

Annual Review 2020

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



Welcome

The Pensions Board provides retirement services for people who work or minister for the Church. This review highlights the work of the Board in 2020.



2020 has been profoundly marked by the impact of the coronavirus pandemic. For many of our customers, members, Church colleagues and staff, this year has been very difficult.

Throughout the year we have worked hard to ensure the safety and continuity of key services. Office-based staff made a rapid transition to homeworking, supported by secure IT systems. Pensions and Housing helplines have operated with minimal disruption. Housing activities concentrated on essential maintenance, resident wellbeing during lockdown, and assisting those within 18 months of retirement.

Despite volatile investment markets, total assets returned over 9% in 2020, with the portfolio benefitting from diversification across asset classes and a long-term approach. This in turn has meant that the funding level for our largest scheme – the Clergy scheme – has held up well. Meanwhile, statutory valuations of the other two pension schemes (CAPF and CWPF) were substantially completed in the year, with long-term strategies agreed for both defined benefit schemes. We are grateful for the engagement of participating employers to achieve this.

Even amid the pandemic, we have continued to make good progress on our strategic priorities: to simplify; to become less financially reliant on the wider Church; and to engage in great conversations with those we serve and companies in which we invest.

We put forward important proposals to simplify and reduce the cost of the Board's governance arrangements and bring us into line with good practice externally. These proposals have been subject to an extensive formal consultation and are due to be discussed at General Synod in 2021. Work also started on two major systems projects in housing and pensions to automate more of our core processes and enable better services through new online tools for customers and staff.







As part of our commitment to climate transition, we launched the FTSE TPI Climate Transition Index (allocating around £800m to this), and co-created a new global Net Zero Investment Framework for pension funds. As the Church's lead on extractives, we worked with other investors, the UN and the mining industry to establish a global standard on mining safety. These are world firsts, reflecting our ambition that members should be able to retire well, confident that their pension funds are invested sustainably and in ways that are helping make a better world.

Even through such a trying year, it remains our deep privilege and joy to serve those who work and minister for the Church of England. Looking forward we are determined to continue to press ahead with our strategic priorities, supporting the vision for a simpler, bolder, humbler Church.



Strategic view of the year

A drive to simplify, reduce costs and continue to improve our offer – for customers, beneficiaries, and the Church as a whole – runs through everything we do. This is reflected in our six strategic objectives and our delivery plans.

OUR OBJECTIVES	2020 HIGHLIGHTS			KEY PRIORITIES FOR 2021		
 Demonstrate leadership in ethical and responsible investment	The assets of the pension schemes returned over 9% on average despite a turbulent year for markets.*	Launched the FTSE TPI Climate Transition Index and allocated c.£800m to it.	Launched the first global safety standard on tailings dams, supported by the UN and leading mining companies.	Continue to evolve our investment strategy to optimise risk and returns, including in the light of Covid-19.	Co-lead the next phase of CA100+ engagement to develop net zero pathways for key sectors, e.g. steel, cement and power.	Create a 2030 vision for a reformed mining sector and establish a new independent Institute on Tailings Dams.
 Effective and efficient delivery of our pension schemes	Successfully completed the triennial valuation of the CAPF scheme, agreeing a long-term journey plan.	Great engagement with employers and substantial progress on the CWPf triennial valuation – our most complex scheme.	Managed the transition to working from home – with customers still receiving a good service.	Conclude CWPf scheme valuation (statutory deadline of 31 March 2021).	Start to roll out online pensions access ('member web') to active and deferred members.	Look ahead to the next valuation of the Clergy scheme (CEFPS), starting engagement with responsible bodies.
 Quality housing and charitable services that our customers and funders value	Strong focus on customer wellbeing and safety – adapting plans and services to reflect national and local Covid-19 guidance.	Maintained compliance on essential property safety checks.	In 2020, almost 260 customers accessed our welfare advice service.	Implement a new Housing Management system and a simpler approach to discretionary charitable grants.	Get in touch with clergy c.5 years from retirement to understand housing needs.	Further develop our property asset strategy, including surveys and taking steps forward on net zero.
 Understand what matters most to our customers	Achieved customer satisfaction scores at 8 out of 10 or above for all services, despite the switch to remote working.	Proactive and timely communication to customers and Church bodies on our Covid-19 response.	Continued improvements to customer information e.g. new housing web pages and better online guides.	Continue to adapt services in response to the evolving pandemic.	Continue to adapt to the changing needs of our customers and the wider Church.	Expand our customer experience research and monitoring, including best practice benchmarking.
 Model good governance and stewardship	Extensive consultation on the Legislative Reform order to simplify the Board's governance.	Business continuity plan activated for Covid-19 response.	Replanned work programme in light of Covid-19.	With the permission of Synod, implement new and simpler Board governance arrangements.	Continued focus on diversity of appointments and experience at Board/Committee level.	
 Create a great place to work for all our teams	Supporting staff wellbeing through the pandemic through formal and informal means.	Invested in new IT kit to support individuals with remote working.	Continued to support individuals in studying for Associate Membership of the Pensions Management Institute.	Refresher training programme across a range of areas, plus professional development and mentoring opportunities.	Adapt ways of working, drawing on the lessons from 2020.	

Our pension schemes have over

41,000

members (25,000 clergy, and over 16,000 others)

Around

700

Church of England employers participate in our pension schemes

Our pensions investments total more than

£3bn

across all schemes

We serve more than

2,700

people through our housing and charitable services

* Provisional results and subject to audit.



Over 41,000 people rely on us for their pensions, with around 700 Church of England organisations participating in our schemes.

Pensions



The Pensions Board is Trustee of three regulated pension schemes, and our members serve in many different roles for the Church:

Church of England Funded Pension Scheme (CEFPS)
Provides pensions and benefits for clergy and others in ministry, for service from January 1998. Benefits earned before 1998 are provided by the Church Commissioners.

Church Workers Pension Fund (CWPF)
Provides pensions for the staff of employers linked to the ministry and mission of the Church of England. Over the last few years, this has been the fastest growing scheme as parishes and other church organisations choose to join CWPF, to offer qualifying employees a pension scheme that meets auto-enrolment standards and has excellent ethical credentials.

Church Administrators Pension Fund (CAPF)
Provides pensions for the staff of the National Church Institutions. The fund has two sections – a defined benefits section which closed to new entrants in 2006, and a defined contribution section.

With the onset of the pandemic, we deployed tried and tested business continuity plans to move our entire team to homeworking using secure systems. We also deployed additional IT kit, enabling the helplines to maintain a good level of service to our members and participating employers.

We worked successfully with employers, other national church bodies, and our professional advisers to monitor the financial implications of the pandemic and any pressure on the covenants backing the schemes. For some employers, this year has been very difficult. However, pension contributions have been maintained throughout 2020.

As part of a drive for simplification, we conducted the statutory valuations of CAPF and CWPF in parallel, based on a 31 December 2019 valuation date, and with careful consideration of The Pension Regulator’s coronavirus guidance. Both schemes will have been affected by changes in market conditions post the valuation dates; this is being monitored carefully.

The CAPF valuation concluded in the year. The estimated deficit reduced to £9m (from £13m in 2017) at the valuation date, with deficit recovery contributions

continuing to late 2023. As part of the valuation, a long-term funding target and de-risking strategy was agreed.

The CWPF valuation is on course for completion by the statutory deadline of 31 March 2021. This is a complex piece of work across three sections and hundreds of employers.

- The Defined Benefit section benefitted from extensive engagement with employers before and during the valuation. A reduced overall deficit of £11m as at the valuation date is expected (down from £26m in 2016). Where required, recovery plans are being agreed.
- The Pension Builder Classic section also showed a deficit, meaning that, while pension increases continue to be paid according to scheme rules, discretionary bonuses could not be applied.
- The Pension Builder 2014 section continues to perform well, with discretionary bonuses applied in all but one year since it was established.

Despite the pandemic, excellent progress was made on an IT upgrade to deliver new functionality for members and employers during 2021.

OUR WORK IN ACTION

INTRODUCING MEMBER WEB

The Pensions team is halfway through a two-year project to upgrade our administration system. It will improve how we provide our service to members and participating employers, using online tools.

We are planning to release a member web service in 2021. This will allow members and pensioners to access their records through a secure

portal. They will be able to communicate directly with us and view correspondence online. This has environmental benefits, reducing paperwork, and administration costs. It will also improve our response times to member queries. Over the coming years, we will extend this web service, eventually enabling members to manage their pensions directly and even ‘retire online’.

We are also making improvements to our system to benefit employers. In 2021, we will make changes to how we collect contributions for the Church Workers Pension Fund using new system functionality. This is an important step in continuing to simplify how we work, reducing the work involved for employers and the Board in running our pension schemes.



The Board is committed to managing its funds in a way that reflects the Church's teaching and values, using our voice, alongside other investors, to drive change in the world. We are the only pension provider offering schemes that fully comply with the Church of England's ethical investment policies.

Investments



BRUMADINHO, BRAZIL: 270 people lost their lives in the tailings dam disaster. An investor coalition led by the Board is working to change culture and standards in the mining industry.

Climate change is one of the biggest risks investors face. Both an ethical and financial issue, it remains a major focus of our engagement with companies, and shapes our investment approach.

We continue to co-chair the Transition Pathway Initiative (TPI) with the Environment Agency Pension Fund. TPI offers investors a robust approach to assessing companies' preparedness for transition to a low-carbon economy, and is backed by 93 investors with over \$22tn in assets under management. In 2020, insights from TPI were embedded within a new market index – the FTSE TPI Climate Transition Index. Developed with FTSE Russell and the London School of Economics Grantham Research Institute on Climate Change and the Environment, this index is the first in the world to consider what targets a company has (or has not) set in support of the goals of the Paris Agreement, adjusting investment in those companies accordingly. By the end of 2020, the Board had over £800m of investments allocated to the index. The development of the index was recognised as 'ESG Incorporation Initiative of the Year' by the UN-backed Principles for Responsible Investment (PRI), in their 2020 awards.

We collaborate with other pension funds and investors globally to collectively drive action on climate change. With Dutch Fund APG, we co-led the development of the first global Net Zero Investment Framework. This provides a practical blueprint for pension funds to tackle climate change and achieve net zero emissions by 2050 across all their investments. On behalf of the Climate Action 100+ global engagement initiative (supported by funds with \$51tn of assets) we led engagement with Royal Dutch Shell to secure the most comprehensive commitment from an oil and gas major to align to the goal of net zero.

The Board has continued to lead the Church's engagement on mining and extractives, coordinating the investor response to the Brumadinho tailings dam disaster in 2019. The first-ever global industry safety standard on tailings (waste) dams was launched in August 2020, supported by investors, the UN and the world's largest leading mining companies. At the end of 2020, a further partnership was announced between the UN, the Council on Ethics of the Swedish National Pension Funds and the Board to establish an independent international institute to implement the global tailings standard. The Mining and Tailings Safety Initiative was recognised as the most impactful investor engagement through the PRI award of 'Stewardship Project of the Year'.

We are guided in our engagement activities by the advice from the Church's Ethical Investment Advisory Group (EIAG). Ethical policies and guidance across 18 areas advise exclusions on certain kinds of investments such as tobacco, gambling, high-rate lending, or support a mixture of ethical exclusions alongside engagement to change company behaviour.

In our policies and engagement with companies, we coordinate closely with the other National Investing Bodies, the Church Commissioners and CBF Church of England Funds.

"We believe members should be able to retire well, confident that their pension funds are invested sustainably and in ways that are helping to make a better world."

KEY HIGHLIGHTS

Engaging well with companies to change corporate practice supports improved company performance and a better impact on society and the environment. Using our votes and our voice where we can in order to drive change, is all part of demonstrating good stewardship of our members' funds.

42.3%

reduction in the carbon intensity of our public equity holdings (weighted average carbon intensity: t CO2e/\$M Sales, relative to December 2019).

Voted at 2,245 company meetings, on 39,049 resolutions, across 51 different markets.

£800m

Allocated around £800m to the first market index that tracks a company's alignment to the goals of the Paris Agreement – the FTSE TPI Climate Transition Index.

380

companies assessed under TPI across 15 sectors, including airlines, manufacturing, shipping and consumer goods.

Launched the first-ever global standard on tailings (waste) dams for mining companies following the Brumadinho disaster.

OUR WORK IN ACTION

AN EXAMPLE OF OUR ENGAGEMENT

The Pensions Board together with one of our fund managers, Robeco, has led the global engagement with Royal Dutch Shell as part of Climate Action 100+.

Climate Action 100+ is a network of over 545 investors backed by US\$51tn in assets under management.

This engagement led to the first-ever joint statement between Shell and Climate Action 100+ on a number of

climate change commitments, including a commitment in 2020 to become net zero aligned. As assessed by the independent TPI tool, this is one of the most ambitious commitments to date of an oil and gas company, including a plan to stop selling fuel to customers that are not committed to net zero.

Further steps are still needed, but we are confident that industry-leading engagement is delivering tangible change in line with the Paris Agreement.

This is just one example of how partnership working can drive real change. Collaboration – with investors, asset owners or indeed companies themselves – is at the heart of our stewardship approach.

More details on our stewardship approach will be covered in the Pensions Board's first annual stewardship report, due for publication in the spring.

Our investment results

Despite a volatile year for markets, our investments performed well.

The global pandemic and accompanying response by governments and central banks, caused sharp movements in the value of our investment holdings over the course of the year.

As a pension fund, some of our assets are invested for growth, and others are invested in a less risky way to back pensions in payment. In aggregate, all assets across the fund returned 9.4% in 2020. This return compares well to the average over the past five years of 10.3% p.a.

Despite a turbulent first part of the year, our public equity portfolio recovered by December to generate returns of over 10.8%. Our other growth assets, including property and our fledgling private equity portfolio, returned just under 1.3% over 2020.

Diversifying and more stable assets also posted reasonable returns. Our diversified income pool of infrastructure and private debt recorded returns of 5.9%, and our Liability Driven Investment portfolio generated returns of just over 18.1%.

These returns were achieved not only in a difficult market environment, but also while transitioning the portfolio to

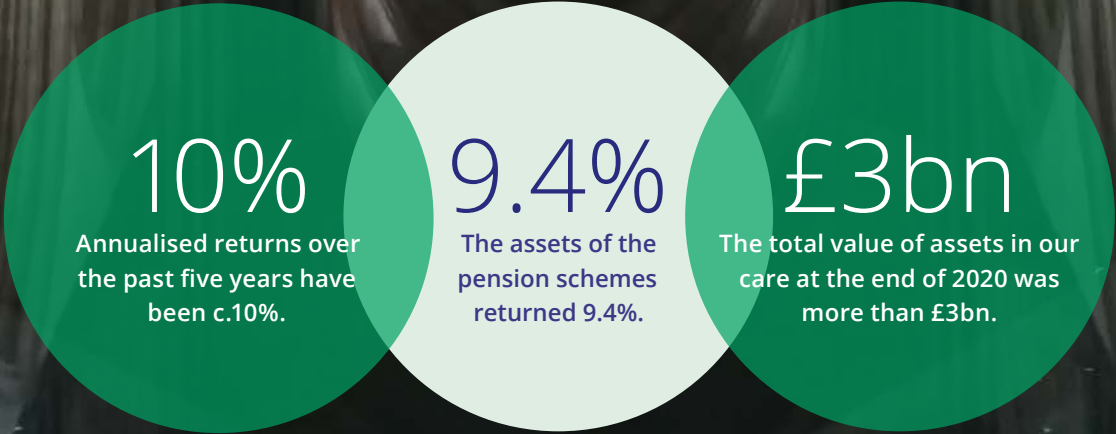
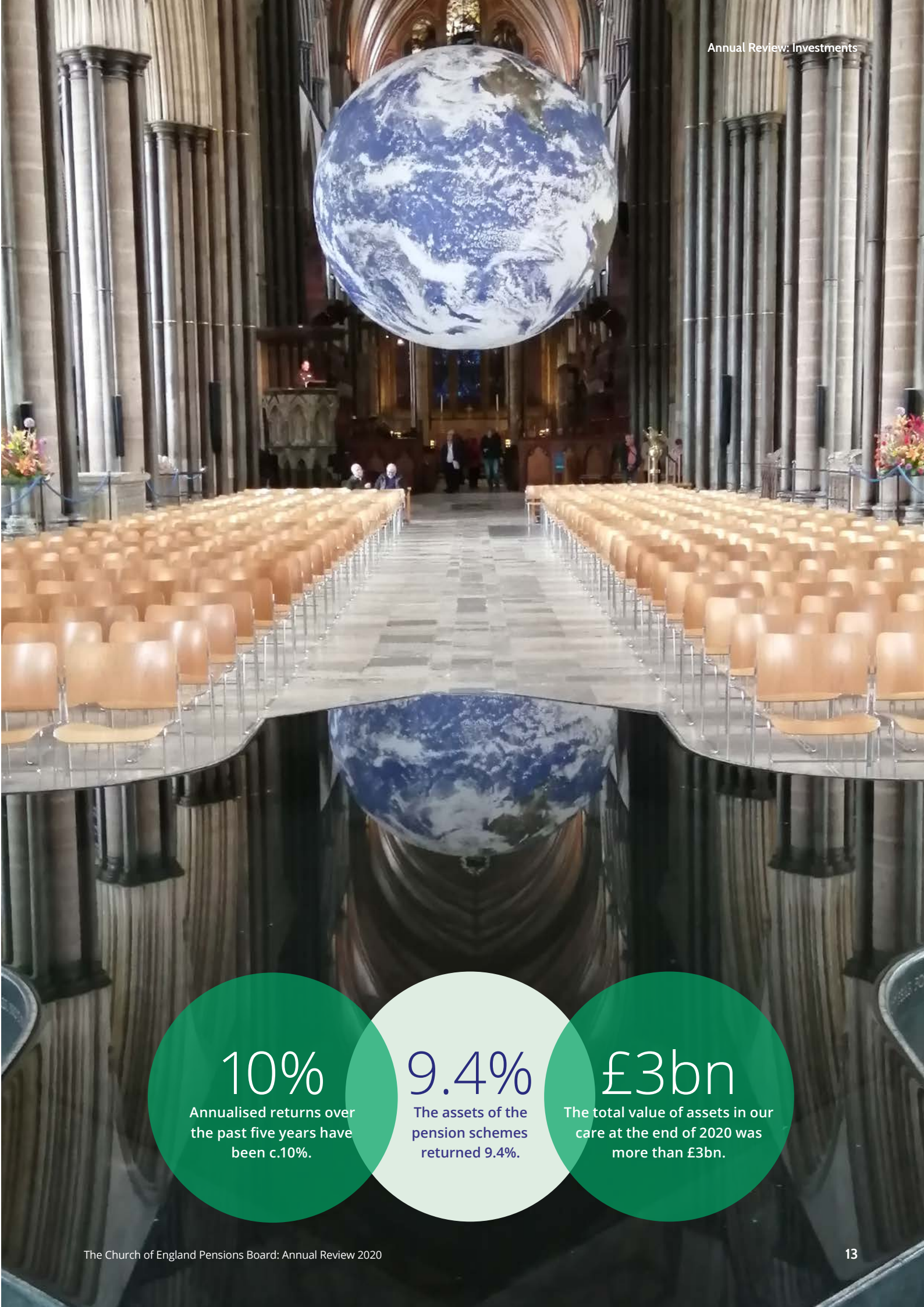
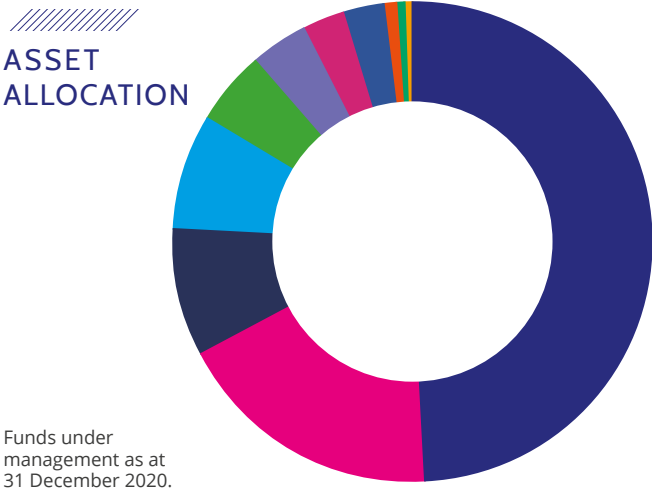
a more diversified and environmentally sustainable structure. A diversified portfolio helps to weather economic uncertainty, in turn offering more certainty to both members and employers.

We pool most of the individual pension scheme assets for investment purposes. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. The chart below shows how our assets were invested at the end of 2020.

Our long-term investment plan envisages both restructuring and reducing public equity investments as a share of the total, with further investments in private markets and other assets. We can do this because, overall, our schemes are continuing to grow and are some years from maturity. This will further diversify our growth portfolio and directly support our ethical investment agenda, by allowing us to invest in areas such as renewable energy, energy efficiency, environmental wellbeing and technology.

Further development of our asset allocation will continue throughout 2021, supported by ongoing risk analysis.

Results are provisional and subject to audit.



Housing



The Pensions Board is there to help those clergy who face a housing challenge at retirement, particularly if they have lived in housing provided with their church role during their ministry.



2,700

We have over 2,700 housing customers – our priority in 2020 has been their safety and wellbeing.

8 out of 10

We achieved an average satisfaction score of 8 out of 10 for our housing services.

260

Over the year, we supported almost 260 households through our welfare advice service by offering support to access a range of benefits and services.

SUPPORTED HOUSING:
We are grateful for the support of all our residents who, in the past year, have helped keep our schemes safe and the sense of community very much alive.

Our portfolio of 2,100 properties spans England and Wales, helping clergy secure the right home for retirement. The portfolio consists of rental, shared ownership and supported housing options, alongside a legacy mortgage scheme. 'Rental' forms the largest share, with about 1,200 homes available to let through our CHARM scheme.

Our Supported Housing schemes provide individuals with their own flat within one of seven retirement communities, offering both independence and support if needed.

We work with potential customers from the earliest stages of retirement planning (up to five years in advance), through to identifying the right property and moving in. Additionally, all our customers may access advice and support on welfare entitlements, navigating the care system, and signposting to other charities.

In 2020, our main focus has been to support our customers through the pandemic, and adapt our services to keep customers, partners and our team safe. During the national lockdown in the spring, our team reached many of our 2,700 customers by telephone to check on

their wellbeing and to offer help to access local support networks as needed. In line with Government guidance, we also temporarily paused all house moves across our portfolio. However, throughout this period, our emergency repairs service continued through Sanctuary, our maintenance contractor.

As the year went on, plans adapted as needed to changing guidance and restrictions. In the summer, non-urgent repairs, property viewings, and house moves restarted, with the right health and safety measures in place. Our team worked hard to match those closest to retirement to a suitable home. Thanks to the extraordinary commitment of staff and residents, our Supported Housing schemes remained Covid-free throughout 2020.

The pandemic has not prevented continued development and improvement of our services. Work on a new Housing Management System proceeded at pace during 2020. Once live next year, this will reduce paperwork, improve data quality and free up our team to spend more time with customers. Meanwhile, a study on carbon reduction in the housing portfolio will inform our property care plans.

OUR WORK IN ACTION

SPOTLIGHT ON SUPPORTED HOUSING

The pandemic represented an unprecedented challenge for our Supported Housing schemes.

Faced with the rapid spread of Covid-19 across the country, the team moved quickly, adapting services to protect residents and staff. 'Covid secure' workplace plans were put in place, drawing on professional advice, Government guidance and best practice.

At times we have had to restrict visits, our guest rooms have been closed, and delivery of meals to residents' own flats has had to replace communal dining. We are grateful for the support of residents, who have worked with us to not only keep the schemes safe, but also to keep the sense of community very much alive in innovative ways. By the end of the year, some of our residents had received their first vaccination.

In late 2020, we launched new web pages (www.churchofengland.org/housing) for our schemes. At a time when 'open days' cannot take place, these offer a window into what Supported Housing offers – showing the warmth and welcome of each community. We plan to do more to expand this new online profile over the coming year.

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

Our Trustees cover a diverse range of backgrounds, experience and expertise; a balance that directly supports the successful delivery of all our activities.

The members of the Board are either elected or appointed by the members and employers of the pension schemes, and other interested bodies. The Chair of the Board is appointed by the Archbishops of Canterbury and York with the approval of General Synod.

The Board normally meets five times a year, supported also by committees covering housing, pensions, investments and audit.

In 2021, with the permission of the General Synod, we plan to simplify the Board's governance structure, driving better value for all we serve, whilst retaining strong oversight of our Pension schemes and charitable services.

"I wish to put on record my gratitude to all Trustees and co-opted members of the various committees who freely give their time and expertise to the Board. I also offer special thanks to Jeremy Clack and Deb Clarke who finished their terms on the Board and Investment Committee respectively in 2020." Clive Mather

Appointed Members:

Jeremy Clack FIA (to 31 December 2020)
Canon Nicolette Fisher
Tony King
Clive Mather (Chair)
Nikesh Patel
The Revd Caroline Titley
Ian Wilson (from 1 July 2020)

Elected by the House of Laity:

Roger Boulton FIA
Canon Emma Osborne
Bill Seddon

Member Nominated Members:

The Revd Fr Paul Benfield
The Revd Nigel Bourne
The Revd Peter Ould
Susan Pope
Maggie Rodger
The Ven David Stanton
Michaela Southworth
The Rt Revd Alan Wilson

Employer Nominated Members:

Richard Hubbard
Canon Sandra Newton



THE CHURCH
OF ENGLAND

Contact details

Registered office:

Church of England Pensions Board, Church House,
29 Great Smith Street, London SW1P 3PS

Contact address:

PO Box 2026, Pershore, WR10 9BW

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



We hope you find this report informative and interesting. If you have any feedback, please email cepbfeedback@churchofengland.org. We are delighted to have feedback that helps us understand how we can serve you better.