitised investment vehicles which are not traded on an active market are estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

The change in market value of investments recognised in the fund account during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

g) Foreign currencies

The Scheme's functional currency and presentational currency is pounds sterling.

4. Contributions and other income

Year ended 31 December 2018	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Employer contributions			
Normal	2,267	997	**3,264**
Deficit	-	2,673	**2,673**
AVC	364	-	**364**
For supplemental pensions	-	15	**15**
Employer contributions for administration costs	-	275	**275**
Total employer contributions	2,631	3,960	**6,591**
Employee contributions			
Normal	-	75	**75**
AVC	644	66	**710**
Total employee contributions	644	141	**785**
Other income			
Insurance claims for death in service payments	-	-	-
Total other income	-	-	-

Year ended 31 December 2017	Defined Contribution	Defined Benefit	Total
	£000	£000	£000
Employer contributions			
Normal	1,946	1,096	**3,042**
Deficit	-	2,587	**2,587**
AVC	303	-	**303**
For supplemental pensions	-	211	**211**
Employer contributions for administration costs	-	277	**277**
Total employer contributions	2,249	4,171	**6,420**
Employee contributions			
Normal	-	86	**86**
AVC	521	84	**605**
Total employee contributions	521	170	**691**
Other income			
Insurance claims for death in service payments	598	-	**598**
Total other income	598	-	**598**

Supplemental contributions by employers relate to payments to supplement the benefits of retiring members.

The deficit contributions payable are £2,667,723 per annum, increasing by 3.3% per annum on 1 January, until April 2023. An additional £4,821 was paid in 2018.

Notes to the financial statements (continued)

5. Benefits paid or payable

Year ended 31 December 2018	Defined Contribution	Defined Benefit	Total
	£000	£000	£000
Pensions	-	2,569	**2,569**
Commutations of pensions and lump sum	187	921	**1,108**
Lump sum death benefits	-	128	**128**
Total benefits paid	187	3,618	**3,805**

Year ended 31 December 2017	Defined Contribution	Defined Benefit	Total
	£000	£000	£000
Pensions	-	2,370	**2,370**
Commutations of pensions and lump sum	85	554	**639**
Lump sum death benefits	609	25	**634**
Total benefits paid	694	2,949	**3,643**

6. Payments to and on account of leavers

Year ended 31 December 2018	Defined Contribution	Defined Benefit	Total
	£000	£000	£000
Purchase of annuities	-	-	**-**
Return of contributions on retirement	-	2	**2**
Total payments on account of leavers	-	2	**2**

Year ended 31 December 2017	Defined Contribution	Defined Benefit	Total
	£000	£000	£000
Purchase of annuities	83	-	**83**
Return of contributions on retirement	-	13	**13**
Total payments on account of leavers	83	13	**96**

7. Administrative expenses

All costs relating to the administration of the Scheme are paid by the Board in the first instance and recovered from the Scheme by way of an administration charge. This covers professional fees, staff costs and shared service costs. A breakdown of the costs is shown below:

	2018	2017
	£000	£000
Actuarial fees	162	105
Audit fees	7	8
Pension levy	65	66
Investment services	11	31
Legal advice	52	8
Administration costs	277	273
Total administrative expenses	574	491

Administrative expenses for both the Defined Benefit and the Defined Contribution sections are borne by the Defined Benefit section.

8. Investments

The table below shows the movement in investments in the year:

Defined contribution:	At 1 January 2018	Purchases at cost	Sales proceeds	Change in market value	At 31 December 2018
	£000	£000	£000	£000	£000
Pooled investment vehicles					
Equities	**18,890**	3,596	(1,332)	(1,598)	**19,556**
Bonds	**1,147**	857	(290)	20	**1,734**
Property	**340**	45	(33)	(12)	**340**
Cash	**424**	302	(92)	2	**636**
Total investments	**20,801**	4,800	(1,747)	(1,588)	**22,266**

The Defined Contribution section's holdings also include AVC investments. Defined Contribution investments are allocated to specific members.

Notes to the financial statements (continued)

8. Investments (continued)

Defined benefit:	At 1 January 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	**At 31 December 2018 £000**
Pooled investment vehicles (CEIFP)					
Return Seeking Pool	79,504	1,400	-	(1,618)	**79,286**
Liability Matching Pool	10,480	-	-	(163)	**10,317**
Total pooled investment vehicles (CEIFP)	89,984	1,400	-	(1,781)	**89,603**
Pooled investment vehicles (other)					
Bonds	38,539	-	-	(109)	**38,430**
Total LDI investments	38,539	-	-	(109)	**38,430**
AVC investments					
Standard Life	313	12	-	(10)	**315**
Scottish Widows	114	-	-	-	**114**
Equitable Life	30	-	-	1	**31**
Total AVC investments	457	12	-	(9)	**460**
Total investments	128,980	1,412	-	(1,899)	**128,493**

The Scheme did not directly incur transaction costs. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs. Custody charges are negligible. See Appendix 3 for detail about the CEIFP.

9. Current assets

At 31 December 2018	Defined Contribution £000	Defined Benefit £000	**Total £000**
Debtors			
Trustee	-	80	**80**
Other	-	180	**180**
Total debtors	-	260	**260**
Cash	802	497	**1,299**
Total current assets	802	757	**1,559**

At 31 December 2017	Defined Contribution £000	Defined Benefit £000	Total £000
Debtors			
Trustee	-	299	**299**
Total debtors	-	299	**299**
Cash	1,027	1,097	**2,124**
Total current assets	1,027	1,396	**2,423**

Defined contribution current assets are not allocated to members and arise due to timing differences between event dates, receipt and payment dates. Amounts owed from the Trustee represent money charged by the Board in advance towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

10. Current liabilities

At 31 December 2018	Defined Contribution £000	Defined Benefit £000	**Total £000**
Creditors			
Unpaid benefits	615	92	**707**
Tax payable – PAYE and NI	-	105	**105**
Total creditors	615	197	**812**
Cash	-	802	**802**
Total current liabilities	615	999	**1,614**

At 31 December 2017	Defined Contribution £000	Defined Benefit £000	Total £000
Creditors			
Unpaid benefits	558	16	**574**
Tax payable – PAYE and NI	-	92	**92**
Total current liabilities	558	108	**666**

Defined contribution current liabilities are not allocated to members and arise due to timing differences between event dates, receipt and payment dates. £558k of unpaid benefits relate to death in service benefits which had not been paid. The remainder relates to AVC benefits that were due but not paid at year end.

Notes to the financial statements (continued)

11. Fair Value of Investments

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown in Appendix 3.

The fair value of investments has been determined using the following hierarchy:

Level	**Description**
1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
3	Inputs are unobservable, i.e. for which market data is unavailable.

The Scheme's investment assets and liabilities have been included at fair value within these levels as follows:

Defined contribution:

At 31 December 2018	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (equities)	-	19,556	-	**19,556**
Pooled investment vehicles (bonds)	-	1,734	-	**1,734**
Pooled investment vehicles (property)	-	340	-	**340**
Pooled investment vehicles (cash)	636	-	-	**636**
Total investments	636	21,630	-	**22,266**

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (equities)	-	18,890		**18,890**
Pooled investment vehicles (bonds)	-	1,147	-	**1,147**
Pooled investment vehicles (property)	-	340	-	**340**
Pooled investment vehicles (cash)	424	-	-	**424**
Total investments	424	20,377	-	**20,801**

Defined benefit:

At 31 December 2018	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**89,603**
Pooled investment vehicles (bonds)	-	38,430	-	**38,430**
AVC investments	-	-	460	**460**
Total investments	-	38,430	460	**128,493**

At 31 December 2017	1	2	3	Total
	£000	£000	£000	£000
Pooled investment vehicles (CEIFP)	(see hierarchy in the CEIFP in Appendix 3)			**89,984**
Pooled investment vehicles (bonds)	-	38,539	-	**38,539**
AVC investments	-	-	457	**457**
Total investments	-	38,539	457	**128,980**

Notes to the financial statements (continued)

12. Investment risk disclosures

The investment objective of the Scheme is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. The Trustee sets the investment strategy for the Scheme as detailed in the Statement of Investment Principles (SIP). FRS 102 requires the disclosure of information in relation credit and market risk:

- **Credit risk**: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

- **Market risk**: this comprises currency risk, interest rate risk and other price risk.

    - **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

    - **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

    - **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			**Total**	Total
		Currency	Interest rate	Other price	**2018**	2017
					£000	£000
Defined Contribution section						
Pooled investment vehicles (equities)	○	◑	○	●	**19,556**	18,890
Pooled investment vehicles (bonds)	●	◑	●	◑	**1,734**	1,147
Pooled investment vehicles (property)	◑	◑	○	●	**340**	340
Pooled investment vehicles (cash)	●	◑	○	○	**636**	424
Total Defined Contribution section					**22,266**	20,801
Defined Benefit section						
Pooled investment vehicles: CEIFP						
Return seeking pool	(see Investment Risks for the CEIPF in Appendix 3)				**79,286**	79,504
Liability matching pool					**10,317**	10,480
Pooled investment vehicles (bonds)	●	○	●	◑	**38,430**	38,539
AVCs	(not considered significant in relation to overall Scheme risks)				**460**	457
Total Defined Benefit section					128,493	128,980

In the table above, the risk noted affects the asset class [●] significantly, [◑] partially or [○] hardly / not at all.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described below which is determined after taking advice from professional investment advisors. The Trustee manages the Scheme's investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives for its directly held investments and through the CEIFP for its pooled CEIFP investments, which are described in Appendix 3.

These investment objectives and risk limits for directly held investments are implemented through the investment management agreement in place with the Scheme's investment manager. The agreement sets out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment manager through day to day monitoring of the portfolio, quarterly written updates from the manager and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager and the Trustee's Investment Consultant also independently assesses and monitors the fund managers.

The AVC investments are not considered significant in relation to the overall investments of the Scheme.

<u>**Defined Benefit section**</u>

Investment strategy

The investment objective of the Defined Benefit section is to maintain a portfolio of assets to generate income and capital growth, which together with new contributions from members and their employers, will meet future pension benefits as they become liable. The Defined Benefit section was closed to new members in 2006.

The Trustee therefore has a long term objective for the Scheme to be fully funded on a basis that incorporates gradual de-risking from the current strategy, to reduce the reliance on the Scheme's sponsors for additional contributions. The Trustee currently targets 30 June 2025 for reaching full funding.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 3.

Credit Risk
The section is subject to credit risk through its investment in a pooled investment vehicle gilt fund and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicle.

	2018	2017
	£000	£000
Pooled investment vehicles (bonds)	38,430	38,539
Total investments exposed to credit risk	38,430	38,539

The section's holdings in pooled investment vehicles are unrated, although 100% of the underlying investments are AA rated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

Cash is held with financial institutions which are at least investment grade credit rated.

Currency Risk
The section is not subject to currency risk because all of its investments are held in sterling.

Interest rate risk
The section is subject to interest rate risk due to its investment in a pooled investment vehicle gilt fund. If interest rates fall, the value of the gilts will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly if interest rates rise the values of the gilts will fall, as will the actuarial liabilities because of an increase in discount rate.

Other price risk
The section's investments are subject to price risk. The Scheme manages this exposure to other price risk by accessing the CEIFP's diverse portfolio of investments across various markets.

Defined Contribution section

Investment strategy
The Trustee's objective is to make an appropriate range of investment options available to members, which are designed to generate income and capital growth, which together with new contributions from members and their employers, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product).

The Trustee has investment management agreements in place with Legal and General to manage the Defined Contribution section investments. A variety of funds are offered to members who can select an investment strategy depending on their personal risk appetite. The funds, managed by Legal and General include equities, bond interest, and other (including property and cash).

Credit Risk
The section's holdings in pooled investment vehicles are not credit rated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the investment manager annually.

Currency risk
The section is subject to currency risk because some of the underlying funds are held in overseas markets. The Trustee decides not to actively manage this risk but 75% of the currency risk of the equity default investment fund is hedged back to sterling by the investment manager. The other funds with currency exposure are unhedged.

Other price risk
The pooled investment vehicles are subject to price risk which principally relates to indirect equity holdings, equity futures and investment properties. The Trustee manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Notes to the financial statements (continued)

13. Concentration of investments

The following investments account for more than 5% of the Scheme's net assets at the year end:

	2018		2017	
	£000	**%**	£000	%
Defined Contribution section:				
Legal and General pooled investment vehicle:				
Global Equity MW (30:70) 75% GBP	16,057	10.7	15,703	10.4
Defined Benefit section:				
CEIFP return seeking pool	79,286	52.6	79,504	52.5
Aquila Life over 5 years Index Linked Fund	38,430	25.5	38,539	25.4
CEIFP liability matching pool	10,317	6.8	10,480	6.9

The Blackrock managed *Aquila Life over 5 years Index Linked Fund* is registered in the UK.

14. Employer related investments

There were no employer-related investments during the year.

15. Additional voluntary contributions (AVC) investments

AVC investments relate to the Defined Benefit section and are held in separate policies with Equitable Life Assurance Society, Scottish Widows plc and Standard Life Assurance Limited. AVCs are also paid by members into the Church Workers Pension Fund – Pension Builder Classic section. AVCs for members purchasing Added Years are paid directly into the CAPF Defined Benefit section and are not separately distinguishable.

AVCs by members of the Defined Contribution section are co-invested with other Defined Contribution assets with Legal and General Investment Management and are not separately distinguishable.

16. Related party transactions

One Board member (2017: one) who has retired from service under the Scheme is in receipt of a pension on normal terms.

17. Contingent liabilities

In October 2018, the High Court determined that Guaranteed Minimum Pension benefits provided to members who had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with their advisors, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. When this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

Independent Auditors' statement about contributions to the Trustee of the Church Administrators Pension Fund

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Scheme year ended 31 December 2018 as reported in the Church Administrators Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme Actuary on 30 October 2015 and 19 December 2018.

We have examined the Church Administrators Pension Fund's summary of contributions for the Scheme year ended 31 December 2018 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedules of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25/6 2019

Summary of Contributions
for the year ended 31 December 2018

During the year, the contributions payable by the employers and the employees were as follows:

	Employer contributions	Employee contributions	Total
Contributions required by the schedules of contributions	**£000**	**£000**	**£000**
Defined Contribution – normal	2,267	-	**2,267**
Defined Contribution - AVC	364	644	**1,008**
Defined Benefit – normal	997	75	**1,072**
Defined Benefit – deficit	2,667	-	**2,667**
Defined Benefit – for administration costs	275	-	**275**
Total contributions required by the schedules of contributions	6,570	719	**7,289**
Other contributions			
Defined benefit - AVC	-	66	**66**
Additional defined benefit deficit contributions	6	-	**6**
For supplemental pensions	15	-	**15**
Total other contributions	21	66	**87**
Total contributions	6,591	785	**7,376**

This summary of contributions has been prepared by, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Scheme Actuary on 30 October 2015 and the Schedule of Contributions certified by the Scheme Actuary on 19 December 2018 in respect of the Scheme year ended 31 December 2018. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Approved by the Trustee of the Church Administrators Pensions Fund and signed on its behalf by:

Clive Mather
Chairman
25 June 2019

Church Administrators Pension Fund

Adequacy of rates of contribution

3483185

Page 1 of 2

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(6) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Church Administrators Pension Fund**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2017 to be met by the end of the period specified in the recovery plan dated 19 December 2018.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 December 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: .... **Date:** 19 December 2018

Name: Aaron Punwani **Qualification:** FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer:
Lane Clark & Peacock LLP

Church Administrators Pension Fund

Statement of Investment Principles

1. Introduction

This statement sets out how the assets of the Church Administrators Pension Fund (referred to as the "CAPF" or the "Scheme" in the rest of this document) are invested. It has been prepared by the Church of England Pensions Board (referred to as the "Trustee" in the rest of this document), which is the corporate trustee of the Scheme, with advice from its investment consultant.

The Church Administrators Pension Fund is for staff employed by National Church Institutions (NCIs) and episcopal staff.

It has two sections:

•Defined Contribution section (CAPF DC) - for those who joined on or after 1 July 2006
•Defined Benefit section (CAPF) - for those who joined before 1 July 2006

The statement has been discussed with the sponsors of the Scheme.

The Statement complies with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

2. Objectives

For the Defined Benefit section

The Trustee is responsible for the stewardship of the Scheme's assets. It has two main objectives, which are to ensure that:

(1) All beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme, and
(2) There are sufficient assets to meet the Scheme's liabilities as they fall due,

The Trustee therefore has a long term objective for the Scheme to be fully funded on a basis that incorporates gradual de-risking from the current strategy, to reduce the reliance on the Scheme's sponsors for additional contributions. The Trustee currently targets 30th June 2025 for reaching full funding.

For the Defined Contribution section

To provide a range of investment funds and de-risking options, that enable members to fulfil their retirement needs and ambitions, and a prudent default arrangement for those that do not wish to make their own choice,

3. Investment Policy

The Trustee is responsible for how the Scheme's assets are invested. It takes advice from the Investment Consultant and the Scheme Actuary, and it is supported by an in-house investment team. The Trustee has established an Investment sub-Committee, which has relevant professional investment experience and is a mix of members of the Board and co-opted members.

The main Trustee Board determines investment strategy for the Scheme, which is the split in the Scheme's assets between safe investments for backing pensions already in payment, and assets invested for growth (return seeking assets).

The Investment Committee selects the asset classes for investment, appoints managers for them, monitors the managers' performance and removes them when necessary. It also directs the Scheme's cash flows, between asset classes and investment mandates.

Day to day investment decisions are delegated to the investment managers. They are appropriately qualified and their activities are defined by legally binding agreements.

4. Investment Beliefs

The Trustee has developed a set of investment beliefs, which underpin how the investments are made. The beliefs are set out in Appendix 1 to this statement.

The Trustee monitors the covenant of the Scheme's sponsors in order to assess their ability to support the Scheme. The Trustee believes the Scheme's sponsors are willing and able to underwrite its liabilities.

Statement of Investment Principles (continued)

5. Investment management

For the Defined Benefit section

The Trustee operates a common investment fund (The Church of England Investment Fund for Pensions, or CEIFP), comprising a Return Seeking Assets Pool and a Liability Matching Pool. This investment vehicle allows the Board's pension schemes, including the CAPF, to pool their assets for greater efficiency and diversification than they would be able to achieve if investing on their own. The investment powers of the common investment fund are set out in the Schedule of Regulations of the CEIFP's Trust Deed and are in accordance with the investment powers of the Board as set out in the Church of England Pensions Measures 1961-2003.

The CEIFP accounts for all the return seeking investments of the CAPF and some of its liability matching assets. The Scheme may from time to time have assets that are invested outside the common investment fund. In particular, these would be assets that are held to back pensions in payment, primarily Gilts, and to hedge against inflation and changes in interest rates, primarily interest rate and inflation swaps and Gilt repurchase agreements (repos).

The Scheme's investment managers are listed on the Pensions Board's website. The Scheme's annual report carries information on investment performance, asset allocation and the main investment decisions taken during the year.

Investment management fees are charged as a proportion of the value of assets being managed and in some instances include an element based on investment performance. The fees are set on appointment, and reviewed regularly thereafter. The Trustee takes advice to ensure the fees are appropriate.

For the Defined Contribution section

The management of the CAPF's DC section has been delegated to an insurance policy provider, the details of whom are set out on the Board's website.

The Trustee's policy is to:

- Make a range of options available that gives a broad choice of investments funds to members, including an ethical investment option
- Make options available which, under normal circumstances, should prove easy to buy and sell.
- Reduce risk and cost to members, by offering passively managed fund options wherever possible.
- Regularly review the arrangements offered to DC members to ensure they are fit for purpose

6. Types of investment

For the Defined Benefit section

The common investment fund, the CEIFP, is well diversified, in terms of the assets it holds and the range of investment managers employed to manage those assets. The asset classes invested in by the CAPF, and the managers of them, are listed on the Board's website. The Trustee takes advice to ensure that the asset classes invested in by the Scheme are appropriate for it.

The split between return seeking and liability matching assets is determined by the characteristics of the Scheme, in particular its demographic profile, the spread of time over which its liabilities fall due, its funding level and the appetite for risk of the Trustee and the Scheme's sponsors.

The allocation to liability matching assets is calculated as the value of pensioner liabilities.

The Scheme may use synthetic instruments in a segregated fund (or via a pooled fund) to reduce risk or to improve operational efficiency.

The Scheme's allocation to specific assets is shown in its annual report.

For the Defined Contribution section

The range of funds offered to members of the DC section is set out on the Board's website.

7. Realisation of investments

The defined benefit section of the Scheme is closed to new members, but still open to the future accrual of benefits. However, the Scheme receives a surplus of contributions over benefit payments, so the Trustee considers that it does not require immediate liquidity, and is unlikely to for the foreseeable future. While, in practice, the Scheme will have some highly liquid assets that can be sold at short notice, that is unlikely to be required for some years.

Statement of Investment Principles (continued)

8. Ethical and responsible investment

For the Defined Benefit section

The Trustee recognises that the beneficiaries and the sponsors of the Scheme are part of the Church of England and that the Scheme's investments should reflect that as far as possible without compromising its objectives. The Trustee wishes to exercise their responsibilities as asset owners fully.

The Trustee receives advice on the ethical implication of investments from the Ethical Investment Advisory Group ("EIAG") of the Church of England, including ethical investment policies that are developed for all Church of England investors.

The Trustee also values engagement with companies over responsible and ethical investment issues, and it considers that as a more effective means of exercising its stewardship responsibilities than disinvestment in many situations. Company engagement is carried out by the in-house Engagement Team that works jointly for the Church of England Pensions Board and the Church Commissioners.

The Engagement Team produces a list of restricted investments that reflects the ethical policies approved by the Trustee. Investment managers appointed by the Trustee are instructed to exclude these investments from their portfolios.

The Trustee expects companies in which the Scheme invests to demonstrate responsible employment and corporate governance practices; to be conscientious with regard to environmental performance and human rights; and to deal fairly with customers and act with sensitivity to the communities in which they operate. When appointing its investment managers, the Trustee takes into consideration how they incorporate analysis of companies' performance on environmental, social and governance ("ESG") issues into their stock selection.

The Ethical Investment Statement of the EIAG, which has been adopted by the Trustee, is adapted from time to time and can be found on the EIAG's website.

Before an investment is made in a pooled vehicle, where the Trustee cannot directly influence the selection of individual investments, the Trustee will satisfy itself that the proportion of restricted investments (as shown on the EIAG's restricted list) in the pooled fund is not material.

The Trustee intends that the Scheme should vote at all company meetings held by its investee companies. This is carried out by the in-house Engagement Team.

The Scheme, via the Church of England Pensions Board, is a signatory to UNPRI (the UNEP Finance Initiative Principles for Responsible Investment) and the Financial Reporting Council's Stewardship code. It is also a member of the IIGCC (Institutional Investors Group on Climate Change) and a co-founder of the Transition Pathway Initiative (TPI).

For the Defined Contribution section

The Trustee offers ethical and conventional funds, recognising that members may not wish to have their investments bound by ethics. It is not currently possible to offer funds that are run on the basis of Church of England ethics, but the ethical funds offered by the Trustee are as close as can currently be found.

9. Risk

For the Defined Benefit section

The Trustee recognises that it is possible to select investments for the Scheme that are similar to its estimated liability cash flows. However, in order to meet the Scheme's objectives within a level of contributions that its sponsors have indicated they are able and willing to make, the Trustee has agreed to take investment risk. This seeks to target a greater return than the matching assets would provide, whilst maintaining a prudent approach to meeting the Scheme's liabilities.

The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities. The Trustee recognises that whilst increasing investment risk increases potential return over the longer term, it also increases the risk of a shortfall in return relative to that required to cover the Scheme's liabilities, as well as producing more short-term volatility in the Scheme's funding position.

Whilst taking investment risk may lead to volatility in the funding levels of the Scheme, the Trustee feels that this risk is acceptable in view of the potential benefits of the expected extra return. The additional return should work through ultimately to greater security for the members of the Scheme and lower costs for its sponsors over the long term.

The Trustee considers a wide range of specific risks, including, but not limited to, those set out in Appendix 2 to this statement. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each one.

The Trustee will from time to time use derivatives to manage risk and for efficient portfolio management. These will primarily be in the risk areas of currency, inflation, interest rates and longevity, and within the allocation to equities for efficient management.

For the Defined Contribution section

The trustee aims to offer funds that, wherever possible within the asset class, track a major independent and recognised index.

Statement of Investment Principles (continued)

10. Additional voluntary contributions (AVCs)

For the Defined Benefit section

DB section members' AVCs are invested in the Pension Builder Classic section of the Church Workers Pensions Fund.

For the Defined Contribution section

DC section members have the same range funds available for their AVCs as for their main contributions.

Signed: Dr Jonathan Spencer
Chairman
Date: 2 March 2017

Appendix 1
The Church of England Pensions Board:
Structure and administrative information 2018

Contents

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependents, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity (number 236627). Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pensions Fund (wound up in December 2018);
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund,

The Board's own annual report and financial statements are produced in a separate document, which is prepared under the Charities Statement of Recommended Practice.

The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"), which is not a pension scheme nor a corporate body in its own right. For the purposes of the annual report, the Board is referred to as the Trustee of the CEIFP.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' financial statements. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Management

There are 20 members of the Board. In summary, ten are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and four are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote.

For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 5.

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies - the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies.

Trustee and advisors

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub committees.

Board Members

(1 January 2018 to 26 June 2019)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York
Dr Jonathan Spencer CB (Chair) (to 30 Apr 2019)
Clive Mather (Chair) (from 1 May 2019)

Appointed by the Archbishops of Canterbury and York
Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Nikesh Patel *(from March 2018)*

Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity
The Revd Caroline Titley *(from March 2018)*

Appointed by the Church Commissioners
Jeremy Clack FIA

Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund
Richard Hubbard
Canon Sandra Newton

Elected by the House of Bishops of the General Synod
The Rt Revd Alan Wilson, Bishop of Buckingham

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield
The Revd Nigel Bourne
The Revd Peter Ould
The Ven David Stanton

Elected by the House of Laity of the General Synod
Roger Boulton FIA
Canon Nicolete Fisher
Alan Fletcher FCII (Vice Chair)
Canon Emma Osborne
Bill Seddon

Elected by the members of the Church Workers Pension Fund
Ian Boothroyd
Ian Clark *(to November 2018)*
Michaela Southworth *(from December 2018)*

Elected by the members of the Church Administrators Pension Fund
Maggie Rodger

Committee Members

Audit and Risk Committee
Maggie Rodger (Chair)
Richard Hubbard *(from February 2018)*
David Hunt FCA *(co-opted) (to June 2018)*
The Revd Peter Ould *(from February 2018)*
The Ven David Stanton
Helen Ashley Taylor (*from February 2019,co-opted*)
Caron Bradshaw (*from February 2019, co-opted*)

Board Development Committee
Canon Nicolete Fisher (Chair)
Roger Boulton FIA
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee
Roger Mountford (Chair) *(to 18 April 2018)*
Roger Boulton FIA (Chair) *(from 18 April 2018)*
The Revd Fr Paul Benfield
Ian Boothroyd
The Revd Nigel Bourne *(from 15 February 2018)*
Canon Sandra Newton
Alan Fletcher FCII
Maggie Rodger

Housing Committee
Canon Sandra Newton (Chair)
Ian Clark *(to November 2018)*
Canon Nicolete Fisher
Jeremy Gray *(co-opted)*
Jonathan Gregory *(co-opted)*
Henrietta Podd *(co-opted)*
Lawrence Santcross *(co-opted)*
The Revd Caroline Titley *(from 3 May 2018)*
The Revd Alan Wilson

Investment Committee
Alan Fletcher FCII (Chair)
Simon Baynes *(co-opted – to February 2019)*
Matthew Beesley *(co-opted)*
Roger Boulton FIA
Jeremy Clack FIA
Deb Clarke *(co-opted – from 27 June 2018)*
Roger Mountford
Canon Emma Osborne
Nikesh Patel *(from 3 May 2018)*
Bill Seddon *(from February 2018)*
Jonathan Rogers *(co-opted)*

Treasury Committee
Roger Mountford (Chair)
Canon Sandra Newton
Henrietta Podd *(co-opted)*
The Ven David Stanton
The Revd Caroline Titley

Professional Advisors

Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	PricewaterhouseCoopers LLP
Bankers	Lloyds Bank plc
Investment Advisors	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers	Acadian Asset Management Antin Infrastructure Partners Arrowstreet Capital LP Audax Group Basalt Infrastructure Partners BlackRock Investment Management (UK) Limited Bridgewater Associates LP Ltd CBRE Global Investors Colchester Global Investors Ltd Copper Rock Capital Partners LLC DIF Management Edinburgh Partners Ltd EQT Infrastructure Partners First State Investments Fund Management S.à.r.l. Generation Investment Management LLP H.I.G. Capital LLC Insight Investment Management (Global) Ltd I Squared Global Capital KKR & Co. LP Legal & General Assurance (Pensions Management) Ltd Longview Partners LLP Northern Trust Global Investors Pasco Robeco Asset Management Trilogy Global Advisors LP T Rowe Price International Ltd Winton Capital Management Ltd

Enquiries

Enquiries about the schemes generally or about an individual's entitlement to benefit should be addressed to:

The Pensions Department
Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

Alternatively, enquiries may be made by email to pensions@churchofengland.org, or by telephone to 020 7898 1801.

Appendix 2

Ethical Investment Approach of the National Church Institutions

Ethical Investment Approach of the National Church Institutions

The Church of England has three National Investing Bodies (NIBs): the Church of England Pensions Board, the Church Commissioners for England and the CBF Church of England Funds.

The NIBs are asset owners who invest on behalf of many beneficiaries. The way in which they invest forms an integral part of the Church of England's witness and mission.

The NIBs receive advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the NIBs to act as distinctively Christian – and Anglican – institutional investors. The EIAG develops ethical investment policy advice which, once agreed by the NIBs, is adopted by them, communicated to the wider Church and implemented.

The EIAG consists of representatives of the NIBs, and six independent members who are appointed by the EIAG's Nominations Committee. The Nominations Committee is formed of representatives of the NIBs, the Archbishops, General Synod, the Archbishops' Council, the Mission and Public Affairs Council, and a representative of the Church Investors Group. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board and Church Commissioners have also resourced their own Engagement Teams to undertake the implementation of their ethical investment policies.

The NIBs' ethical investment policy embraces stewardship, engagement and investment exclusions.

Stewardship

The NIBs operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which the NIBs invest and informs the manner in which these duties are performed.

The NIBs are signatories to the UK Stewardship Code, which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting).

The NIBs are signatories to the United Nations Principles for Responsible Investment (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes, and to be active owners, across all asset classes.

The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

Engagement

The Pensions Board and Church Commissioner's Engagement Teams undertake engagement with companies in which we are invested, including voting at shareholder meetings.

The NIBs expect companies in which they invest to pay proper attention to human rights, responsible employment practices, sustainable environmental practice, fair treatment of customers and suppliers, sensitivity towards the communities in which they operate and best corporate governance practice. The engagement team engages with investee companies to seek improvement in ethical standards in these areas.

Policies adopted by the NIBs are listed on the EIAG website and they include specific policies on Executive Remuneration, Business and Engagement, Climate Change and Extractive Industries.

Investment exclusions

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions based on their ethical investment policies is therefore maintained and updated quarterly to reflect changes in markets.

Individual company engagements, undertaken by the Engagement Teams on behalf of the Pensions Board and Church Commissioners, may exceptionally lead to a recommendation to Trustee Committees to implement a specific exclusion in any line of business on ethical grounds. Such recommendations and exclusions will normally only occur after sustained dialogue and if the company does not respond positively to concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The NIBs expect a recognition of responsibility and action within a clear timescale to improve, rather than perfection.

Ethical Investment

The way the NIBs invest forms an integral part of the Church of England's witness and mission and their ethical policies and practice are shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG). The EIAG is an independent advisory body sponsored by the three national investing bodies of the Church of England.

When investing, and based on the advice of the EIAG, we apply exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, and high interest rate lending. As a result of the Climate Change Policy a screen has been introduced that excludes companies that derive more than 10% of their total revenue from mining thermal coal and the production of oil from tar sands. The NIBs are continuing to implement their alcohol policy. The policy, which is currently implemented for companies that derive a certain percentage of revenue from alcohol, ensures that companies are only eligible for investment if they meet a set of minimum standards for the responsible marketing and retailing of alcohol.

However, ethical investment is also about what and how we invest. It is for this reason the Pensions Board's approach is to:

- Take a long-term view.
- Select investment managers who are able to analyse the environmental, social and governance issues relevant to their strategies.
- Act as good stewards of our investments including through voting at company general meetings and engaging actively with companies in which we invest.
- Promote ethical behaviour, corporate responsibility and sustainability in our interactions with investment managers, companies and government.

2018 highlights

In May 2018 the Board decided to appoint its own full time Director of Ethics and Engagement to support its ambitions on ethical investment. Prior to this the Board hosted a joint engagement team that operated on behalf of the Church Commissioners and Pensions Board. The Board co-ordinates with the other National Investing Bodies (NIBs) and the Ethical Investment Advisory Group on policy and engagement matters.

In particular the Board has taken the lead on Climate Change and on the implementation of the ethical investment policy on extractive industries. Together with the Environment Agency's pension scheme, the London School of Economics and FTSE Russell, the Board established the Transition Pathway Initiative (TPI) in 2017, and continues to co-Chair the initiative. The TPI is a tool that allows asset owners and investors to monitor the public disclosures made by companies and to assess how they are aligned with the goals of the Paris climate agreement. The extraordinary success of the TPI continues. It is now being used by asset owners with over £10 trillion assets. A significant development in 2018 saw TPI being adopted as the main tool to assess company performance by the global engagement initiative, Climate Action 100+ (CA100+) which is a group of 310 investors managing over $33 trillion in assets. There has never been a coordinated engagement of companies on the scale being undertaken by CA100+ and the Board is delighted that TPI will play such a prominent role in this initiative.

In July 2018 the General Synod endorsed the NIBs' strategy on climate change which will see continued engagement underpinned by the Transition Pathway Initiative (TPI). Importantly, the Board along with the other National Investing Bodies committed to disinvest from major fossil fuel producers that were not assessed by TPI by 2023 as on a demonstrably aligned path to below two degrees of warming.

A key achievement in 2018 was the negotiation of the first ever framework between an oil and gas company and their long-term investors about how the company will transition over the coming decades to operate in a low carbon economy. The Board together with one of our investment managers, Robeco from the Netherlands, led the negotiations on behalf of other investors from the Climate Action 100+ initiative. The result was a Joint Statement between Royal Dutch Shell and Investors that resulted in worldwide media coverage. The statement committed Shell to emission targets covering all their activities, including 'Scope 3' emissions that come from the use of their products, linking these targets to executive pay, regular reviews of the ambition of the targets as well as review of the lobbying of policy processes by the industry associations Shell are a member of. Following the announcement of the joint statement, the Editorial Board of the Financial Times published an editorial that acknowledged this as a first for investors and an oil and gas company and saw it as a model for the kind of agreements that need to be struck with other companies in the transition to a world aligned to the Paris climate agreement (Financial Times, 6th December 2018).

The role of corporate lobbying in public policy is highly influential. As a result the Board formed a partnership with the Swedish Public Pension Fund, AP7 (who have €60 billion of assets under management), to launch a focussed initiative engaging 56 European companies about lobbying activity by their industry associations, and alignment to the goals of the Paris climate agreement. The initiative developed a set of Investor Expectation on Corporate Climate Lobbying that was supported by the €23 billion backed European Institutional Investor Group on Climate Change (IIGCC). Companies across Europe were asked to commit to support the expectations and undertake reviews of the lobbying by the industry associations of which they were a member. Mining companies Anglo American, Rio Tinto and Glencore committed to undertake such reviews as well as oil and gas major Royal Dutch Shell.

The Board is honoured to host the Secretariat to the Church's Ethical Investment Advisory Group (the EIAG) which serves the NIBs. During 2018 the review of the EIAG's structure was completed and the EIAG held its last meeting in its current format in October. The Secretariat facilitated the establishment of a new Nominations Committee and supported that committee in the recruitment of new EIAG members, who met for the first time in March 2019. In parallel the Secretariat continued to support the EIAG in its programme of policy reviews and horizon scanning. The EIAG is now set up to provide expert advice to the NIBs to underpin their ethical and responsible investment goals.

Ethical investment agenda 2019

In the next year the Board will be developing our ethical investment and engagement work, particularly through further support and use of the Transition Pathway Initiative (TPI) and engagement work on extractive industries. We are also strengthening our resources in this area and look forward to working with the restructured Ethical Investment Advisory Group, alongside our partners in the other National Investing Bodies.

Further information about the work of the EIAG is contained in its annual report which is available on the Church of England's website.

Appendix 3
The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2018

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Investment Fund for Pensions ("CEIFP", or the "Fund") is pleased to present its annual report for the year ended 31 December 2018.

Scheme constitution and management

The Fund was originally established in 1985 as a common investment fund for pension schemes administered by the Trustee. It is not a pension scheme nor a corporate body in its own right, but is a vehicle to pool the investments of the Board's four pension schemes (the "schemes") in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled. It is a bare trust that operates under a Trust Deed between the member schemes:

- The Church of England Funded Pensions Scheme ("CEFPS");
- Clergy (Widows and Dependants) Pensions Fund ("CWDPF") (closed on 18 December 2018);
- Church Workers Pension Fund ("CWPF"); and
- Church Administrators Pension Fund ("CAPF").

The CWDPF transferred its assets to the CEFPS on 18 December 2018 pursuant to a deed made under section 18A of the Clergy Pensions Measure 1961. Before this date it was a member, but without actively investing in the fund. After this date, it is no longer a member scheme of the CEIFP.

Responsibility for setting the overall strategy and managing the Fund rests with the Board as Trustee. The Board's structure and management is shown in Appendix 1.

The CEIFP is split into two pools: the Return Seeking Pool ("RSP") and the Liability Matching Pool ("LMP"). Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the two pools in proportions that match its maturity and cash flow needs.

Unitisation

The two pools are unitised, where each investing pension scheme is allocated a number of units, according to the amount it has invested. The number of units and value of the units is recalculated on a monthly basis to reflect the changing fair value of the underlying net assets, and the investment or disinvestment of each scheme.

Commentary on each scheme's strategy in holding different proportions of return seeking and liability matching units can be found in their respective annual reports.

Commentary on the performance of these pools is set out in this report. Further information on investment strategy and risk is shown in the notes to the financial statements.

Financial developments

The Board approved the current asset allocation target for the CEIFP's Return Seeking Pool (RSP) in late 2016. The planned allocation significantly increases the Pool's diversification and reduces the volatility both in its own valuation and those of the pension schemes invested in the CEIFP.

The target is long term and will be implemented over the next ten years. The allocation to public equities will reduce from its level in 2016 of around 70% to 35% over that period. There will be a further increase in exposure to investments that rely more on contractual income and that are less liquid, such as infrastructure, various forms of debt, and private equity.

We have continued to work on the implementation of this plan in 2018 and into 2019. In particular, we have:

- Selected Cambridge Associates to manage a substantial allocation to private equity that will be equivalent to 7% of our long-term asset allocation
- Continued the CEIFP's programme of investment in infrastructure, committing to a new fund launched by EQT, with whom we are already invested, and to a new fund launched by KKR
- Appointed Generation Investment Management to manage a portfolio of sustainable public equities
- Appointed HIG Whitehorse to manage a portfolio of loans to private companies in the US
- Committed to a new fund managed by Blackstone that will take equity stakes in private equity firms (formally committed in 2019)
- Committed to a new sustainable growth private equity fund managed by Generation (formally committed in 2019)

There have not been any changes made to the Liability Matching Pool, which continues to be invested solely in corporate bonds.

Trustee's report (continued)

Financial developments (continued)

At the end of 2018, the Fund's assets were managed by 25 managers:

Fund manager	Description
Return Seeking Pool	
Acadian Asset Management	Global equities
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Group	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Bridgewater	Pooled Global Tactical Asset Allocation ("GTAA") fund
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
DIF Management	Pooled infrastructure fund
Edinburgh Partners	Global equities
EQT Infrastructure Partners	Pooled infrastructure fund
First State Investments	Pooled infrastructure fund
Generation Investment Management LLP	Global equities
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
KKR & Co. L.P.	Pooled infrastructure fund
Legal & General	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Robeco Asset Management	Global equities
Trilogy Global	Emerging market equities
T Rowe Price	Emerging market equities
Winton	Pooled GTAA fund
Liability Matching Pool	
Insight	High quality corporate bonds

Investment Performance

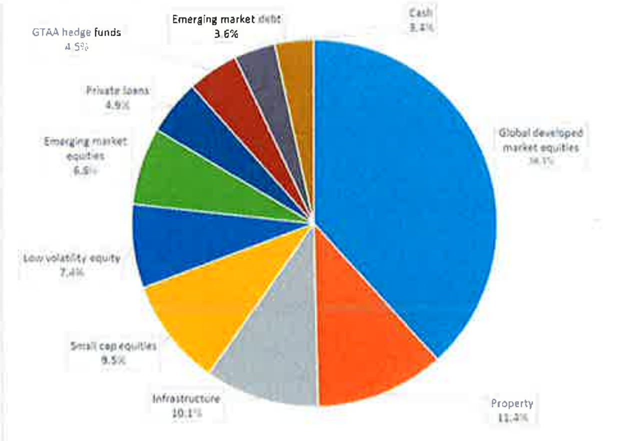
The RSP returned -2.2% (2017: +11.3%), and LMP -1.6% (2017: +4.3%), over 2018. The longer term returns of the pools to the end of 2018, after the deduction of fees, were as follows:

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.	15 yr % p.a.
Return Seeking Pool	-2.2	9.0	7.6	9.4	7.9
Liability Matching Pool	-1.6	4.5	6.1	7.1	7.2

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Return Seeking Pool

At the year end, the asset mix of the RSP's investments was as follows:



Trustee's report (continued)

Investment Performance (continued)

The longer term returns to 31 December 2018 of the broad asset classes invested in by the RSP are set out below. All figures are net of fund management fees, and asset class returns are shown in Sterling terms, with the effect of the currency hedging programme shown separately:

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
Return Seeking Pool overall return	**-2.2**	**9.0**	**7.6**	**9.4**	**7.3**
Public equities	-6.9	9.5	8.2	9.6	7.7
Property	10.7	8.9	10.6	8.1	-
Global tactical asset allocation	4.2	3.3	5.1	-	-
Infrastructure equity	7.5	14.0	8.9	-	-
Fixed income (emerging market sovereign debt and private debt)	11.5	12.8	-	-	-
Currency hedging programme (estimated effect)	-2.2	-1.0	-0.8	-0.3	-
Comparators					
UK RPI	*2.7*	*3.1*	*2.4*	*3.0*	*3.0*
FTSE 100	*-8.7*	*6.7*	*3.9*	*8.3*	*6.6*
MSCI AC World Index (local currency)	*-3.8*	*11.9*	*9.9*	*10.8*	*8.6*
FTSE Over 5-year Index Linked Gilts	*-0.4*	*9.2*	*9.3*	*8.4*	*7.8*

Equity market returns were disappointing last year, with the FTSE 100 returning -8.7% and the MSCI World -3.8%. The declines happened chiefly in the fourth quarter, although volatility had been higher than in recent years throughout 2018. The first quarter of 2019 saw a significant rally in share prices globally.

The Return Seeking Pool had just over 60% of its assets invested in public equities at the end of 2018. There was only a small direct exposure to UK-quoted companies in the portfolio at the end of the year (about 6%), with the gradual switch to a global emphasis that took place in previous years continuing to help returns. However, the Pool also had positions in Global small cap and emerging market equities, which fared badly, returning -10.1% and -9.8% respectively over the year, and therefore impacted negatively on the Pool's returns.

The alternatives to public equities, in particular property, infrastructure equity, private loans and emerging market debt, all performed well.

Sterling weakened against a basket of Yen, Euro and US Dollar over the year. The Pool was a net beneficiary of that weakness, having a global investment strategy, but the Board has a prudent policy of hedging half the exposures to those currencies and, consequently, some return was dissipated. We estimate this negative effect to have been equivalent to 2.2% of the Pool's value over the year.

The Board's pension scheme liabilities are denominated in Sterling, so a prudent stance on currency is taken to diminish the impact of Sterling strengthening against other currencies. Currently, half the Yen, Euro and US Dollar exposures in public equity, infrastructure and property are hedged back to Sterling, along with all of the US Dollar exposure in private loans. The currency exposures in the emerging market sovereign debt portfolio are managed actively by Colchester, as part of its mandate.

The Board invests in-line with an agreed ethical investment policy, which prohibits certain types of investment. Over the course of 2018, we estimate that these policies had a positive impact on our returns, with the difference between the return of the MSCI World Index and the ethically adjusted version of that index, used by our passive equity tracker, being 1.3% over the year. Over the last five years, the ethically adjusted index has returned 0.35% p.a. more than the unadjusted base index.

Liability Matching Pool

At the year end and throughout the year, 100% of the assets were held in corporate bonds.

The longer term returns to 31 December 2018 are set out below (all figures are net of fund management fees):

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
Liability Matching Pool	**-1.6**	**4.5**	**6.1**	**7.1**	**7.2**
Comparator					
FTSE Over 5 yr Index Linked Gilts	*-0.4*	*9.2*	*9.3*	*8.4*	*7.8*

Investment management

The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

Trustee's report (continued)

Investment management (continued)

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for each of the schemes participating in the CEIFP by the Trustee. These incorporate the investment strategy for each scheme and are supported by documents that set out how the investment strategy is implemented. Copies of the SIPs may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Management and custody of investments

The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Fund's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments.

Management charges

Each manager charges fees based on the value of the funds it is managing. In 2018 these fees (including those charged by Northern Trust as custodian) were £8.0m (2017: £6.1m). This equated to 0.39% (2017: 0.30%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

Approval

The Trustee's Report and Statement of Trustee's Responsibilities set out on page 5 were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather
Chairman

Statement of Trustee's Responsibilities

In respect of the financial statements

The Church of England Pensions Board is Trustee of The Church of England Investment Fund for Pensions.

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. The Trustee is responsible for ensuring that those financial statements:

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;

- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and

- comply with the requirements of the Trust Deed dated 18 September 1985.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Independent Auditors' report to the Trustee of The Church of England Investment Fund for Pensions and the General Synod of the Church of England

Report on the audit of the financial statements

Opinion

In our opinion, The Church of England Investment Fund for Pensions (the "Fund") financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of net assets attributable to unit holders as at 31 December 2018; the Statement of total return, and Statement of changes in net assets attributable to unit holders for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Fund, its operations and the other organisations on which it depends, and the wider economy.

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they give a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' report to Trustee of The Church of England Investment Fund for Pensions and the General Synod of the Church of England (continued)

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with the Clergy Pensions Measure 1961 and the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
25/6/2019

Statement of total return for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Change in market value of investments	6	(85,798)	159,527
Change in market value of investment cash and other investment balances	6	225	3,300
Total change in market value		(85,573)	162,827
Income	4	51,938	43,487
Expenses	5	(8,020)	(6,066)
Changes in net assets attributable to unit holders from investment activities		(41,655)	200,248

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Opening net assets attributable to unit holders		2,055,373	1,846,774
Amounts receivable on issue of units	11	37,339	44,675
Amounts payable on cancellation of units	11	(9,989)	(36,324)
Net assets before change from investment activities		2,082,723	1,855,125
Changes in net assets attributable to unit holders from investment activities	11	(41,655)	200,248
Closing net assets attributable to unit holders		2,041,068	2,055,373

Statement of net assets attributable to unit holders as at 31 December 2018

	Notes	2018 £000	2017 £000
Investment assets			
Equities	6	1,194,151	1,271,956
Bonds	6	138,937	139,039
Pooled investment vehicles	6	593,746	463,667
Derivative contracts	8	506	5,729
Other investments	6	270	-
Investment cash	6	121,458	120,760
Loan to the CEFPS	6	-	48,721
Other investment balances	6	22,107	9,393
Total assets		2,071,175	2,059,265
Investment liabilities			
Other investments	6	(141)	(184)
Derivative contracts	8	(23,893)	(669)
Investment cash	6	(1,131)	(313)
Other investment balances	6	(4,942)	(2,726)
Total investment liabilities		(30,107)	(3,892)
Total net assets attributable to unit holders	11	2,041,068	2,055,373
Participants' funds	11		
The Church of England Funded Pensions Scheme		1,580,262	1,582,405
Clergy (Widows and Dependants) Pensions Fund		-	-
The Church Workers Pensions Fund		371,203	382,984
The Church Administrators Pensions Fund		89,603	89,984
Total participants' funds		2,041,068	2,055,373

The notes 1 to 13 form part of these financial statements.

These financial statements were approved by the Trustee on 25 June 2019 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status

The Church of England Investment Fund for Pensions ("CEIFP" or the "Fund") is not a pension scheme nor a corporate body in its own right. It was established in 1985 by the Church of England Pensions Board as a vehicle to pool the investments of the four pension schemes of which it is also Trustee, in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled.

2. Basis of preparation

The individual financial statements of the Fund have been prepared in accordance Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) (the "SORP") insofar as they relate to common investment funds. In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on the financial statements, however it will require certain additions to or amendments of disclosures in the financial statements.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Income and expenditure

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest. Income from bonds, cash and short term deposits is accounted for on the accruals basis and includes income bought and sold on purchases and sales of bonds.

Where the Fund can separately identify investment managers' fees, these are accounted for on an accruals basis. Fees on pooled funds are not separately identifiable and so are not shown within expenditure.

Withholding taxes are included in investment income and are accrued on the same basis. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Transactions costs are included in the cost of purchases and sales proceeds. These include fees, commissions, stamp duty and other fees.

b) Investment valuation

Investment assets and liabilities are measured at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

Where an active market is unavailable, the Trustee adopt valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

- **Equities**
  - Quoted equities which are trading on an active market are included at the quoted price which is usually bid price.
  - Unquoted equities are valued with reference to the latest dealing prices, valuations from reliable sources or net asset values.

- **Bonds** are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in current assets.

- **Pooled investment vehicles** which are not traded on an active market have their fair value estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

- **Derivatives**
  - **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was matched at the balance sheet date with an equal and opposite contract.
  - **Futures contracts** are valued at the difference between exchange settlement prices and inception prices.

c) Foreign currencies

The Fund's functional currency and presentational currency is pounds sterling.

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

d) Unitisation

The two pools are revalued at the end of each month. The fund value is allocated between the unit holders according to their net accumulated unit holdings. New units are allocated on receipt of cash from unit holders at the unit price at the end of the preceding month. Units are cancelled on withdrawal of cash by unit holders at the unit price at the end of the preceding month.

Notes to the financial statements (continued)

4 Income

	2018	2017
	£000	£000
Equities	30,818	26,074
Bonds	7,521	7,409
Pooled investment vehicles	12,677	9,723
Cash and Cash equivalents	587	259
Interest from loan to the CEFPS	335	22
Total income	51,938	43,487

5 Expenses

	2018	2017
	£000	£000
Investment managers' fees	8,020	6,066
Total expenditure	8,020	6,066

The Fund bears investment management expenses charged by the investment managers and custodians. Administration costs (including external audit fees) incurred by the Church of England Pensions Board in relation to the CEIFP are borne by the member schemes and are included in the administration expenses in the schemes' own financial statements.

6 Investments

	At 1 January	Purchases and derivative payments	Disposals and derivative receipts	Change in market value	At 31 December
	£000	£000	£000	£000	£000
Equities	1,271,956	635,297	(636,525)	(76,577)	1,194,151
Bonds	139,039	25,036	(19,401)	(5,737)	138,937
Pooled investment vehicles	463,667	173,595	(87,594)	44,078	593,746
Other investments	(184)	7,047	(6,731)	(3)	129
Net derivative contracts (note 8)	5,060	53,997	(34,885)	(47,559)	(23,387)
	1,879,538	894,972	(785,136)	(85,798)	1,903,576
Investment cash	120,447			222	120,327
Loan to the CEFPS*	48,721			-	-
Other investment balances~	6,667			3	17,165
Total investments	2,055,373			(85,573)	2,041,068

Analysed between:

	At 1 January	At 31 December
Investment assets	2,059,265	2,071,175
Investment liabilities	(3,892)	(30,107)
Total investments	2,055,373	2,041,068

* See note 13 for more information.

~ Other investment balances include accrued income, pending sales debtors and pending purchases creditors.

a) Transaction costs

Transaction costs are included in the costs of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred attributable to key asset classes are analysed as follows:

	2018			2017		
	Commission	Other charges	**Total**	Commission	Other charges	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Equities	470	170	**640**	456	177	**633**
	470	170	**640**	456	177	**633**

Indirect transaction costs are also borne by the Fund through the bid-offer spread on pooled investment vehicles and charges made within these vehicles. It is not possible for the Trustee to quantify such indirect transaction costs.

Notes to the financial statements (continued)

6 Investments (continued)

b) Pooled investment vehicles

	2018	2017
	£000	£000
Equities	2,178	1,112
Property	218,348	188,107
Cash	22,515	9,537
Hedge funds	89,053	83,731
Infrastructure	165,929	108,985
Private debt	95,723	72,195
Total pooled investment vehicles	593,746	463,667

7 Investment analysis

Investments of over 5% of net assets

The Fund holds one investment of over 5% of net assets, representing 5.48% of net assets (2017: none).

	2018
	£000
CBRE GIP GA Fund Class III Dis	111,862
	111,862

Employer related investments

There were no employer related investments as at 31 December 2018 (2017: none).

8 Derivatives

	2018			2017		
	Assets	Liabilities	**Total**	Assets	Liabilities	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	219	(4,362)	**(4,143)**	621	(113)	**508**
Futures – bonds	77	(208)	**(131)**	92	(9)	**83**
Forward foreign currency contracts	210	(19,323)	**(19,113)**	5,016	(547)	**4,469**
Total derivatives	506	(23,893)	**(23,387)**	5,729	(669)	**5,060**

Objectives and policies for holding derivatives

The Trustee has authorised its investment managers to use derivative financial instruments in line with the investment strategy as outlined in the Trustee's report: *Futures are used where the Fund has high cash reserves and are measured against the strategic asset allocation. Futures are used to take short term exposures in markets or asset classes where it is more efficient than transacting in the underlying physical assets. Investment managers may take short or long positions to achieve their objectives.*

Forwards are used to mitigate currency risk by hedging 50% of equities assets denominated in US Dollar, Japanese Yen and Euro. They are also used actively in the emerging market sovereign debt portfolio to enhance returns.

a) Futures

The Fund had open futures contracts at year end, as summarised below:

	2018			2017		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*5,061*	-	(79)	*2,902*	92	-
Equities futures: Overseas	*78,622*	219	(4,283)	*41,625*	529	(113)
Total equities futures	***83,683***	**219**	**(4,362)**	***44,527***	**621**	**(113)**
Bonds: UK	*8,252*	77	-	*8,386*	61	-
Bonds: Overseas	*(6,479)*	-	(208)	*(6,055)*	31	(9)
Total bonds futures	***1,773***	**77**	**(208)**	***2,331***	**92**	**(9)**

All contracts have expiry dates of three months after the year end. Included within other investment balances is an asset of £11,909,000 (2017: £2,771,000) in respect of initial and variation margins arising on futures contract open at the year end.

Notes to the financial statements (continued)

8 Derivatives (continued)

b) Forwards foreign currency contracts

The Fund holds investments in a number of foreign currencies and its policy is to hedge within agreed limits, to offset the impact of foreign currency fluctuations.

At the end of the year, the Fund had the following open forward contracts in place:

Contract	Number of open contracts	Nominal value	Assets at 31 December 2018	Liabilities at 31 December 2018
			£000	£000
US Dollar				
Forward to buy US Dollars	17	$23,295,996	72	(72)
Forward to sell US Dollars	8	$533,216,883	-	(15,317)
Euros				
Forward to buy Euros	6	€1,284,000	-	(2)
Forward to sell Euros	5	€126,948,551	-	(632)
Japanese Yen				
Forward to buy Japanese Yen	7	¥219,005,037	15	-
Forward to sell Japanese Yen	3	¥54,056,048	-	(3,283)
Other currencies				
Forward to buy other currencies	24		110	(10)
Forward to sell other currencies	11		13	(7)
			210	(19,323)

All contracts had maturity dates falling between 4 January 2019 and 14 March 2019.

9 Fair value hierarchy

The fair value of investments has been determined using the following hierarchy:

Level 1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
Level 2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3	Inputs are unobservable, ie for which market data is unavailable

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2018:

Level	**1**	**2**	**3**	**Total 2018**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,193,409	-	742	**1,194,151**
Bonds	-	135,820	3,117	**138,937**
Pooled investment vehicles	24,694	218,348	350,704	**593,746**
Other investments	-	-	129	**129**
Derivatives contracts	(4,274)	(19,113)	-	**(23,387)**
Investment cash	120,327	-	-	**120,327**
Loan to the CEFPS	-	-	-	-
Other investment balances	7,214	9,951	-	**17,165**
Total Investments	1,341,370	345,006	354,692	**2,041,068**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2018**
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,340,790	273,000	354,016	**1,967,806**
Liability Matching Pool	580	72,006	676	**73,262**
Total investments	1,341,370	345,006	354,692	**2,041,068**

Notes to the financial statements (continued)

9 Fair value hierarchy (continued)

The Fund's investment assets and liabilities have been included at fair value within these categories as follows as at 31 December 2017:

Level	1	2	3	Total 2017
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,271,956	-	-	**1,271,956**
Bonds	-	134,985	4,054	**139,039**
Pooled investment vehicles	24,008	165,655	274,004	**463,667**
Other investments	-	-	(184)	**(184)**
Derivatives contracts	591	4,469	-	**5,060**
Investment cash	120,447	-	-	**120,447**
Loan to the CEFPS	48,721	-	-	**48,721**
Other investment balances	5,499	1,168	-	**6,667**
Total investments	1,471,222	306,277	277,874	**2,055,373**

Analysed by pool:

Level	1	2	3	Total 2017
	£000	**£000**	**£000**	**£000**
Return Seeking Pool	1,468,620	234,460	277,874	**1,980,954**
Liability Matching Pool	2,602	71,817	-	**74,419**
Total investments	1,471,222	306,277	277,874	**2,055,373**

Infrastructure, Private debt and Hedge funds included in Level 3 are fair valued based on values estimated by underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

10 Investment risk disclosures

The investment objective of the Fund is to maintain an investment portfolio with appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable by the member Schemes. FRS 102 requires the disclosure of information in relation credit and market risk:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy as described in the Trustee's Report which is determined after taking advice from professional investment advisors. The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers.

The Trustee has investment management agreements in place with a range of managers, detailed in the professional advisors list in Appendix 1. The agreements set out the guidelines for the underlying investments held and the day to day management is the responsibility of the manager, including direct management of credit and market risks.

The Trustee monitors the investment managers through day to day monitoring of the portfolios and annual meetings. In addition, the Trustee performs due diligence procedures before taking on a new investment manager.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

The table below summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Market risk			**Total**	Total
		Currency	Interest rate	Other price	**2018**	2017
					£000	£000
Equities	○	◑	○	●	1,194,151	1,271,956
Bonds	●	◑	●	●	138,937	139,039
Pooled investment vehicles	◑	◑	◑	◑	593,746	463,667
Other investments (net)	●	◑	○	○	129	(184)
Derivatives contracts (net)	●	◑	◑	◑	(23,387)	5,060
Investment cash	●	◑	○	○	120,327	120,447
Loan to the CEFPS	◑	○	○	○	-	48,721
Other investment balances	●	◑	○	○	17,165	6,667
Total investments					2,041,068	2,055,373

In the table above, the risk noted affects the asset class [●] significantly, [◑] partially or [O] hardly / not at all.

Investment strategy

The Trustee determines the investment strategy after taking advice from a professional investment advisor.

The Fund's two investment pools are unitised: a return seeking pool and liability matching pool. The proportion of units held by each member scheme is dependent on the individual requirements of each of the schemes. Investment risks are discussed in more detail in each Scheme's annual report and financial statements.

The Return Seeking Pool exists to ensure sufficiency of assets to pay benefits as they fall due. This portfolio is comprised of UK and overseas equities, corporate bonds, investment property, equity futures, and infrastructure investments.

The Liability Matching Pool's strategy is to ensure that the participating schemes can meet their liabilities as they fall due and invests in a portfolio of corporate bonds.

Credit Risk

The Fund is subject to credit risk through its investments in bonds, forward currency contracts, and cash balances. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

	2018	**2017**
	£000	**£000**
Bonds	138,937	139,039
Pooled investment vehicles	593,746	463,667
Derivatives: forwards	210	5,016
Investment cash	120,327	120,447
Total investments exposed to credit risk	853,220	728,169

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's. There are currently no investments held below investment grade.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade.

The Trustee manages the associated risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by one issuer. Credit risk is mitigated on other investments by engaging with counterparties which are at least investment grade.

Credit risk arises on over the counter derivatives as they are not guaranteed by a regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. There are collateral arrangements for these contracts but all counterparties must be at least investment grade.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

Cash is held with financial institutions which are at least investment grade credit rated.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

Currency Risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee has decided to partly mitigate this risk by using a currency hedging strategy over half the exposure to the USD, Japanese Yen and Euro equities, and all the US Dollar exposure of private debt, using forward currency contracts.

The Fund's total net exposure by major currency at the year end was as follows:

	Gross exposure £000	Hedged £000	**Net exposure 2018 £000**	**Net exposure 2017 £000**
Pounds sterling	380,367	727,008	**1,107,375**	**916,522**
US Dollars	944,969	(545,782)	**399,187**	**570,299**
Euros	316,016	(125,719)	**190,297**	**149,290**
Japanese Yen	95,818	(55,593)	**40,225**	**85,711**
Other currencies	323,011	86	**323,097**	**329,082**
Total investments (excluding forwards)	2,060,181	-	**2,060,181**	**2,050,904**
Forwards	(19,113)	-	**(19,113)**	**4,469**
Total investments	2,041,068	-	**2,041,068**	**2,055,373**

Interest rate risk

The Fund is subject to interest rate risk due to its bond investments in both the Return Seeking Pool and, primarily, Liability Matching Pool. If interest rates fall, the value of the bonds will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly if interest rates rise the values of the bonds will fall, as will the actuarial liabilities because of an increase in discount rate.

Other price risk

The Fund's return seeking portfolio is subject to price risk which principally relates to direct and indirect equity holdings, bonds, equity futures and investment properties. The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Property and infrastructure pooled investment vehicles are illiquid and that is reflected in the structures and liquidity of funds that invest in them. Some of the funds held by the Fund are open-ended, where the manager will redeem within shorter pre-agreed timeframes, but most are closed-end and redemption will normally only happen when the funds are wound up at the end of their pre-agreed lives. The Fund's closed-end funds have a range of maturities. Units in both types of fund can be traded between investors privately, but this is rare and managers generally have veto over such transactions.

Private debt is illiquid, with funds becoming available when the underlying debt instruments mature. The instruments vary in maturity date, but usually mature within the next five years, giving access to the funds within a reasonable timeframe. There is unlikely to be a liquid secondary market for these debt instruments.

11. Member schemes' participation

The Fund has two pools, the Return Seeking Pool consisting mostly of equities, bonds, pooled investment vehicles and cash, and the Liability Matching Pool consisting mostly of corporate bonds.

Unitisation is the process of allocating units in the CEIFP to its participant member. The participant pension schemes purchase or dispose of CEIFP units in accordance with their operational requirements. The pricing of units is carried out by Northern Trust who also prepare monthly unitisation reports showing each participant's holdings in the CEIFP and transactions during the period.

The tables below show the movements in participants' holding in each of the two pools:

Return Seeking Pool:

	At 1 January 2018 £000	**Amounts receivable on issue of units £000**	**Amounts payable on cancellation of units £000**	**Change in net assets from investment activities £000**	**At 31 December 2018 £000**
The Church of England Funded Pensions Scheme	1,526,451	30,100	-	(31,373)	**1,525,178**
Clergy (Widows and Dependants) Pensions Fund	-	-	-	-	-
The Church Workers Pension Fund					
Pension Builder 2014	14,056	4,406	-	(452)	**18,010**
Pension Builder Classic	97,474	1,433	-	(1,991)	**96,916**
Defined Benefit Scheme – Employer section	199,637	-	(9,063)	(3,506)	**187,068**
Defined Benefit Scheme – Life Risk section	63,832	-	(926)	(1,558)	**61,348**
The Church Workers Pension Fund	374,999	5,839	(9,989)	(7,507)	**363,342**
The Church Administrators Pension Fund	79,504	1,400	-	(1,618)	**79,286**
Total Return Seeking Pool	1,980,954	37,339	(9,989)	(40,498)	**1,967,806**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Liability Matching Pool:

	At 1 January 2018	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2018
	£000	£000	£000	£000	£000
The Church of England Funded Pensions Scheme	55,954	-	-	(870)	**55,084**
Clergy (Widows & Dependants) Pension Fund	-	-	-	-	-
The Church Workers Pension Fund					
Pension Builder 2014	-	-	-	-	-
Pension Builder Classic	6,944	-	-	(108)	**6,836**
Defined Benefit Scheme – Life Risk section	1,041	-	-	(16)	**1,025**
The Church Workers Pension Fund	7,985	-	-	(124)	**7,861**
The Church Administrators Pension Fund	10,480	-	-	(163)	**10,317**
Total Liability Matching Pool	74,419	-	-	(1,157)	**73,262**
Total net assets	2,055,373	37,339	(9,989)	(41,655)	**2,041,068**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2018 (2017: nil).

As at 31 December 2018, the Board had made the following commitments

	2018	2017
	£m	£m
Equities	-	13.3
Pooled investment vehicles (property)	-	1.5
Pooled investment vehicles (infrastructure)	242.9	119.6
Pooled investment vehicles (private debt)	66.3	-
Total commitments	309.2	134.4

13. Related party transactions

Four Board members (2017: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

The Fund loaned £48.7m to the CEFPS on 23 November 2017. The unsecured loan was agreed on commercial terms: interest was payable on the last business day of each month at a rate equal to the Northern Trust Global Liquidity Funds sterling rate plus 5 basis points and the loan was repayable on demand at 24 hours notice. The loan was repaid on 14 June 2018. The Trustee took legal advice and can confirm the loan's purpose was to provide temporary liquidity, in compliance with Regulation 5(2) of the Occupational Pensions Schemes (Investment) Regulations 2005.