Church Administrators Pension Fund

Annual Report and Financial Statements
31 December 2020

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Appendix 1: Ethical Investment Approach of the Church of England Pensions Board

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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 2020.

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. 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.

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 investments are principally held in 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 2.

The CEIFP has five pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, the listed credit pool containing corporate bonds, and the liquidity pool containing cash.

In 2020 the Trustee, after taking investment advice and consultation with employers, has reviewed the Scheme's weighting to each pool and adopted a de-risking methodology to ensure the assets held are best suited to the Scheme's long-term interests. See the investment strategy section and the investment risk disclosures in Appendix 2 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 7 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 2020. 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 2.

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.

Impact of COVID-19
The COVID-19 pandemic has necessitated practical changes to the way the administration of the Scheme is carried out. The Trustee fully transitioned to a remote working arrangement in March 2020. The Trustee has written to all Scheme members to outline the Trustee's response to COVID-19, including how to access the Trustee's services when all staff are working remotely.

There has been no significant impact on contributions received from employers, and benefits have continued to be paid when due.

The Scheme is supported by the employer covenant, because this ultimately underwrites investment risk and funding risk. A detailed covenant assessment is undertaken to coincide with each triennial valuation. This includes assessment of financial strength and security and stress testing the ongoing viability of funders under various economic scenarios. Between valuations the Board undertakes pro-active engagement with responsible bodies, encourages all responsible bodies to inform the Board of relevant matters that may affect their covenant, and draws on information available to other NCIs on the financial health of responsible bodies. The Trustee has considered the impact of COVID-19 on the responsible bodies and is satisfied that there is no material deterioration in the overall employer covenant and the employers can continue to support the Scheme for the foreseeable future.

Trustee's report (continued)

Scheme management

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board has established various committees to assist it in this responsibility.

Board Members (1 January 2020 to 29 June 2021)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York
Clive Mather (Chair)

Appointed by the Archbishops of Canterbury and York
Canon Nicolete Fisher

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Nikesh Patel

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
Tony King
The Revd Caroline Titley
Ian Wilson (from September 2020)

Appointed by the Church Commissioners
Jeremy Clack FIA (to December 2020)

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 Emma Osborne
Bill Seddon

Elected by the members of the Church Workers Pension Fund
Susan Pope
Michaela Southworth

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

Committee Members

Audit and Risk Committee
Maggie Rodger (Chair)
Richard Hubbard (to September 2020)
Susan Pope (from March 2020)
The Revd Peter Ould
Ian Wilson (from September 2020)
The Ven David Stanton (to January 2020)
Helen Ashley Taylor
Caron Bradshaw

Housing Committee
Canon Sandra Newton (Chair)
Canon Nicolete Fisher
Tony King (from March 2020)
The Revd Caroline Titley
The Revd Alan Wilson
Jonathan Gregory (co-opted)
Tom Paul (co-opted) (from March 2020)
Lawrence Santcross (co-opted)

Pensions Committee
Richard Hubbard (Chair) (from January 2020)
The Revd Fr Paul Benfield
The Revd Nigel Bourne
Michaela Southworth (from March 2020)
Maggie Rodger

Investment Committee
Roger Boulton FIA (Chair from January 2020)
Jeremy Clack FIA (to December 2020)
Canon Emma Osborne
Nikesh Patel
Bill Seddon
Matthew Beesley (co-opted)
Deb Clarke (co-opted) (to December 2020)
Jonathan Rogers (co-opted)

Principal employers

The Church Commissioners for England
The Archbishops' Council
The Church of England Pensions Board
The National Society (Church of England and Church in Wales) for the Promotion of Education

In addition, 35 Diocesan Bishops in their corporate capacity are employers within the scheme.

Trustee's report (continued)

Scheme advisors
The Trustee engages the below professional advisors to assist them in their responsibilities.

Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	Crowe U.K. LLP
Bankers	Lloyds Bank plc
Investment Advisors	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers (Scheme)	BlackRock Investment Management (UK) Limited
Investment Managers (Common Investment Fund)	Acadian Asset Management Antin Infrastructure Partners Arrowstreet Capital Audax Group Basalt Infrastructure Partners Blackstone Cambridge Associates CBRE Global Investors Colchester Global Investors DBL Partners DIF Management EQT Infrastructure Partners First Sentier Investors Generation Investment Management LLP GW&K H.I.G. Capital Insight Investment Management I Squared Global Capital KKR & Co. LP Legal & General Northern Trust Global Investors Robeco Asset Management T Rowe Price International Ltd

Membership
The change in membership during the year is as follows:

Defined Benefit	**Active**	**Deferred**	**Pensioners**	**Beneficiaries**	**Total**
At 1 January	**91**	**440**	**815**	**112**	**1,458**
Members retiring	(6)	(22)	28	-	-
Members leaving with deferred pension	(2)	2	-	-	-
Deaths	-	-	(23)	(2)	(25)
Transfers out	-	(1)	-	-	(1)
Beneficiary pension ceased	-	-	-	(1)	(1)
New spouse and dependent pensions	-	-	-	8	8
Total at 31 December	**83**	**419**	**820**	**117**	**1,439**

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	**436**	**693**	**1,129**
New members joining	85	-	85
Members retiring	(3)	(13)	(16)
Members leaving prior to pension age	(48)	48	-
Re-entrants	1	(1)	-
Transfers out	(1)	(18)	(19)
Refunds	(1)	-	-
Total at 31 December	**469**	**709**	**1,178**

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 2020 was 1.1% (2019: 2.4%). Pensions in payment on 1 January or 1 April 2021 increased therefore by 1.1% (2020: 2.4%). The part that represents Post 1988 Guaranteed Minimum Pension was increased by 3%. There were no discretionary increases, apart from an increase of 0.5% from 1 April 2021 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.

Trustee's report (continued)

Report on actuarial liabilities
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 financial statements do not include liabilities in respect of future retirement benefits.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2019. This showed that on that date:

- the value of the technical provision was £151.4 million; and
- the value of the net assets of the Defined Benefit section was £142.3 million
- the deficit was £9.1 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.

Significant actuarial assumptions

Discount rate	2.3% p.a. reducing linearly from 1 January 2020 to 31 December 2030 to 1.45% p.a.
RPI	3.2% p.a.
CPI	2.4% p.a.
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.2% p.a.
Increasing in line with CPI (capped at 5%)	2.4% p.a.
Post-retirement mortality	100% of S3NMA and S3NFA mortality tables projected from 2007 in line with the CMI 2019 extended model with long-term annual rate of improvement of 1.5% p.a, a smoothing parameter of 8 and an addition to the initial rates of 0.5% p.a.

As a result of this actuarial valuation as at 31 December 2019, the Trustee set the recovery period (the period over which the identified deficit is targeted to be eliminated) at 4 years. The employer contribution rate remains 19.1% of pensionable salary until 1 January 2021, when the employer contribution rate will increase to 27.6%.

In addition to the future service contributions, the employers are paying contributions towards the Scheme deficit of £2,847,000 per annum from 1 January 2020 to 31 December 2020, decreasing to £2,400,000 from 1 January 2021 to 31 December 2023. This sum is being paid by each employer in proportion to pensionable salaries.

An allowance was made for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions, although the precise effect of Guaranteed Minimum Pension equalisation is not known at present. Further details are in note 16 to the financial statements.

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 1.1% pa above the return from gilts in the calculation of the technical provisions and in the recovery plan.

Trustee's report (continued)

Investment management
At the end of 2020, the investments of the Scheme were as set out below. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 2.

	2020 £'000	2019 £'000	Nature of investment
Return seeking investments			
CEIFP – Public Equity Pool	**42,309**	41,825	Public equities
CEIFP – Diversified Growth Pool	**6,808**	6,657	Property unit trusts, private equity and emerging markets sovereign debt
CEIFP – Diversified Income Pool	**16,494**	14,422	Private infrastructure equity, private debt
CEIFP – Liquidity Pool	**1,541**	403	Cash
Liability matching investments			
CEIFP – Listed Credit Pool	**12,107**	11,291	High quality corporate bonds
Liability Driven Investments ("LDI")	**76,615**	68,129	Pooled investment vehicle investing in gilts
AVCs			
Additional Voluntary Contributions	**306**	488	Unit trusts, see below
Total at 31 December	**156,180**	143,215	

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.

The details of the Trustee's policies with respect to environmental, social and governance matters are included in Appendix 1. Appendix 1 forms part of the Trustee's Report. The Implementation Statement included as Appendix 3 discusses the implementation of the Statement of Investment Principles. Appendix 3 forms part of the Trustee's Report.

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 shown at the end of this report. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

The Trustee takes various financially material considerations into account in the selection, retention and realisation of investments. Ethical and responsible investment considerations are central to the Board's work. They reflect our Christian identity and the values of the Board and our beneficiaries, and they inform our aim of achieving a long-term sustainable return on the Board's investments. The Trustee recognises climate change as a major financial and social risk, and one that has potential to impact gravely on the financial well-being of the members of its schemes as well as their quality of life in retirement. Other matters taken into consideration include the risk appetite of the Scheme, strategic asset allocation, opportunities to capture illiquidity premia, diversification within and across asset classes, the potential benefits of active fund management, and the cost of implementation of investment decisions.

The Trustee engages with the employers regularly, including on material non-financial matters. The Trustee recognises that the beneficiaries and the employers 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.

Investment managers are appointed based on their capabilities and the perceived likelihood of them meeting the Trustee's return and risk expectations. The manager selection process is designed to ensure that appointments are consistent with the Board's ethical, environmental, social and governance policies. As part of this, the Trustee undertakes due diligence ahead of investing to ensure it is aware of the:

- Underlying assets held and how they will allocate between them;

- Risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them;

- Expected return targeted by the investment manager and details around realisation of the investment; and

- Impact of financial and non-financial factors, including those outlined in the Ethical and responsible investment section, on the investment over the long-term.

Should an investment manager make changes to any of these factors, the Trustee will assess the impact and (where no longer aligned) consider what action to take. The Trustee seeks input from its investment consultant for their forward-looking assessment of the investment managers' abilities to meet their performance objectives over a full market cycle and an assessment of how environmental, social and governance factors are integrated into their investment processes. In addition, the investment team maintains its own independent ESG ratings for the directly appointed listed equity managers. These views assist the Trustee in their ongoing monitoring of the investment managers and are considered when making selection and retention decisions.

Where the Trustee invests via a pooled vehicle (rather than a segregated mandate), it accepts that it has limited ability to specify the investment guidelines, risk profile or return targets of an investment manager. Despite this, the Trustee believes that pooled vehicles can be identified that are aligned with its policies.

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 and monitored for effective change by the Board's investment team. The Trustee regularly reviews the engagement and corporate governance activities of the investment team.

Trustee's report (continued)

Defined Benefit

Management and custody of investments

The CEIFP's custody arrangements are described in the CEIFP's Trustee's Report in Appendix 2.

The Scheme holds £76.6m (2019: £68.1m) of its liability matching assets outside the CEIFP in its own LDI account. 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

Index-linked Gilts posted gains over the year, with the FTSE Over 5-Year Index-linked Gilt index increasing by 12.4% in 2019. The Scheme's LDI gains were 12.4% (2019: gains of 8.4%).

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.

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 2020, 10 (2018: 6) 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 four main types of investments: mixed investment Target Date Funds, equities; bonds and gilts; and cash.

The current default investment arrangement is a Target Date Fund which invests in a mixture of assets. It initially invests in higher risk assets and moves the investments as the chosen retirement date gets closer into investments suitable to be used either for drawdown, an annuity or to stay invested. The drawdown journey is the default.

The performance of the Defined Contribution section assets will vary depending on each member's units selected. The performance of the default option depends on the length of time that a member has until retirement. As these funds have been the default option since February 2019, and the funds were launched in January 2019, there is insufficient information available to provide detailed performance statistics.

Additional Voluntary Contributions (AVCs)

AVCs are used to purchase units in the investment funds offered by Legal and General.

At the end of 2020, 301 (2019: 260) members were paying AVCs.

Employer-related investments

Details of employer-related investments are given in note 13 to the financial statements.

Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be addressed to:

The Pensions Department
Church of England Pensions Board
PO Box 2026
Pershore
WR10 9BW

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

Approval

The Trustee's Report and the Statement of Trustee's Responsibilities set out on page 13 were approved by the Trustee on 29 June 2021 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 2020

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 as trustee of the CAPF (the "Trustee") is required to produce a yearly statement (which is signed by the Trustee Chair) to describe how these 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 or have assets in, such as "legacy" funds);
- 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 2020 to 31 December 2020 (the "Scheme Year").

Default arrangements
The DC Section is used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee has made available a range of investment options for members. New members who join the DC Section and who do not choose an investment option are placed into the Drawdown Journey, (the "Default"). This is the DC Section's main default investment arrangement, although another default arrangement applies to some existing members. The Trustee recognises that most members do not make active investment decisions and instead are invested in one of the DC Section's default arrangements. After taking advice, the Trustee decided to make the Default a Target Date Fund ("TDF") strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

There is also a legacy default strategy (the "Legacy Default") which is a lifestyle strategy targeting annuity purchase at retirement. This was replaced by the current Default strategy in February 2019. Most members in the Legacy Default were transferred to the current Default strategy at that time. However, members who were less than 5 years to their nominated retirement date were not moved automatically and so have remained in the Legacy Default.

The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the Default and the Legacy Default.

Details of the objectives and the Trustee's policies regarding the Default and Legacy Default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). CAPF's SIP covering the default arrangements is attached to this document.

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 an investment choice; and
- to provide a range of investment funds and de-risking options that enables members to fulfil their retirement needs and ambitions.

The Default and Legacy Default are reviewed at least every three years and were last reviewed on 16 July 2020.

The performance and strategy of the Default and Legacy Default were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the Trustee's aims and objectives for those arrangements, as stated in the SIP, and to check that they continue to be suitable and appropriate given the CAPF's risk profiles and membership. This review included an analysis of member demographics and took into account expectations of how the members in each default arrangement will take their pension at retirement. The Trustee is satisfied that the Default strategy and Legacy Default strategy remain appropriate for their respective CAPF members.

In addition to the strategy review in July 2020, the Trustee also continues to review the performance of the DC Section's default arrangements against its objectives for those arrangements, on a quarterly basis. Those reviews include an analysis of fund performance to check that the risk and return levels meet expectations. Following each of its reviews during the Scheme Year, the Trustee concluded that the DC Section's default arrangements had performed broadly as expected.

The Trustee continues to review and consider recommendations from its investment consultants arising out of the performance and strategy reviews of the Default and Legacy Default in July 2020.

Requirements for processing core financial transactions
The processing of core financial transactions is carried out by the administrator of the DC Section, the administration team of the Church of England Pensions Board. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

The Trustee has received assurance from the DC Section's administrator that there are adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

Defined Contribution Governance statement (continued)

The Trustee has a service level agreement ("SLA") in place with the DC Section's administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it 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.

To help the Trustee monitor whether service levels are being met, the Trustee receives quarterly reports about the DC Section administrator's performance and compliance with the SLA. The Trustee reviews those reports at quarterly meetings. If any issues had been identified by the Trustee, the Trustee would have raised those issues with the DC Section's administrator immediately, and would have ensured that it took steps to resolve those issues. However, the Trustee did not identify or raise any such issues during the Scheme Year.

Based on its review processes, the Trustee is satisfied that over the Scheme Year and in respect of the DC Section:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the year.

Member-Borne charges and transaction costs
The Trustee is required to set out the on-going charges incurred by DC Section members over the Scheme Year, which are annual fund management charges plus 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 DC Section members and is reflected in the unit price of the funds. The stated charges also exclude administration costs since these are not met by the DC Section members.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the DC Section's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Legal & General ("L&G") who are the investment manager for the DC Section. All transaction costs have been obtained for all funds with DC Section member assets invested in them. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

Default arrangement
The Default is a TDF, the Drawdown Journey, which is for members looking to target income drawdown at retirement at a particular age. The TDF's asset allocation changes over time, similar to a lifestyle arrangement, with members assets automatically moved between different asset classes as they approach their target retirement date. Whilst the annual management charge component of the fee charged to members for investing in this strategy remains the same regardless of how far members are from their target retirement age, the level of additional expenses (and hence the overall fees) and transaction costs can sometimes vary depending on how close members are to their target retirement age and what assets they are invested in.

For the period covered by this Statement, annualised charges and transaction costs throughout the vintages of the Default TDF with members invested are set out in the table below:

Default charges and transaction costs

Vintage	TER	Transaction costs
2015 – 2020	0.31%	0.00%
2020 – 2025	0.31%	0.00%
2025 – 2030	0.31%	0.00%
2030 – 2035	0.32%	0.00%
2035 – 2040	0.32%	0.00%
2040 – 2045	0.32%	0.00%
2045 – 2050	0.32%	0.00%
2050 – 2055	0.31%	0.01%
2055 – 2060	0.31%	0.03%
2060 – 2065	0.31%	0.03%

Defined Contribution Governance statement (continued)

Legacy Default arrangement
The Legacy Default is a lifestyle strategy, targeting annuity purchase at retirement. The Legacy Default's asset allocation similarly changes over time, with members' assets automatically moved between different asset classes as they approach their target retirement date. The fees charged to members for investing in this strategy vary as they move closer to retirement. The level of transaction costs incurred by members in the Legacy Default likewise varies as members move closer to retirement.

For the period covered by this Statement, annualised charges and transaction costs for the Legacy Default are set out in the table below:

Legacy default arrangement charges and transaction costs

Years to target retirement age	TER	Transaction costs
5 or more years to retirement	0.21%	0.05%
4 years to retirement	0.19%	0.06%
3 years to retirement	0.17%	0.06%
2 years to retirement	0.15%	0.07%
1 year to retirement	0.13%	0.07%
At retirement	0.11%	0.08%

Self-select options
In addition to the Default, new members also have the option to invest in two other TDF strategies, the 'Annuity Journey' and 'Stay Invested Journey' respectively. There is also an ethical lifestyle option and several other self-select funds.

For the Scheme Year, annualised charges and transaction costs throughout the vintages of the Annuity Journey with members invested are set out in the table below:

Annuity Journey charges and transaction costs

Vintage	TER	Transaction costs
2035 – 2040	0.32%	0.00%
2040 – 2045	0.31%	0.00%
2045 – 2050	0.31%	0.00%

For the Scheme Year, annualised charges and transaction costs throughout the vintages of the Stay Invested Journey with members invested are set out in the table below:

Ethical Lifestyle option charges and transaction costs

Years to target retirement age	TER	Transaction costs
5 or more years to retirement	0.25%	0.01%
4 years to retirement	0.23%	0.02%
3 years to retirement	0.20%	0.04%
2 years to retirement	0.17%	0.05%
1 year to retirement	0.14%	0.06%
At retirement	0.11%	0.08%

The level of charges for each self-select fund and the transaction costs over the Scheme Year are set out in the following table.

Self-select fund charges and transaction costs

Manager – Fund name	TER	Transaction Costs
L&G Ethical UK Equity Index Fund	0.21%	0.02%
L&G Ethical Global Equity Index Fund	0.30%	0.00%
L&G UK Equity Index Fund	0.13%	0.00%
L&G Global Equity Market Weights (30:70) Index Fund	0.21%	0.05%
L&G Overseas Equity Consensus Index Fund	0.25%	0.00%
L&G Over 5 years UK Index-Linked Gilts Fund	0.10%	0.10%
L&G Over 15 Year Gilts Index Fund	0.10%	0.04%
L&G AAA-AA-A Corp Bond All Stocks Index Fund	0.15%	0.00%
L&G Managed Property Fund	0.86%	0.00%
L&G Cash Fund	0.12%	0.00%

Defined Contribution Governance statement (continued)

Illustration of charges and transaction 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. In preparing this illustration, the Trustee has had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past two years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustee has used the average transaction costs over the past two years as this is the longest period over which figures were available.
- The illustration is shown for the Default (the Drawdown Journey) 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 L&G Global Equity Market Weights (30:70) Index Fund
  - the fund with the lowest before costs expected return – this is the L&G Over 15 Year Gilts Index Fund
  - the fund with highest annual member borne costs – this is the L&G Managed Property Fund
  - the fund with the lowest annual member borne costs – this is the L&G Cash Fund

Projected pension pot in today's money

	Default option		LGIM Global Equity Market Weights (30:70) Index Fund		LGIM Over 15 Year Gilts Index Fund		LGIM Managed Property Fund		LGIM Cash Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£10,400	£10,400	£10,500	£10,500	£10,100	£10,100	£10,500	£10,400	£10,100	£10,100
3	£18,500	£18,300	£18,900	£18,800	£17,100	£17,100	£18,700	£18,400	£17,100	£17,100
5	£26,700	£26,400	£27,900	£27,600	£23,800	£23,700	£27,400	£26,700	£23,800	£23,700
10	£48,100	£47,200	£52,600	£51,900	£39,500	£39,200	£51,100	£48,600	£39,500	£39,200
15	£70,700	£68,700	£81,300	£79,600	£53,600	£53,100	£77,900	£72,400	£53,600	£53,100
20	£94,800	£91,300	£114,600	£111,400	£66,400	£65,500	£108,200	£98,200	£66,400	£65,600
25	£120,500	£115,000	£153,200	£147,800	£78,000	£76,700	£142,500	£126,200	£78,000	£76,800
30	£147,900	£139,800	£198,000	£189,500	£88,400	£86,800	£181,300	£156,500	£88,400	£86,900
35	£172,200	£161,300	£249,800	£237,200	£97,900	£95,800	£225,200	£189,400	£97,900	£96,000
40	£188,900	£175,200	£309,900	£291,900	£106,400	£103,900	£274,900	£225,100	£106,400	£104,100

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. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. 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 with inflation to allow for prudence in the projected values.
- The starting pot size used is £6,500. This is the approximate average (median) pot size for active members aged 30 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach CAPF's Normal Pension Age.
- The starting salary is assumed to be £34,300. This is the approximate median salary for active members aged 30 or younger.
- Total contributions (employee plus employer) are assumed to be 11% of salary per year. The approximate average active employee contribution for members aged 30 years and younger is 3% and the employer's contribution for members 30 years of age and younger is 8%.
- The projected annual returns used are as follows:
  - Default option: 1.9% above inflation for the initial years, gradually reducing to a return of 0.5% below inflation at the at-retirement allocation of the Target Date Fund.
  - LGIM Global Equity Market Weights (30:70) Index Fund: 3.0% above inflation
  - LGIM Over 15 Year Gilts Index Fund: 2.0% below inflation
  - LGIM Managed Property Fund: 2.5% above inflation
  - LGIM Cash Fund: 2.0% below inflation
- No allowance for active management outperformance has been made.

Value for members assessment
The Trustee is required to assess every year the extent to which member-borne charges and transaction costs which apply to DC Section members represent good value for them and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the DC Section. The date of the last review was 30 March 2021. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Defined Contribution Governance statement (continued)

The Trustee'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 choose during the Scheme Year have been consistent with their stated investment objectives.

In carrying out its assessment, the Trustee also considered the other benefits that members receive from the DC Section, which include:

- the oversight and governance of the Trustee, including ensuring the DC Section is compliant with relevant legislation, and holding regular meetings to monitor the DC Section and address any material issues that may impact members;
- the design of the Default and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services such as the DC Section website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and the Trustee expects this to lead to greater investment returns net of costs over time.
During the Scheme Year, the Trustee has made several improvements to its governance process. This included establishing a Trustee training log to monitor the training undertaken by the Trustee Directors and increasing the time on its meeting agendas dedicated to discussing the DC Section.

Overall, the Trustee believes that members of the DC Section are receiving good value for money in return for the charges and cost that they incur. The Trustee believes this because overall charges remain competitive when compared with similar sized schemes, the administration service provided by the Church of England Pensions Board continues to be of a good standard and communications are clear and informative.

Trustee knowledge and understanding
The Trustee is required to maintain appropriate levels of knowledge and understanding to run the CAPF effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including principles relating to the investment of occupational pension scheme assets, and pension and trust law. This, together with the advice available, enables the Trustee to properly exercise its functions and run the DC Section properly and effectively.

The Trustee, with the help of its professional advisers, regularly considers training requirements to identify any knowledge gaps. It maintains a Trustee training log, in line with best practice, to assist with this assessment.

During the period covered by this Statement, the Trustee has ensured its knowledge and understanding is up to date by:
- The majority of Trustee Directors completing the Pension Regulator's Trustee Toolkit;
- Receiving formal and informal training at relevant Trustee Board and Committee meetings, including training on DC responsibilities, specific ethical investment issues, sustainability issues considering Environmental, Social and Governance ("ESG") risks, private market investments and new regulatory issues; and
- Where appropriate, completing self-assessments of training needs.

In addition, the Trustee reviews the CAPF trust deed and rules, SIP and all other documents setting out the Trustee's current policies relating to the CAPF as appropriate from time to time to ensure it has a good working knowledge of these documents.

Further, the Trustee believes that it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties as trustee of the CAPF. Taking into account the knowledge and experience of the Trustee with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as Trustee of the CAPF DC Section properly and effectively.

Approval
The DC Governance Statement was approved by the Trustee on 29 June 2021 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 Auditor's report to the Trustee of the Church Administrators Pension Fund

Opinion

We have audited the financial statements of the Church Administrators Pension Fund ('the Scheme') for the year ended 31 December 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, 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; 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, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of the Trustee

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

In preparing 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 have no realistic alternative but to do so.

Independent Auditor's report to the Trustee of the Church Administrators Pension Fund (continued)

Auditor's 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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Non-receipt of contributions due to the Scheme from the employers. This is addressed by testing contributions due are paid to the Scheme in accordance with the Schedule of Contributions agreed between the employers and the Trustee.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor
London

Date: 30 June 2021

Fund Account for the year ended 31 December 2020

	Notes	Defined Contribution	Defined Benefit	**2020 Total**	Defined Contribution	Defined Benefit	**2019 Total**
		£000	£000	**£000**	£000	£000	**£000**
Contributions and other income							
Employer contributions	4	2,590	4,020	**6,610**	2,366	3,998	**6,364**
Employee contributions	4	646	93	**739**	556	119	**675**
Transfers in		187	-	**187**	256	-	**256**
Other income	4	-	-	**-**	113	-	**113**
Total contributions and other income		3,423	4,113	**7,536**	3,291	4,117	**7,408**
Benefits							
Benefits paid or payable	5	(451)	(3,819)	**(4,270)**	(207)	(3,222)	**(3,429)**
Payments to and on account of leavers	6	-	-	**-**	-	-	**-**
Transfers out		(1,107)	(152)	**(1,259)**	(1,093)	(728)	**(1,821)**
Administrative expenses	7	-	(688)	**(688)**	-	(617)	**(617)**
Total benefits and other expenses paid		(1,558)	(4,659)	**(6,217)**	(1,300)	(4,567)	**(5,867)**
Net additions (withdrawals) from dealings with members		1,865	(546)	**1,319**	1,991	(450)	**1,541**
Returns on investments							
Deposit interest		-	1	**1**	-	5	**5**
Change in market value of investments	8	1,353	14,202	**15,555**	3,619	14,964	**18,583**
Investment management expenses		-	(44)	**(44)**	-	(24)	**(24)**
Net returns on investments		1,353	14,159	**15,512**	3,619	14,945	**18,564**
Net increase (decrease) in the fund		3,218	13,613	**16,831**	5,610	14,495	**20,105**
Opening net assets		28,063	142,746	**170,809**	22,453	128,251	**150,704**
Closing net assets		31,281	156,359	**187,640**	28,063	142,746	**170,809**

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

Statement of Net Assets available for benefits as at 31 December 2020

	Notes	Defined Contribution	Defined Benefit	**2020 Total**	Defined Contribution	Defined Benefit	**2019 Total**
		£000	£000	**£000**	£000	£000	**£000**
Investment assets							
Pooled investment vehicles (CEIFP)	8	-	79,259	**79,259**	-	74,598	**74,598**
Pooled investment vehicles (other)	8	31,218	76,615	**107,833**	27,823	68,129	**95,952**
AVC investments	8	-	306	**306**	-	488	**488**
Total investment assets		31,218	156,180	**187,398**	27,823	143,215	**171,038**
Current assets	9	123	341	**464**	817	129	**946**
Current liabilities	10	(60)	(162)	**(222)**	(577)	(598)	**(1,175)**
Net current assets (liabilities)		63	179	**242**	240	(469)	**(229)**
Total net assets available for benefits		31,281	156,359	**187,640**	28,063	142,746	**170,809**

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 5, 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 29 June 2021 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 (2018)” (the “SORP”).

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 cash and short term deposits is accounted for on the accruals basis. Income is shown gross of all withholding taxes, with irrecoverable taxes shown as a separate expense.

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 pools, 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 2020	Defined Contribution £000	Defined Benefit £000	**Total £000**
Employer contributions			
Normal	2,217	783	**3,000**
Deficit	-	2,847	**2,847**
AVC	373	-	**373**
Employer contributions for administration costs	-	390	**390**
Total employer contributions	2,590	4,020	**6,610**
Employee contributions			
Normal	-	60	**60**
AVC	646	33	**679**
Total employee contributions	646	93	**739**
Other income			
Insurance claims for death in service payments	-	-	**-**
Total other income	-	-	**-**

Year ended 31 December 2019	Defined Contribution £000	Defined Benefit £000	**Total £000**
Employer contributions			
Normal	2,026	859	**2,885**
Deficit	-	2,756	**2,756**
AVC	340	-	**340**
Employer contributions for administration costs	-	383	**383**
Total employer contributions	2,366	3,998	**6,364**
Employee contributions			
Normal	-	66	**66**
AVC	556	53	**609**
Total employee contributions	556	119	**675**
Other income			
Insurance claims for death in service payments	113	-	**113**
Total other income	113	-	**113**

The deficit contributions payable are £2,847,000 per annum from 1 January 2020 to 31 December 2020, decreasing to £2,400,000 from 1 January 2021 to 31 December 2023.

Notes to the financial statements (continued)

5. Benefits paid or payable

Year ended 31 December 2020	Defined Contribution £000	Defined Benefit £000	**Total £000**
Pensions	-	2,920	**2,920**
Commutations of pensions and lump sum	267	896	**1,163**
Lump sum death benefits	184	3	**187**
Total benefits paid	451	3,819	**4.270**

Year ended 31 December 2019	Defined Contribution £000	Defined Benefit £000	**Total £000**
Pensions	-	2,726	**2,726**
Commutations of pensions and lump sum	48	496	**544**
Lump sum death benefits	159	-	**159**
Total benefits paid	207	3,222	**3,429**

6. Payments to and on account of leavers

Year ended 31 December 2020	Defined Contribution £000	Defined Benefit £000	**Total £000**
Return of contributions on retirement	-	-	**-**
Total payments on account of leavers	-	-	**-**

Year ended 31 December 2019	Defined Contribution £000	Defined Benefit £000	**Total £000**
Return of contributions on retirement	-	-	**-**
Total payments on account of leavers	-	-	**-**

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:

	2020 £000	**2019 £000**
Actuarial fees	322	137
Audit fees	11	8
Pension levy	44	59
Investment services	65	65
Legal advice	41	28
Administration costs	238	361
VAT rebate	(33)	(41)
Total administrative expenses	688	617

Administrative expenses for both the Defined Benefit and the Defined Contribution sections are borne by the Defined Benefit section. The VAT rebate is the Scheme's share of the VAT reclaimed by the Trustee on fees relating to the administration and investment activities carried out by the Trustee on behalf of the Schemes to which it acts as trustee.

8. Investments

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

Defined contribution:	At 1 January 2020 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	**At 31 December 2020 £000**
Pooled investment vehicles	27,823	3,470	(1,428)	1,353	31,218
Total investments	**27,823**	3,470	(1,428)	1,353	**31,218**

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 2020	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2020**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles (CEIFP)					
Public equity pool	**41,825**	-	(3,375)	3,859	**42,309**
Diversified growth pool	**6,657**	67	-	84	**6,808**
Diversified income pool	**14,422**	1,114	-	958	**16,494**
Listed credit pool	**11,291**	-	-	816	**12,107**
Liquidity pool	**403**	3,375	(2,231)	(6)	**1,541**
Total pooled investment vehicles	**74,598**	**4,556**	**(5,606)**	**5,711**	**79,259**
Pooled investment vehicles (other)					
Bonds	**68,129**	-	-	8,486	**76,615**
Total LDI investments	**68,129**	**-**	**-**	**8,486**	**76,615**
AVC investments					
Standard Life	**341**	7	(156)	-	**192**
Scottish Widows	**114**	-	-	-	**114**
Equitable Life	**33**	-	(38)	5	**-**
Total AVC investments	**488**	**7**	**(194)**	**5**	**306**
Total investments	**143,215**	**4,563**	**(5,800)**	**14,202**	**156,180**

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. The Church of England Investment Fund for Pensions (“CEIFP”) is a pooled investment vehicle between three pension schemes of which the Church of England Pensions Board is Trustee. See Appendix 2 for detail about the CEIFP.

9. Current assets

At 31 December 2020	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Debtors			
Trustee	-	-	**-**
Other	3	1	**4**
Total debtors	3	1	**4**
Cash	120	340	**460**
Total current assets	123	341	**464**

At 31 December 2019	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Debtors			
Trustee	-	82	**82**
Other	-	47	**47**
Total debtors	-	129	**129**
Cash	817	-	**817**
Total current assets	817	129	**946**

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).

Notes to the financial statements (continued)

10. Current liabilities

At 31 December 2020	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Creditors			
Trustee	-	17	**17**
Unpaid benefits	60	41	**101**
Tax payable – PAYE and NI	-	104	**104**
Other	-	-	**-**
Total creditors	60	162	**222**
Cash	-	-	**-**
Total current liabilities	60	162	**222**

At 31 December 2019	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Creditors			
Unpaid benefits	577	89	**666**
Tax payable – PAYE and NI	-	93	**93**
Other	-	5	**5**
Total creditors	577	187	**764**
Cash	-	411	**411**
Total current liabilities	577	598	**1,175**

Defined contribution current liabilities are not allocated to members and arise due to timing differences between event dates, receipt and payment dates.

11. Fair value of investments

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. The CEIFP's fair value hierarchy is that of the underlying assets held by the Scheme.

Defined contribution:

At 31 December 2020	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	984	30,234	-	**31,218**
Total investments	**984**	**30,234**	-	**31,218**

At 31 December 2018	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	636	21,630	-	**22,266**
Total investments	**636**	**21,630**	**-**	**22,266**

Notes to the financial statements (continued)

11. Fair value of investments (continued)

Defined benefit:

At 31 December 2020	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	45,338	14,136	19,785	**79,259**
Pooled investment vehicles (bonds)	-	76,615	-	**76,615**
AVC investments	-	-	306	**306**
Total investments	45,338	90,751	20,091	**156,180**

At 31 December 2019	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	42,336	14,474	17,788	**74,598**
Pooled investment vehicles (bonds)	-	68,129	-	**68,129**
AVC investments	-	-	488	**488**
Total investments	42,336	82,603	18,276	**143,215**

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).

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	**2020**	**2019**
					£000	**£000**
Defined Contribution section						
Pooled investment vehicles (mixed investment)	●	◑	●	●	**19,763**	**17,047**
Pooled investment vehicles (equities)	○	◑	○	●	**7,563**	**7,360**
Pooled investment vehicles (bonds)	●	◑	●	◑	**2,720**	**2,297**
Pooled investment vehicles (property)	◑	◑	○	●	**188**	**204**
Pooled investment vehicles (cash)	●	◑	○	○	**984**	**915**
Total Defined Contribution section					**31,218**	**27,823**
Defined Benefit section						
Pooled investment vehicles: CEIFP	(see Investment Risks for the CEIPF in Appendix 2)				**79,259**	**74,598**
Pooled investment vehicles (bonds)	●	○	●	◑	**76,615**	**68,129**
AVCs	(not considered significant in relation to overall Scheme risks)				**306**	**488**
Total Defined Benefit section					**156,180**	**143,215**

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 2.

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.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

Defined Benefit section

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.

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 2.

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.

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.

	2020	**2019**
	£000	£000
Pooled investment vehicles (bonds)	76,615	68,129
Total investments exposed to credit risk	76,615	68,129

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.

A summary of pooled investment vehicles by type of arrangement is as follows:

	Defined benefit £000	**Defined contribution £000**	**2020 £000**	**Defined benefit £000**	**Defined contribution £000**	**2019 £000**
Common investment fund	79,259	-	**79,259**	74,598	-	**74,598**
With-profits funds	-	-	**-**	68	-	**68**
Domestic commingled fund	76,615	-	**76,615**	68,129	-	**68,129**
Unit-linked life insurance	-	31,218	**31,218**	-	27,823	**27,823**
Other	306	-	**306**	420	-	**420**
Total pooled investment vehicles	156,180	31,218	**187,398**	143,215	27,823	**171,038**

Currency 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.

The Scheme is not subject to direct currency risk as its assets are denominated in sterling. The Scheme is indirectly exposed to currency risk in relation to its holding in the Church of England Investment Fund for Pensions. For further information see Appendix 2.

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. The Scheme is indirectly exposed to interest rate risk in relation to its holding in the Church of England Investment Fund for Pensions. For further information see Appendix 2.

Other price risk

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 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.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)
<u>Defined Contribution section</u>

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.

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

		2020		2019
	£000	%	£000	%
Defined Benefit section:				
Aquila Life over 5 years Index Linked Fund	76,615	40.8	68,129	39.9
CEIFP public equity pool	42,309	22.5	41,825	24.5
CEIFP diversified income pool	16,494	8.8	14,422	8.4
CEIFP listed credit pool	12,107	6.5	11,291	6.6

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 (2019: one) who has retired from service under the Scheme is in receipt of a pension on normal terms.

As disclosed in notes 9 and 10, £17,000 is owed by the Scheme to the Trustee (2019: £82,000 owed by the Trustee to the Scheme), representing money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

17. Guaranteed Minimum Pension equalisation
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. Additionally, in November 2020, the High Court determined that Guaranteed Minimum Pension shortfalls also apply to past transfers. The Trustee is reviewing, with their advisors, the implication of these rulings 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. The Trustee has estimated the total cost of equalisation to be £0.8m, although this estimate covers both amounts underpaid in previous periods and the future cost of providing any uplift. The financial statements do not include a liability due to the immateriality of the total estimated cost of equalisation.

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 2020 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 19 December 2018.

We have examined the Church Administrators Pension Fund's summary of contributions for the Scheme year ended 31 December 2020 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.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London
30 June 2021

Summary of Contributions for the year ended 31 December 2020

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	2,217	-	**2,217**
Defined Contribution - AVC	373	646	**1,019**
Defined Benefit – normal	783	60	**843**
Defined Benefit – deficit	2,847	-	**2,847**
Defined Benefit – for administration costs	390	-	**390**
Total contributions required by the schedules of contributions	6,610	706	**7,316**
Other contributions			
Defined benefit - AVC	-	33	**33**
Total other contributions	-	33	**33**
Total contributions	6,610	739	**7,349**

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 19 December 2018 in respect of the Scheme year ended 31 December 2020. 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
29 June 2021

Church Administrators Pension Fund

Adequacy of rates of contribution

LCP INSIGHT CLARITY ADVICE

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) 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 2019 to be met by the end of the period specified in the recovery plan dated 29 January 2021.

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 29 January 2021.

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:** 29 January 2021

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 (as amended).

2. Objectives

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

- All beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme.
- There are sufficient assets to meet the Scheme's liabilities as they fall due, and
- Through the process of meeting the Scheme's liabilities that our investments do not work against our beneficiaries' interests and the world into which they will retire.

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 April 2023 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.

Ethical and responsible investment considerations are central to the Trustee's work. They reflect the Christian identity and the values of the Board and its beneficiaries, and they inform its aim of achieving a long-term sustainable return on the Scheme's investments.

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

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 Public Equity Pool, Diversified Growth Pool, Diversified Income Pool, Listed Credit and Liquidity Pool (together "the pools"). 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 Measure 2018.

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.

The investment team regularly meets with each of the Scheme's investment managers to discuss performance and other related matters (including climate change and other ESG topics) and reports its finding to the Trustee. As part of this, the investment team will challenge decisions that appear inconsistent with the Scheme's stated objectives and/or policies.

Portfolio turnover costs are monitored by the investment team, in absolute terms and relative to what might be reasonably expected given the underlying asset class and investment style of each investment manager, and reported to the Trustee on an annual basis.

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

As part of the annual Value for Members ("VfM") assessment, the Trustee reviews the investment manager fees levied to members and considers portfolio turnover costs.

For both the Defined Benefit and Defined Contribution sections
As the Trustee is a long-term investor, it does not expect to make investment manager changes on a frequent basis.

Where the Scheme invests in an open-ended vehicle, or segregated mandate, with an investment manager the Trustee expects to retain them unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The investment manager has been reviewed and the Trustee has decided to terminate the mandate

For holdings in closed-ended vehicles, the Scheme would expect to be invested for the lifetime of the strategy (which is disclosed to the Trustee at point of investment), although secondary market sales could be considered under certain circumstances.

The Trustee reviews the performance of the investment managers on a regular basis versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term.

The Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

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.

Statement of Investment Principles (continued)

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 the pools 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.

For both the Defined Benefit and Defined Contribution sections
Investment managers are appointed based on their capabilities and the perceived likelihood of them meeting the Trustee's return and risk expectations. The manager selection process is designed to ensure that appointments are consistent with the Board's ethical, environmental, social and governance policies. As part of this, the Trustee undertakes due diligence ahead of investing to ensure it is aware of the:

- Underlying assets held and how they will allocate between them;
- Risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them;
- Expected return targeted by the investment manager and details around realisation of the investment; and
- Impact of financial and non-financial factors, including those outlined in the Ethical and responsible investment section, on the investment over the long-term.

Should an investment manager make changes to any of these factors, the Trustee will assess the impact and (where no longer aligned) consider what action to take.

The Trustee seeks input from its investment consultant for their forward-looking assessment of the investment managers' abilities to meet their performance objectives over a full market cycle and an assessment of how environmental, social and governance factors are integrated into their investment processes. In addition, the investment team maintains its own independent ESG ratings for the directly appointed listed equity managers. These views assist the Trustee in their ongoing monitoring of the investment managers and are considered when making selection and retention decisions.

Where the Trustee invests via a pooled vehicle (rather than a segregated mandate), it accepts that it has limited ability to specify the investment guidelines, risk profile or return targets of an investment manager. Despite this, the Trustee believes that pooled vehicles can be identified that are aligned with its policies.

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.

For the Defined Benefit section, the Trustee does not directly consider the views of beneficiaries with regard to the selection, retention and realisation of investments. However, its investment beliefs reflect the Christian identity and values of the Scheme's beneficiaries and these are central to how the Scheme is invested, and we receive Advice from our Ethical Investment Advisory Group (see our website for details of the Group and its Terms of Reference) on Christian ethics and responsible investment.

For the Defined Contribution section, members may select their own investment funds from the range offered by the Trustee.

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 recognises climate change as a major financial, social, and ethical risk, and one that has potential to impact gravely on the financial well-being of the members of its schemes as well as their quality of life in retirement.

The Trustee regularly 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 and monitored for effective change by the Board's investment team. The Trustee regularly reviews the engagement and corporate governance activities of the investment team.

The investment 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 'Statement of Ethical Investment' recommended by 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 investment team.

The Scheme, via the Church of England Pensions Board, is a signatory to the UNPRI 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.

Appendix 1

Ethical Investment Approach of the Church of England Pensions Board.

Ethical Investment Approach of the Church of England Pensions Board

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 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 advice, and the NIBs develop investment policies based on this advice. EIAG advice and NIB policies are published on the Church of England website and implemented by the NIBs.

The EIAG consists of a representative of each NIB, and six independent members appointed by the Nominations Committee of the EIAG (which itself includes representatives of General Synod, the Archbishops' Council, the Mission and Public Affairs Council, the Church Investors Group and the NIBs). The EIAG is supported by a small Secretariat hosted by the Pensions Board and jointly funded by the NIBs. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board has also resourced its own Ethics and Engagement function within its Investment Team to implement the Board's approach to stewardship which 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 Pensions Board has published a Stewardship Report 2020, which has been submitted to the FRC, in accordance with the FRC Stewardship Code 2020. The Code 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.

The Pensions Board has developed a Stewardship Implementation Framework that guides its active ownership practices, including its approach to engaging with asset managers.

Engagement

The Pensions Board's investment team includes ethics and engagement specialists, who undertake engagement with companies in which the Board is 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 (as outlined in the Statement of Ethical Investment). 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, among others.

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 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 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).

When investing, and based on the advice of the EIAG, the Board applies exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, and high interest rate lending. Details of all of the policies are available on the EIAG's webpages. 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.

However, ethical investment is also about in what and how the Board invests. 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 and act on the environmental, social and governance issues relevant to their strategies.
- Act as good stewards of its investments including through voting at company general meetings and engaging actively with companies in which the Board invests.
- Promote ethical behaviour, corporate responsibility and sustainability in interactions with investment managers, companies and government.

Implementation of ethical investment policies

The Board has published its Implementation Statement in Appendix 3, showing how the Board has implemented the Scheme's Statement of Investment principles, including in respect to stewardship and engagement matters.

2020 highlights

The Board has published a full Stewardship Report for 2020 on its website. Key highlights in 2020 are shown below. For more details, please see the information in the Stewardship Report.

The Board has taken a 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 the Board continues to act as Chair of TPI. The TPI provides 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. The TPI has become central to many investors' approach and in 2020 was selected to provide the public assessment framework for Climate Action 100+ (CA100+).. In 2020, the Church of England Pensions Board publicly launched the FTSE TPI Climate Transition Index at the London Stock Exchange, together with the Bishop of London and representatives of the Bank of England and the United Nations. This was the first index that uses information on what a company plans to do on climate change to inform how much is invested in that company. The Index is an ambitious project, and this was recognised by the UN-backed Principles for Responsible Investment (PRI), which selected it for the prestigious 2020 ESG Incorporation Initiative of the Year award.

Within Europe we are active in the Institutional Investors Group on Climate Change (IIGCC), and the US$53trn backed Climate Action 100+ (CA100+). CA100+ is the global climate engagement initiative supported by 540 different investors that targets the world's 167 most carbon-intensive companies. This group of companies alone represent some 70% of the carbon emissions of companies listed on the global stock markets.. The Board continues to co-lead engagement with Royal Dutch Shell on behalf of CA100+.

In 2020, the Board undertook a series of technical tests to see how our investment portfolio performs in response to a range of climate change scenarios. Stress testing is an important risk management tool that uses insights into which sort of companies will be winners and losers in different climate scenarios. Overall, the various methodologies highlighted that the steps the Board has taken on climate change (particularly the FTSE TPI Climate Transition Index) provide improved resilience and return benefits in some scenarios (e.g. 2ºC).

In January 2019, in response to the tragic failure of a tailings storage facility at Brumadinho, Brazil, that claimed the lives of 270 people, the Pensions Board issued a call for there to be a global standard and classification system for tailings facilities. Since 2019, the Board and the Council on Ethics of the Swedish Public Pension Funds have acted on behalf of the Principles for Responsible Investment (PRI) as co-convenors of a Global Tailings Review. In this, we have worked alongside the International Council on Mining and Metals (ICMM) and the UN Environment Programme. This Review commissioned the development of a Global Industry Standard on Tailings Management under an independent chair and expert panel. August 2020 saw the launch of a Global Industry Standard on Tailings Management at an online event attended by 2,000 participants. Subsequently, the Board and Council on Ethics of the Swedish National Pension Funds ended the year by contacting more than 350 mining companies on behalf of investors with US$23trn in assets under management, asking them to confirm on their websites their support for the Standard, and to set out a timeline for their intended compliance. Compliance with the Standard is mandatory for members of the International Council on Mining and Metals, but take-up at company level across the sector will be key to the Standard's success.

The world was shocked by the events of May 2020, when Juukan Gorge in Western Australian was blown up by Rio Tinto in the pursuit of iron ore. As these events unfolded, the Board worked with the Council on Ethics of the Swedish National Pension Funds to form a coalition of international and Australian investors to consider the sector-wide issues the case raised. As with tailings, we identified that this individual case is indicative of a systemic problem for the sector. In October 2020, together with the Australian Council of Superannuation Investors, we coordinated a coalition of 64 global investors (representing some US$10.2trn AUM) and wrote to 78 of the world's largest mining companies, requesting a review of their individual relationships with First Nations communities and Indigenous peoples. The letters requested further information on company policies, evidence of compliance with international standards and norms, and specifically how they ensure the negotiation of free, prior and informed consent. By the close of 2020, 33 companies had responded, and this engagement continues, with the aim of initiating a dialogue that will include input from community representatives as well as the companies

The role of corporate lobbying in public policy is highly influential. As a result the Board has continued its partnership with the €71 billion of assets Swedish Public Pension Fund, AP7, on a focussed initiative engaging 56 European companies about their lobbying activity by their industry associations and alignment to the goals of the Paris climate agreement. By the end of 2020, 14 European companies, out of a total of 21 target companies globally, had published a review of their industry association memberships, bringing important new disclosure and governance of their memberships of powerful industry bodies.

The Board continued to deliver its commitment to active ownership, voting in 2020 on 39,049 ballots, representing 99% of eligible ballots. The Pensions Board voted against management (or withheld support) on 17.1% of resolutions. For example, on the topic of executive remuneration, the Board withdrew support from 75.2% of resolutions.

The Board is honoured to host the Secretariat to the Church's Ethical Investment Advisory Group (the EIAG) which serves the NIBs. The Secretariat continued to support the EIAG in its programme of policy reviews, including Big Tech, and horizon scanning. The EIAG's annual review is available online.

Future plans

The Board has outlined eight future priorities of the stewardship team. This is not an exhaustive list of all of the planned engagement activities to be undertaken in the interests of our members (and their employers as scheme funders), but it outlines significant developments for the Board's work on stewardship.

For further details please see the Stewardship Report 2020 on the Board's website.

- Developing a Global Net Zero Investment Framework;
- Developing and supporting a partnership between companies and asset owners for a reformed mining sector by 2030;
- Establishing an independent Global Institute on Tailings dams;
- Developing a policy on Big Tech in collaboration with the EIAG and other Church of England investment bodies;
- Launch a new Global Standard on Corporate Climate Lobbying;
- Continued development of the strategic asset allocation and risk framework;
- Evolving the work of the Transition Pathway Initiative to further support the climate transition;
- Developing a global framework to drive sector and value-chain engagement; and
- Expand asset class coverage for managing ESG risk.

Appendix 2

The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2020

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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 2020.

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 three 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");
- Church Workers Pension Fund ("CWPF"); and
- Church Administrators Pension Fund ("CAPF").

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board has established various committees to assist it in this responsibility.

The CEIFP has five pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, the listed credit pool containing corporate bonds, and the liquidity pool containing cash.

Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the pools in proportions that match its maturity and cash flow needs.

Unitisation

The 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 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.

The emergence of COVID-19 and the need to lock-down many economies caused a sharp sell-off in equity markets and other financial assets in March 2020. However, the rapid and strong response from central banks and governments allowed a sharp rebound in equity and credit markets from April throughout the summer months. The development and roll-out of Covid vaccines in many economies and signs of economic recovery supported these positive market trends.

Although most financial markets have started the year on a positive footing, concern over the emergence of new variants of the corona virus and possible rise in inflation as restrictions are lifted continue to pose a lingering risk to markets during 2021.

Strategic Asset Allocation and Composition of the Church of England Investment Fund for Pensions (CEIFP)

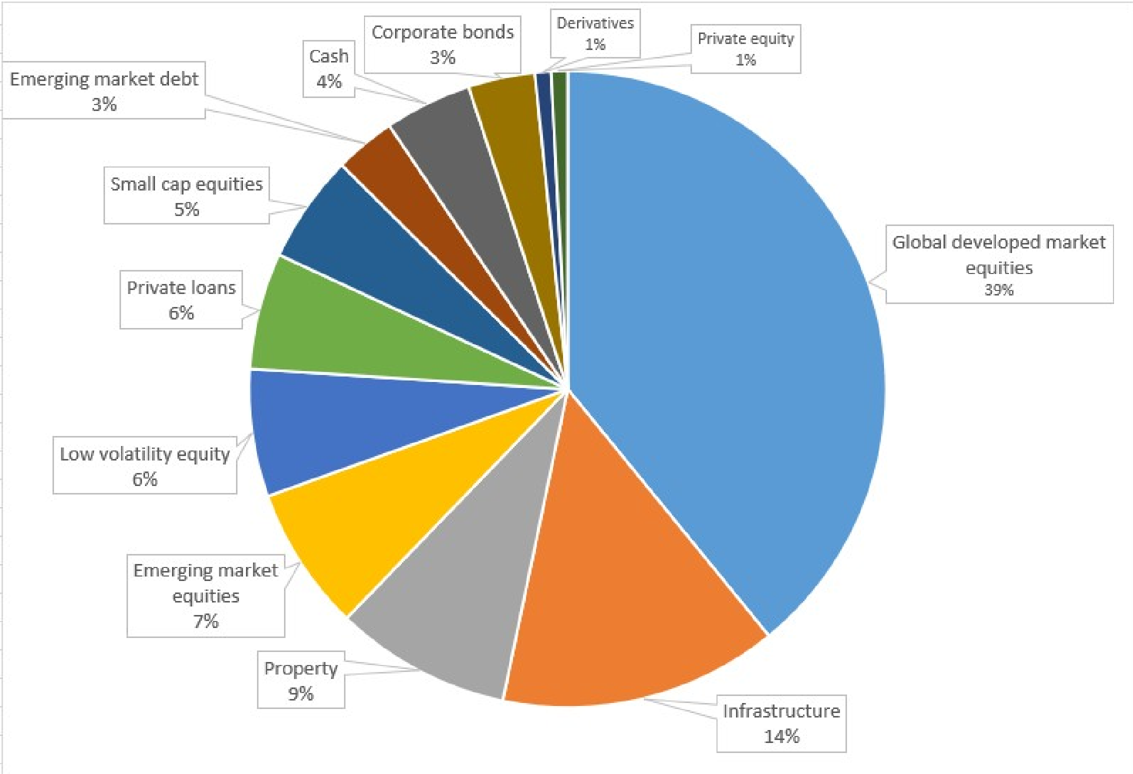
We pool most of the individual pension scheme assets for investment purposes in the CEIFP. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise.

The key exception to this is the Liability Driven Investment (LDI) portfolios for each of the Schemes (which sit outside of the CEIFP) and allow the Schemes to take explicit account of the maturity and interest and inflation sensitivity of their specific liability profiles.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund'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.

Total Assets in the CEIFP (excluding-LDI holdings)

The chart below shows how our assets were invested in the CEIFP at the end of 2020.



Our long-term investment plan envisages both a reduction and restructuring of public equity investments as a share of the total, with further investments in private markets and other asset classes that provide more contractual income such as infrastructure, various forms of debt and private equity. This is appropriate because our schemes are continuing to grow and are some years from maturity.

This will further diversify our growth portfolio and directly supports our ethical investment agenda, by allowing us to invest in areas such as renewable energy, energy efficiency, environmental wellbeing and technology.

This is also likely to lead to a further evolution in the type and number of investment managers used within the scheme. At the end of 2020, the Fund's assets within the CEIFP were managed by 23 managers.

Fund manager	Description
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
Blackstone	Alternative income
Cambridge Associates	Private Equity
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
DBL Partners	Venture Capital
DIF Management	Pooled infrastructure fund
EQT Infrastructure Partners	Pooled infrastructure fund
First Sentier	Pooled infrastructure fund
Generation Investment Management LLP	Global equities
GW&K	Emerging market equities
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
Insight	High quality corporate bonds
KKR & Co. L.P.	Pooled infrastructure fund
Legal & General Investment Management	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Robeco Asset Management	Global equities
T Rowe Price	Emerging market equities

Trustee's report (continued)

Investment Performance

As a pension fund, some of our assets are invested for growth, and others are invested in a lower risk way to back pensions in payment. Despite a volatile year for markets, this diversified investment strategy continued to serve us well and our investments generated a creditable performance for the year as whole.

Total assets of the three schemes for which the Church of England Pension Board (CEPB) is trustee returned 9.4% over 2020, while the assets within the CEIFP (which excludes the Liability Driven Investment portfolio) returned 7.6%.

The longer-term returns to 31 December 2020 for each of the broad asset classes are set out below. All figures are net of fund management fees and asset class returns are shown in Sterling terms.

Investment returns to 31st December 2020	Value £m	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	15 yrs.*
CEPB Total Assets	**3,081**	**9.4**	**7.1**	**10.3**	**8.7**	**8.7**
CEIFP Assets (Total assets ex-LDI)	**2,541**	**7.6**	**6.6**	**9.9**	**8.6**	**8.4**
Public Equity Pool	1,516	10.8	8.8	12.5	10.0	9.2
Global Equities	1,144	8.0	8.9	13.2	11.2	9.0
Emerging Market Equities	186	15.5	7.7	16.6	--	9.1
Small Cap Equities	140	26.1	10.9	14.8	--	16.0
Diversified Growth Pool	259	1.2	4.6	6.0	7.6	3.4
Property	227	0.7	3.9	5.6	7.4	3.2
Private Equity	25	-5.8	--	--	--	-16.1
Diversified Income Pool	619	5.9	7.8	10.6	--	7.4
Infrastructure	360	9.8	7.9	11.6	--	9.0
Private Debt	150	-1.5	5.9	--	--	4.0
Emerging Market Debt	79	2.7	4.0	9.3	--	4.5
Alt Income Producing Assets	11	-58.1	--	--	--	-56.2
Listed Credit Pool	87	7.3	5.0	6.0	7.0	7.3
Gilts and LDI Accounts	540	18.1	--	--	--	12.4
Comparators						
UK RPI		1.1	2.3	2.5	2.7	2.8
MSCI AC World		12.7	9.7	14.0	10.6	8.8
FTSE Over 5-year Index Linked Gilts		12.4	6.1	9.3	8.8	7.8

**ITD where 15 year data is unavailable*

The aggregate fund returns across all asset classes of 9.4% in 2020, compares well to the average of 10.3% p.a. over the past five years and longer terms return of c. 8.7% over the past ten and fifteen years.

Despite a turbulent first part of the year, our public equity pool recovered to generate returns of over 10.8% by the end of the year. Our other growth assets, including property and our private equity portfolio, returned just over 1.2% during 2020.

The negative returns reported on our fledging private equity and private debt portfolios, largely reflect the accounting and timing differences between making commitments, the draw-down of cash and repayment of funds.

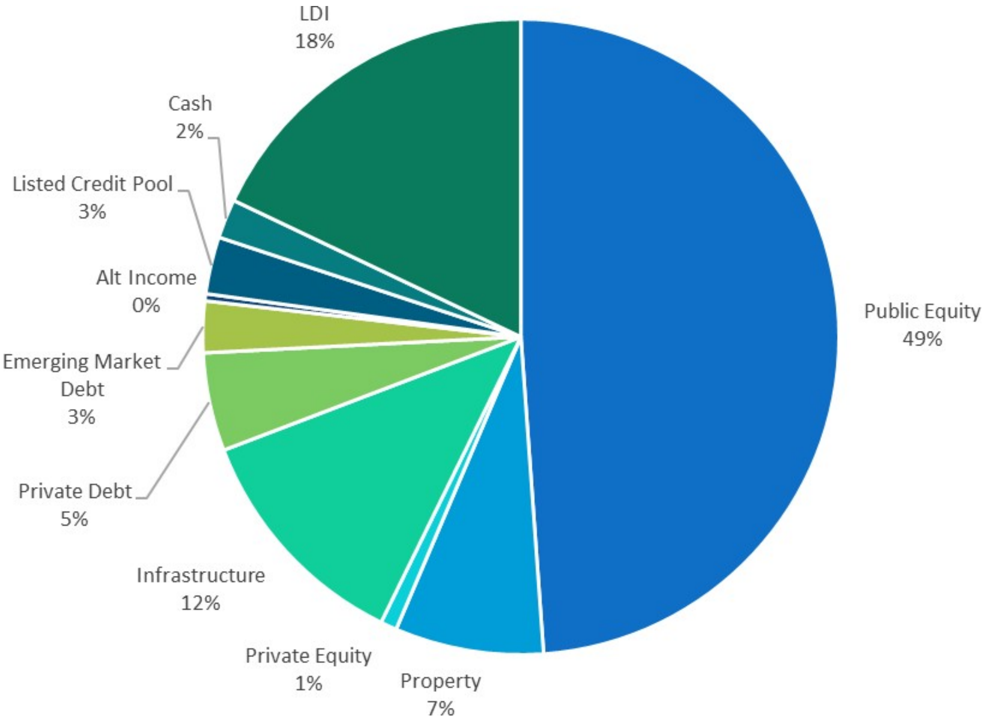
Diversifying and more stable assets also posted reasonable returns. Our diversified income pool of infrastructure and private debt recorded returns of 5.9%. While our Liability Driven Investment portfolio, which sits outside the CEIFP, generated just over 18.1%.

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.

We continue to believe that a diversified portfolio helps to weather economic uncertainty, in turn offering more certainty to both members and employers. Further development of our asset allocation will continue throughout 2021, supported by ongoing risk analysis.

Trustee's report (continued)

The distribution of the overall asset allocation for the total assets for which the Church of England Pensions Board is Trustee.



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.

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 2020 these fees (including those charged by Northern Trust as custodian) were £6.7m (2019: £7.1m). This equated to 0.28% (2019: 0.32%) 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 29 June 2021 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 (as amended).

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 Auditor's report to the Trustee of The Church of England Investment Fund for Pensions

Opinion

We have audited the financial statements of The Church of England Investment Fund for Pensions ("the Fund") for the year ended 31 December 2020 which comprise the statement of total return, the statement of changes in net assets attributable to unit holders, the statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of the Trustee

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

In preparing 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 have no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Fund. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Clergy Pensions Measure 1961. Our audit work has been undertaken so that we might state those matters we are required in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London 30 June 2021

Statement of total return for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Change in market value of investments	6	153,247	249,685
Change in market value of investment cash and other investment balances	6	(17,377)	9,431
Total change in market value		135,870	259,116
Income	4	53,855	52,547
Expenses	5	(6,707)	(7,094)
Changes in net assets attributable to unit holders from investment activities		183,018	304,569

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2020

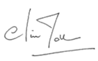
	Notes	2020 £000	2019 £000
Opening net assets attributable to unit holders		2,329,657	2,041,068
Amounts receivable on issue of units	11	289,769	2,327,298
Amounts payable on cancellation of units	11	(262,387)	(2,343,278)
Net assets before change from investment activities		2,357,039	2,025,088
Changes in net assets attributable to unit holders from investment activities	11	183,018	304,569
Closing net assets attributable to unit holders		2,540,057	2,329,657

Statement of net assets attributable to unit holders as at 31 December 2020

	Notes	2020 £000	2019 £000
Investment assets			
Equities	6	1,439,739	1,408,945
Bonds	6	159,196	149,937
Pooled investment vehicles	6	763,801	654,278
Derivative contracts	8	56,142	111,543
Other investments	6	59	219
Investment cash	6	150,234	56,064
Other investment balances	6	14,260	9,106
Total assets		2,583,431	2,390,092
Investment liabilities			
Derivative contracts	8	(36,114)	(56,845)
Investment cash	6	(1)	-
Other investment balances	6	(7,259)	(3,590)
Total investment liabilities		(43,374)	(60,435)
Total net assets attributable to unit holders	11	2,540,057	2,329,657
Participants' funds	11		
The Church of England Funded Pensions Scheme		2,003,054	1,833,327
The Church Workers Pensions Fund		457,744	421,732
The Church Administrators Pensions Fund		79,259	74,598
Total participants' funds		2,540,057	2,329,657

The notes 1 to 14 form part of these financial statements.

These financial statements were approved by the Trustee on 29 June 2021 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" (2018) (the "SORP") insofar as they relate to common investment funds.

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. Income is shown gross of all withholding taxes, with irrecoverable taxes shown as a separate expense.

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

The change in market value of investments during the year comprises all profits and losses realised on sales of investments and unrealised changes in market value.

Transaction 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 adopts 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. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used. For investments in vehicles where the Fund's Trustee is the sole ultimate beneficial owner and which are held for the purpose of resale, no consolidated accounts have been prepared as the statutory framework for pension schemes financial reporting does not require consolidation.

- **Derivatives**
  - **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was closed out at the year end date by entering into an equal and opposite contract at that date.
  - **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 translated into 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 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

	2020	2019
	£000	£000
Equities	28,863	29,398
Bonds	8,214	8,108
Pooled investment vehicles	16,283	13,727
Cash and cash equivalents	495	1,314
Total income	53,855	52,547

5 Expenses

	2020	2019
	£000	£000
Investment managers' fees	6,707	7,094
Total expenditure	6,707	7,094

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	1,408,945	1,111,629	(1,186,706)	105,871	1,439,739
Bonds	149,937	36,491	(27,952)	720	159,196
Pooled investment vehicles	654,278	197,067	(100,572)	13,028	763,801
Other investments	219	8,427	(8,567)	(20)	59
Net derivative contracts (note 8)	54,698	174,212	(242,530)	33,648	20,028
	2,268,077	1,527,826	(1,566,327)	153,247	2,382,823
Investment cash	56,064			(17,386)	150,233
Other investment balances	5,516			9	7,001
Total investments	2,329,657			135,870	2,540,057

Analysed between:

Investment assets	2,390,435	2,583,431
Investment liabilities	(60,778)	(43,374)
Total investments	2,329,657	2,540,057

Other investment balances include the following balances

	2020	2019
	£000	£000
Accrued income	8,166	5,958
Pending trade sales	4,320	2,059
Pending trade purchases	(6,033)	(2,910)
Variation margin	548	409
Total other investment balances	7,001	5,516

Disposals of equities include £53.4m in respect of the redemption of a Legal and General mandate tracking the MSCI Enhanced Value Index, £112.8m in relation to the redemption of a segregated mandate with Longview Partners and £106.5m in relation to the redemption of a segregated mandate with Copper Rock Capital Partners. The cash proceeds were reinvested in the mandate tracking the FTSE TPI Climate Transition Index.

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:

	2020			2019		
	Commission	Other charges	**Total**	Commission	Other charges	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Equities	454	225	**679**	366	216	**582**
	454	225	**679**	366	216	**582**

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

	2020	2019
	£000	£000
Equities	31,028	14,396
Property	214,273	219,890
Cash	13,629	12,477
Private equity	9,131	-
Infrastructure	345,380	275,299
Private debt	150,360	132,216
Total pooled investment vehicles	763,801	654,278

Private debt is the Fund's investment in the Thorney Island Limited Partnership (number LP017097), of which the Church of England Pensions Board is the sole Limited Partner as trustee for the Church of England Investment Fund for Pensions. A summary of the assets and liabilities of the Limited Partnership are below. The valuation difference between the figures quoted above and the sterling equivalents below is due to timing differences in the provision of information to the Fund.

	2020	2020	2019	2019
	$000	£000	$000	£000
Investments	202,025	148,439	170,667	128,829
Current assets	13,203	9,701	8,530	6,439
Current liabilities	(9,865)	(7,248)	(1,349)	(1,018)
Total net assets	205,363	150,892	177,848	134,250

7 Investment analysis

Investments of over 5% of net assets
The Fund holds one investment of over 5% of net assets, representing 5.92% of net assets (2019: one asset representing 5.68% of net assets).

	2020	2019
	£000	£000
Thorney Island Limited Partnership	150,360	132,216
	150,360	132,216

Employer related investments
There were no employer related investments as at 31 December 2020 (2019: none).

8 Derivatives

	2020			2019		
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	102	(2)	**100**	33	(1)	**32**
Futures – bonds	91	(64)	**27**	91	(64)	**27**
Forward foreign currency contracts	55,949	(36,048)	**19,901**	111,419	(56,780)	**54,639**
Total derivatives	56,142	(36,114)	**20,028**	111,543	(56,845)	**54,698**

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:

	2020			2019		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*193*	-	(2)	*150*	1	-
Equities futures: Overseas	*4,174*	102	-	*3,888*	32	(1)
Total equities futures	***4,367***	**102**	**(2)**	***4,038***	**33**	**(1)**
Bonds: UK	*6,777*	72	-	*6,569*	-	(64)
Bonds: Overseas	*(5,987)*	28	(5)	*(5,968)*	91	-
Total bonds futures	***790***	**100**	**(5)**	***601***	**91**	**(64)**

All contracts have expiry dates between 8 March 2021 and 31 March 2021. Included within other investment balances is an asset of £548,000 (2019: £409,000) 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	Nominal value	Assets at 31 December 2020 £000	Liabilities at 31 December 2020 £000
US Dollar			
Forward to buy US Dollars	$1,010,337,678	-	(27,150)
Forward to sell US Dollars	$1,502,658,808	44,862	-
Euros			
Forward to buy Euros	€190,581,562	-	(4,547)
Forward to sell Euros	€345,395,621	5,215	-
Japanese Yen			
Forward to buy Japanese Yen	¥7,327,562,423	-	(1,456)
Forward to sell Japanese Yen	¥106,876,874	2,240	
Other currencies			
Forward to buy other currencies		362	(2,152)
Forward to sell other currencies		3,270	(743)
		55,949	(36,048)

All contracts had maturity dates falling between 4 January 2021 and 16 March 2021.

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, i.e. 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 2020:

Level	1	2	3	Total 2020
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,438,549	43	1,147	1,439,739
Bonds	-	159,196	-	159,196
Pooled investment vehicles	19,807	-	743,994	763,801
Other investments	-	-	59	59
Derivatives contracts	185	19,843	-	20,028
Investment cash	150,233	-	-	150,233
Other investment balances	8,164	(1,163)	-	7,001
Total investments	1,616,938	177,919	745,200	2,540,057

Analysed by pool:

Level	1	2	3	Total 2020
	£000	**£000**	**£000**	**£000**
Public equity pool	1,503,177	10,874	1,473	1,515,524
Diversified growth pool	33,027	1,674	224,470	259,171
Diversified income pool	17,319	81,973	519,195	618,487
Liquidity pool	59,787	-	62	59,849
Listed credit pool	3,628	83,398	-	87,026
Total investments	1,616,938	177,919	745,200	2,540,057

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 levels as follows as at 31 December 2019:

Level	**1**	**2**	**3**	**Total 2019**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,405,870	52	3,023	1,408,945
Bonds	-	149,937	-	149,937
Pooled investment vehicles	21,225	-	633,053	654,278
Other investments	-	-	219	219
Derivatives contracts	59	54,639	-	54,698
Investment cash	56,064	-	-	56,064
Other investment balances	5,957	(441)	-	5,516
Total investments	1,489,175	204,187	636,295	2,329,657

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2019**
	£000	**£000**	**£000**	**£000**
Public equity pool	1,443,631	34,128	3,421	1,481,180
Diversified growth pool	20,716	4,356	213,060	238,132
Diversified income pool	7,957	88,146	419,814	515,917
Liquidity pool	14,267	-	-	14,267
Listed credit pool	2,604	77,557	-	80,161
Total investments	1,489,175	204,187	636,295	2,329,657

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 Trustee determines the investment strategy after taking advice from a professional investment advisor. The Fund has exposure to 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 the Annual Report. 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.

The Fund's investment pools are unitised. 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 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	**2020**	**2019**
					£000	**£000**
Equities	○	◑	○	●	1,439,739	1,408,945
Bonds	●	◑	●	●	159,196	149,937
Pooled investment vehicles	◑	◑	◑	◑	763,801	654,278
Other investments (net)	●	◑	○	○	59	219
Derivatives contracts (net)	●	◑	◑	◑	20,028	54,698
Investment cash	●	◑	○	○	150,233	56,064
Other investment balances	●	◑	○	○	7,001	5,516
Total investments					2,540,057	2,329,657

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

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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.

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.

	2020	**2019**
	£000	**£000**
Bonds	159,196	149,937
Pooled investment vehicles	763,801	654,278
Derivatives: forwards	55,949	111,419
Investment cash	150,233	56,064
Total investments exposed to credit risk	1,129,179	971,698

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

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. 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.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2020	**2019**
	£000	**£000**
Limited Partnerships	467,542	350,829
SICAVs (*)	13,629	12,477
Exchange Traded Funds	6,361	6,489
Public Limited Companies	-	819
Cooperatief U.A (**)	41,198	36,821
FCP (**)	153,542	153,669
Property Authorised Investment Fund	10,116	10,636
Property Unit Trusts	33,892	38,138
Other funds	37,521	44,400
Total pooled investment vehicles	763,801	654,278

(*) A Société d'investissement à Capital Variable (SICAV) fund is an open-ended investment fund structure offered by European financial companies.

(**) A Cooperateif U.A is a Dutch Cooperative.

(***) A FCP- Fond commun de placement is a type of specialised investment fund used by European financial institutions.

Currency 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.

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.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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

	Gross exposure £000	Hedged exposure £000	**Net exposure 2020 £000**	**Net exposure 2019 £000**
Pounds sterling	350,738	1,033,532	**1,384,270**	1,076,076
US Dollars	1,355,431	(736,145)	**619,286**	611,057
Euros	342,708	(169,406)	**173,302**	177,368
Japanese Yen	108,842	(52,060)	**56,782**	75,038
Other currencies	362,496	(75,921)	**286,575**	335,479
Total investments (excluding forwards)	2,520,215	-	**2,520,215**	2,275,018
Forwards	19,842	-	**19,842**	54,639
Total investments	**2,540,057**	-	**2,540,057**	2,329,657

Interest rate risk

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. The Fund is subject to interest rate risk due to its bond investments in the Public equity pool and, primarily, Listed credit 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

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'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 five pools: the public equity pool containing mostly listed equities, the diversified growth pool containing mostly property and private equity assets, the diversified income pool containing mostly private loans and infrastructure assets, the listed credit pool containing corporate bonds and the liquidity pool containing cash.

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 pools:

Listed credit pool:

	At 1 January 2020 £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 2020 £000**
The Church of England Funded Pensions Scheme	46,257	-	-	3,350	**49,607**
The Church Workers Pension Fund					
Pension Builder Classic	7,479	-	-	541	**8,020**
Defined Benefit Scheme – Employer section	1,311	-	-	95	**1,406**
Defined Benefit Scheme – Life Risk section	13,823	1,000	-	1,063	**15,886**
The Church Workers Pension Fund	22,613	1,000	-	1,700	**25,312**
The Church Administrators Pension Fund	11,291	-	-	816	**12,107**
Total Listed credit pool	80,161	1,000	-	5,865	**87,026**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Public equity pool:

	At 1 January 2020 £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 2020 £000
The Church of England Funded Pensions Scheme	1,174,573	5,040	(84,031)	110,837	**1,206,419**
The Church Workers Pension Fund					
Pension Builder 2014	16,760	2,181	-	1,988	**20,929**
Pension Builder Classic	74,379	-	(5,816)	6,895	**75,458**
Defined Benefit Scheme – Employer section	132,522	13,293	(28,883)	11,397	**128,329**
Defined Benefit Scheme – Life Risk section	41,121	8,012	(10,950)	3,897	**42,080**
The Church Workers Pension Fund	264,782	23,486	(45,649)	24,177	**266,796**
The Church Administrators Pension Fund	41,825	-	(3,375)	3,859	**42,309**
Total public equity pool	1,481,180	28,526	(133,055)	138,873	**1,515,524**

Diversified growth pool:

	At 1 January 2020 £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 2020 £000
The Church of England Funded Pensions Scheme	189,916	14,394	-	2,438	**206,748**
The Church Workers Pension Fund					
Pension Builder 2014	2,818	725	(79)	115	**3,579**
Pension Builder Classic	12,046	711	(9)	157	**12,905**
Defined Benefit Scheme – Employer section	21,467	3,693	(3,493)	278	**21,945**
Defined Benefit Scheme – Life Risk section	5,228	2,204	(301)	55	**7,186**
The Church Workers Pension Fund	41,559	7,333	(3,882)	605	**45,615**
The Church Administrators Pension Fund	6,657	67	-	84	**6,808**
Total diversified growth pool	238,132	21,794	(3,882)	3,127	**259,171**

Diversified income pool:

	At 1 January 2020 £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 2020 £000
The Church of England Funded Pensions Scheme	411,267	53,391	-	28,167	**492,825**
The Church Workers Pension Fund					
Pension Builder 2014	6,276	1,802	-	464	**8,542**
Pension Builder Classic	26,084	3,032	-	1,763	**30,879**
Defined Benefit Scheme – Employer section	46,491	13,720	(10,884)	3,044	**52,371**
Defined Benefit Scheme – Life Risk section	11,377	5,936	(894)	957	**17,376**
The Church Workers Pension Fund	90,228	24,490	(11,778)	6,228	**109,168**
The Church Administrators Pension Fund	14,422	1,114	-	958	**16,494**
Total diversified income pool	515,917	78,995	(11,778)	35,353	**618,487**

Liquidity pool:

	At 1 January 2020 £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 2020 £000
The Church of England Funded Pensions Scheme	11,314	109,118	(72,825)	(152)	**47,455**
The Church Workers Pension Fund					
Pension Builder 2014	161	5,377	(4,709)	(2)	**827**
Pension Builder Classic	716	6,720	(4,276)	(10)	**3,150**
Defined Benefit Scheme – Employer section	1,272	22,393	(18,567)	(24)	**5,074**
Defined Benefit Scheme – Life Risk section	401	12,471	(11,064)	(6)	**1,802**
The Church Workers Pension Fund	2,550	46,961	(38,616)	(42)	**10,853**
The Church Administrators Pension Fund	403	3,375	(2,231)	(6)	**1,541**
Total liquidity pool	14,267	159,454	(113,672)	(200)	**59,849**

Notes to the financial statements (continued)

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2020 (2019: nil).

As at 31 December 2020, the Board had made the following commitments

	2020	**2019**
	£m	£m
Pooled investment vehicles (equity)	22.5	30.3
Pooled investment vehicles (private equity)	338.7	76.2
Pooled investment vehicles (property)	-	6.4
Pooled investment vehicles (infrastructure)	156.2	229.3
Pooled investment vehicles (private debt)	18.8	30.7
Total commitments	536.2	372.9

13. Related party transactions

Two Board members (2019: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

Certain private debt investments are made through Thorney Island Limited Partnership (number LP017097), of which the Church of England Pensions Board is the Limited Partner as trustee for the Church of England Investment Fund for Pensions.

Appendix 3

Implementation Statement

1. Introduction

This is the Church of England Pension Board's implementation statement in respect of the Church Administrators Pension Fund (the "Scheme"). This statement has been prepared in accordance with the requirements of regulations 12(1) and 12(5)(a) of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), taking account of guidance published by the Pensions Regulator. The Church of England Pension Board has prepared this statement in its capacity as trustee of the Scheme and is referred to as the "Trustee" in the rest of this document.

This statement:

- sets out how, and the extent to which, in the Trustee's opinion, the Scheme's Statement of Investment Principles ('SIP') has been followed during the year to 31 December 2020 (the "Scheme Year"), as detailed in the table in this document;
- describes the review of the SIP undertaken during the Scheme Year;
- explains any changes made to the SIP during the Scheme Year and the reason for those changes, following that review; and
- describes any voting behavior by, or on behalf of, the Trustee in respect of the Scheme during the Scheme Year.

The SIP is prepared by the Trustee with advice from its investment consultant, Mercer. A full copy of the SIP is available on the Trustee's website.

2. Investment Objectives of the Scheme

Defined Benefit Section ("DB Section")

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

1. All beneficiaries receive the benefits to which they are entitled under the Rules of the Scheme.
2. There are sufficient assets to meet the Scheme's liabilities as they fall due, and
3. Through the process of meeting the Scheme's liabilities, that the Scheme's investments do not work against beneficiaries' interests and the world into which they will retire.

The Trustee therefore has a long-term objective for the DB Section of 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 April 2023 for reaching full funding.

DC Section

The Trustee's objectives for the defined contribution section ("DC Section") of the Scheme are:

1. to provide a range of investment funds and de-risking options that enable members to fulfil their retirement needs and ambitions; and
2. to provide a prudent default arrangement for those that do not wish to make their own investment choices under the Scheme.

3. Review of the SIP – what has changed in the last 12 months?

During the Scheme Year, the Trustee reviewed the Scheme's SIP with the aid of professional advice from its investment consultant, Mercer. The Trustee decided to adopt a revised SIP in September 2020 in order to:

1. meet new regulations that were laid down to meet the EU's Shareholder Rights Directive; and
2. improve the transparency of information on how the Trustee engages with the Scheme's asset managers.

In particular, the Trustee decided to update the SIP to set out its policies in relation to arrangements with asset managers, and specifically to cover the following points:

How the Scheme's arrangements with asset managers incentivise those asset managers to align their investment strategy and decisions with the Trustee's policies for the Scheme.

- How those Scheme arrangements incentivise asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies for the Scheme.
- How the Trustee monitors portfolio turnover costs incurred by the Scheme's asset managers, and how the Trustee defines and monitors targeted portfolio turnover.
- The duration of the Scheme's arrangements with asset managers.

4. Assessment of how the policies in the SIP have been followed for the Scheme Year to 31 December 2020

The information provided in this section highlights the work undertaken by the Trustee during the Scheme Year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole and the Scheme's default investment arrangement.

The first column of the table recites the relevant matters which the SIP must address. The second column recites the Trustee's relevant policies under the SIP in relation to those requirements. The third column explains how that policy has been implemented in practice. In summary, the Trustee is generally satisfied that the Scheme's SIP has been followed effectively throughout the Scheme Year, although it identified concerns with the performance of two of the Scheme's investment managers, resulting in the termination of their appointment.

<table>
<tr><th></th><th>SIP content requirement</th><th>Summary of Trustee's policy / key extracts from SIP</th><th>Summary description and evaluation of work undertaken in the year to 31 December 2020</th></tr>
<tr><td>1</td><td>Securing compliance with the legal requirements about choosing investments</td><td>Both Sections

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.

SIP section 3</td><td>The Trustee received written advice from its investment consultant regarding:
The updates made to the Statement of Investment Principles during the Scheme Year (see Section 3); and
The suitability of the new investments made during the Scheme Year.
Key new investments made over the Scheme Year were:

DB Section
April 2020: DBL Partners IV Fund (advice received from Mercer in March 2020)
November 2020: FTSE TPI Climate Transition Index (advice received from Mercer in December 2019)
The Trustee implemented these changes for a variety of reasons including increasing portfolio diversification and managing the risks relating to climate change.

DC Section
No changes have been made to fund choices or the default strategies in the last 12 months. The Trustee considered that these remained appropriate and aligned with the SIP.</td></tr>
<tr><td>2</td><td>Kinds of investments to be held</td><td>DB Section

The Trustee operates a common investment fund (The Church of England Investment Fund for Pensions, or CEIFP), comprising a Public Equity Pool, Diversified Growth Pool, Diversified Income Pool and Listed Credit Pool (together “the pools”). LDI is held outside of the common investment fund structure.

SIP section 5

SIP Section 5

DC 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.

SIP section 2</td><td>DB Section
The Trustee reviewed its investment strategy over the Scheme Year and agreed a series of funding level de-risking triggers to progressively reduce exposure to return seeking assets (i.e. the Public Equity, Diversified Growth and Diversified Income pools) in favour of the liability matching assets (i.e. the Listed Credit Pool and LDI). The Trustee intends for these changes to reduce the volatility of the Scheme’s funding position, to ensure that the Scheme can meet its liabilities when they become due.

DC Section
The current default investment option was subject to its formal triennial review by the Trustee in July 2020. The review also included the legacy default and ethical lifestyle options under the Scheme. The Trustee concluded that the DC Section’s default arrangements had performed broadly as expected and that they remained suitable and appropriate, taking account of the CAPF’s risk profiles and membership.

The investment manager’s investment process, key staff, performance and approach to Responsible Investment were all reviewed as part of this exercise. The Trustee was satisfied that their performance and approach was conducive to fulfilling members’ retirement needs, provided value for money and ensured that default arrangements continued to be sufficiently prudent.</td></tr>
</table>

3	The balance between different kinds of investments	**DB Section** The split between the pools is determined by the characteristics of the Scheme, in particular its demographic profile, the spread of time over which its liabilities fall due, its long-term target, strength of sponsor covenant and the appetite for risk of the Trustee and the Scheme's sponsors. SIP sections 6 **DC 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. SIP section 2	**DB Section** As noted above, the Trustee reviewed the investment strategy over the Scheme Year, with support from its investment consultant Mercer, and agreed a series of funding level related funding triggers to reduce exposure to return seeking assets in favour of liability matching assets. The Trustee made these changes in view of the Scheme's maturing membership and improved funding position. **DC Section** The strategic asset allocation of the default investment option is set by the fund manager but is monitored by the Trustee. The self-select fund range is reviewed regularly (at least triennially). The date of the last review was July 2020. Following that review, the Trustee was satisfied that an appropriate range of investment options continue to be available to members and that the Scheme's default arrangements remain sufficiently prudent. The Trustee's Pensions Committee regularly receives investment performance reports from LGIM and LCP which monitor the risk and return of options available within the Scheme.
4	Risks, including the ways in which risks are to be measured and managed	**DB Section** The Trustee considers a wide range of specific risks, including, but not limited to, those set out in Appendix 2 [which includes a range of financial and non-financial risks] 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. SIP section 9 **DC Section** The trustee aims to offer funds that, wherever possible within the asset class, track a major independent and recognised index. SIP section 9	**DB Section** The Trustee considered both quantitative and qualitative measures periodically throughout the Scheme Year as part of its risk monitoring and management framework. These include quarterly investment performance reports, manager due diligence undertaken by the in-house investment team and ESG reviews provided by the EIAG and Mercer amongst others. A series of funding level related de-risking triggers were implemented to progressively reduce exposure to return seeking assets (which includes, for example, the Public Equity Pool), in favour of the liability matching assets (i.e. the Listed Credit Pool and LDI), to meet the scheme's long term funding and investment targets. The Trustee intends for these changes to reduce the volatility of the Scheme's funding position, to ensure that the Scheme can meet its liabilities when they become due. In April 2020, the Trustee's investment consultant provided an updated view on the portfolio's risk and return profile, so that the Trustee could increase its awareness of key financial risks to which the Scheme may be exposed. Quantitative work was conducted over the Scheme Year on the resiliency of the Scheme's assets to climate change and the Trustee has continued to take account of such financial considerations as part of the Scheme's investment strategy. **DC Section** The Trustee regularly received investment performance reports from LGIM to assess whether the funds offered to members have tracked the relevant index within an acceptable tolerance. This information is incorporated into a 'DC dashboard' which is

			reviewed by the Pensions Committee of the Trustee at each of its scheduled meetings. Both Sections The Trustee maintains a risk register which includes investment risks. The risk register is maintained by the Trustee's Audit and Risk Committee, which reports to the Trustee. This enables the Trustee to continue to review and manage the risks which the Scheme faces.
5	Expected return on investments	**DB Section** Investment managers are appointed based on their capabilities and the perceived likelihood of them meeting the Trustee's return and risk expectations. SIP section 6 **DC Section** The Trustee aims to offer funds that, wherever possible within the asset class, track a major independent and recognised index. SIP section 9	**DB Section** On a quarterly basis, the Trustee's Investment Committee reviews an investment performance report detailing how each investment manager has delivered against their specific objectives. The report includes a red, amber or green internal rating for each manager, which is based on a number of considerations including changing capabilities (e.g. staff changes), expected return, etc. As at 31 December 2020 four managers were on an amber "watch" rating. This meant that the Trustee regarded them as less likely than before to meet the Trustee's return and risk expectations and so the Trustee intends to monitor them more closely and, if appropriate, to switch investment managers in the future as necessary. Over the 3 years to 31 December 2020, the Trustee's "total asset" return [on its common investment fund investments] was 7.1% p.a. on a net of fees basis and over this period the Scheme's DB Section comprised 5.1% of the total assets. This meant that the Scheme's investment return was broadly in line with the Trustee's return expectations, given market movements. **DC Section** Investment performance is reviewed by the Trustee's Pensions Committee at each scheduled meeting – this includes the risk and return characteristics of the default and additional investment fund choices. The Trustee is satisfied that DC Section investment asset classes continue to track their respective indices. • The Trustee conducts an annual Value for Members assessment. For the Scheme Year, the Trustee concluded that the Scheme scored above average on 5 of the 8 criteria set and average on the test, and therefore continues to provide good value for members.
6	Realisation of investments	**DB Section** The Scheme is cashflow negative and the Trustee ensures the scheme assets are managed to provide sufficient liquidity to meet all benefit payments when they fall due. SIP section 7 **DC Section** For the Defined Contribution section, members may select their own investment funds from the range offered by the Trustee.	**DB Section** The Trustee asked its investment consultant to conduct a formal review of liquidity requirements, which was presented in April 2020. No immediate concerns were raised following the analysis. An allocation to the liquidity pool is maintained in order to meet unexpected liquidity needs (e.g. retirement lump sums, transfer values, etc.). **DC Section** Member assets are invested in daily dealt and daily priced pooled funds, through a direct relationship with LGIM. The Trustee's Pensions Committee receive an administration report on a quarterly basis to monitor whether financial transactions are processed within the service level agreement and regulatory timelines. The service level agreement covers the accuracy

		SIP section 7	and timeliness of all core financial transactions performed by the DC Section's administrator. The Trustee did not identify or raise any material issues during the Scheme Year.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	**DB Section** 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. SIP section 8 **DC 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 are regularly reviewed by the Trustee to ensure they are as close as can currently be found. SIP section 9	**DB Section** The investment performance report is reviewed by the Trustee's Investment Committee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment adviser and in-house team (including independent ESG ratings from the Ethics and Engagement team). The investment performance report includes how each investment manager is delivering against their specific mandates. The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps its ethical investment and stewardship policies under regular review, with advisory input from the Ethical Investment Advisor Group. During the selection and appointment of a new manager the Trustee considers the ESG rating of the manager (both in-house and from Mercer), their policies, and capacity to implement our responsible investment approach. **DC Section** Members are offered a suite of passive funds (plus a property fund) from which to invest, including a number of ethical fund options. The Trustee is satisfied that those investment options remain appropriate, taking account of Scheme members' retirement ambitions and needs.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	**DB Section** The Trustee regularly 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. SIP section 8 **DC 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	**DB Section** The Trustee maintains a list of excluded companies which derive a certain level of revenue from business activities which are incompatible with the Church of England's values. As at 31 December 2020, the list comprised 459 companies covering a range of themes including gambling, alcohol, defence, climate change and tobacco. The revenue screen is monitored by the in-house team refreshed every 3 months. The Trustee also undertakes a range of stewardship activities, see the Trustee's Stewardship Report 2020 for more details, found on the Trustee's website. In November 2020, a review of the potential long-term impact of climate change was undertaken, looking at a range of global warming scenarios. The review considered the financial impact of both physical and transition risks of climate change on the assets. **DC Section** Members have the ability to select an Ethical Lifestyle option as well as two standalone ethical equity funds. These are subject to ethical criteria determined by

		basis of Church of England ethics, but the ethical funds are regularly reviewed by the Trustee to ensure they are as close as can currently be found. SIP section 8	LGIM rather than the Trustee and are benchmarked against FTSE4Good indices.
9	The exercise of the rights (including voting rights) attaching to the investments	**DB Section** 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 team. SIP section 8 **DC Section** The Funds available to members are managed by the investment manager LGIM. Voting rights are exercised by LGIM in accordance with their policies rather than those of the Trustee.	**DB Section** All voting activity is carried out by the in-house investment team on behalf of the Trustee. A complete list of votes completed by the Trustee over the Scheme Year, along with the rationale behind the votes, can be found on the Trustee's website and further details can be found in the Trustee's Stewardship Report. See Section 7 of this report for summary details. **DC Section** The Trustee has delegated voting rights to LGIM, as the DC Section's administrator, due to the pooled fund nature of the Scheme's DC Section investments. The Trustee's own engagement activity is focussed on its dialogue with LGIM, which is undertaken in conjunction with its investment adviser, Mercer. LGIM provides voting summary reporting (at least annually), which is reviewed by the Trustee. Voting data, including details of votes for and against management and significant votes are detailed in section 7 of this report. Details of LGIM's engagement activities over the Scheme Year can be found on the Trustee's website. Over the Scheme Year, the Trustee did not consider the voting activity in detail but intends to do so going forwards.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the trustee would monitor and engage with relevant persons about relevant matters)	**DB Section** The Trustee values engagement with companies over responsible and ethical investment issues. SIP section 8 **DC Section** The management of the CAPF's DC section has been delegated to the investment manager LGIM, along with responsibility for	**DB Section** Engagement activity is carried out and monitored by the in-house investment team on behalf of the Trustee. During the Scheme Year significant engagement activities included for example: • leading discussions with the senior management of Royal Dutch Shell about the development of its climate change strategy; • working as part of a coalition of global investors to engage with companies in the mining industry sector about their relationships with First Nations communities and indigenous peoples, following the Juukan Gorge incident involving Rio Tinto; • co-founding the Transition Pathway Initiative – an investor tool to assess public companies on transition risk (e.g. management quality and future carbon performance); and • leading the Mining and Tailings Safety Initiative – an initiative by a coalition of global investors, designed to address tailings storage risks in the wake of the Brumadinho disaster that killed 270 people.

		active ownership activities, including engagement. SIP section 5	Full details of the Trustee's engagement activity on behalf of the Scheme as well as other pension arrangements is set-out in the Trustee's 2020 Stewardship Report. **DC Section** The Trustee acknowledges that engagement activity will be undertaken in line with LGIM's policies and approach to active ownership. LGIM is expected to provide a summary of engagement activity (at least annually), and currently does so. The Trustee believes it is important that LGIM takes an active role in the supervision of the companies in which the Scheme invests (indirectly), both by voting at shareholder meetings and engaging with the management of investee companies in issues which affect the relevant company's financial performance, as LGIM considers appropriate. Details of LGIM's engagement activities over the Scheme Year can be found on LGIM's website.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub-paragraph (b) of the legislation [Parts 2-8 of this Statement]	**Both Sections** Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected in line with the Board's ethical, climate and responsible investment policies. SIP section 6	**DB Section** Over the Scheme Year, the Trustee has assessed the ongoing suitability of the investment managers appointed in relation to the CEIFP (and indirectly on behalf of the Scheme). Their strategy, decisions, corporate governance, financial performance and ESG/ethical risk management are monitored by the Trustee's investment committee on a quarterly basis. As part of this process, the Trustee terminated two investment managers' appointments due to concerns around their performance and the ongoing strategic fit of their investment policies with those of the Scheme. The Trustee believes that the appointments of its remaining investment managers are consistent with its long-term objectives and no further changes were made over the Scheme Year. **DC Section** The manager arrangements were formally assessed as part of the investment strategy review in July 2020. These are also assessed on an ongoing basis, should any concerns be identified. The Trustee did not identify any such concerns during the Scheme Year. In the Scheme Year, the Trustee has discussed the continued appointment of LGIM and is content that the contractual arrangements in place continue to incentivise the manager to make decisions in line with the Trustee's policies.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their	**Both Sections** The Trustee reviews the performance of the investment managers on a regular basis versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term. The Investment managers are aware that their continued appointment is based on their	**DB Section** A number of investment managers were placed on 'Watch' due to concerns around long term performance and/or ESG integration. On behalf of the Trustee the in-house team undertook further due diligence to better understand these issues. As a result of these actions two managers were removed over the Scheme Year (Copper Rock and Longview). The in-house team, as part of ongoing stewardship on behalf of the Trustee, also engage regularly with the Scheme's underlying asset managers on medium and long term financial and non- financial considerations, and report to the Trustee's Investment Committee on progress (as outlined in the Trustee's Stewardship Implementation Framework, available on the Trustee's website). This is consistent with the Trustee's policy that they should meet with investment managers to discuss

	performance in the medium to long-term.	success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager. SIP section 5	performance and other related matters (including ESG topics) and report their findings to the Trustee. Over the Scheme Year the in-house team collaborated with CEIFP asset managers on engagement with debt and equity issuers on topics of climate change, and the safety of mine waste storage. More detail is available in the Trustee's Stewardship Report, available on the Trustee's website. **DC Section** LGIM's passive funds continued to perform satisfactorily against their respective benchmarks over the Scheme Year. As such, no changes were made to the arrangements.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	**Both Sections** As the Trustee is a long-term investor, it does not expect to make investment manager changes on a frequent basis. The Trustee reviews the performance of the investment managers on a regular basis versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term. The fees are set on appointment and reviewed regularly thereafter. The Trustee takes advice to ensure the fees are appropriate. SIP section 5	**DB Section** The Trustee focusses on longer-term performance metrics when assessing managers e.g. 3 and 5-year rolling periods. The Trustee's Stewardship Implementation Framework (available on the Trustee's website) outlines the ways in which managers' responsible investment performance is monitored and evaluated, consistent with the Trustee's ethical investment policies and strategy. The majority of investment managers are remunerated by way of a fee, calculated as a percentage of assets under management, but some do employ performance fees or see the fees paid reduce over the life of the investment. **DC Section** The Trustee's Pensions Committee focusses on performance and risk metrics as part of its monitoring of the pooled funds in which the Scheme invests. The investment manager is remunerated by way of a fee calculated as a percentage of assets under management, and does not use short term performance targets. The Trustee benchmarks these fees against similar funds from other managers and Master Trusts.
14	How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	**Both Sections** Portfolio turnover costs are monitored by the investment team, in absolute terms and relative to what might be reasonably expected given the underlying asset class and investment style of each investment manager, and reported to the Trustee on an annual basis. SIP section 5	**DB Section** The in-house investment team have started monitoring turnover costs. A turnover cost report will be considered by the Trustee's investment committee in Q4 2021. **DC Section** The Trustee considers portfolio turnover costs indirectly through consideration of transaction cost data as part of the annual Value for Members Assessment. Though the Trustee does not currently define target portfolio turnover ranges for funds, it will engage with the managers if the portfolio turnover is higher than expected as a result of the monitoring undertaken.

<table>
<tr>
<td>15</td>
<td>The duration of the arrangement with the asset manager</td>
<td>Both Sections

As the Trustee is a long-term investor, it does not expect to make investment manager changes on a frequent basis.

Where the Scheme invests in an open-ended vehicle, or segregated mandate, with an investment manager the Trustee expects to retain them unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The investment manager has been reviewed and the Trustee has decided to terminate the mandate.

For holdings in closed-ended vehicles, the Scheme would expect to be invested for the lifetime of the strategy (which is disclosed to the Trustee at point of investment), although secondary market sales could be considered under certain circumstances.

SIP section 5</td>
<td>DB Section

During the Scheme Year, the following changes were made:

<table>
<tr><td></td><td>Manager</td><td>Mandate Type</td></tr>
<tr><td rowspan="2">Appointment</td><td>DBL Partners</td><td>Closed-ended (6 years)</td></tr>
<tr><td>TPI Climate Transition Index</td><td>Open-ended</td></tr>
<tr><td rowspan="2">Termination</td><td>Copper Rock</td><td>Segregated</td></tr>
<tr><td>Longview</td><td>Open-ended</td></tr>
</table>

The Trustee is satisfied that the duration of the Scheme’s other arrangements remain appropriate and it continues to monitor this periodically.

DC Section

No changes were made to the arrangements with LGIM over the Scheme Year.</td>
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5. Voting Activity

DB Assets

In respect of the relevant voting assets (equities) held within the DB Section, the Trustee maintains full discretion over voting activity. This is administered by the in-house team using a platform provided by Institutional Shareholder Services (“ISS”), with input from the Trustee’s Ethical Investment Advisory Group (“EIAG”), and a responsible proxy voting template developed in collaboration with other members of the Church Investors Group. In 2020, 39,049 votes were cast, 17.1% of which were cast against management’s recommendation (or support was withheld). Full details of the votes, along with the rationales, can be found on the Trustee’s website. Further details, including the voting template and examples of significant votes can be found in the Trustee’s Stewardship Report 2020 on the Trustee’s website.

To highlight some of the most significant votes cast by the Trustee during the Scheme Year:

Company	Summary of Resolution	Scheme vote	Significance
Chevron	For Chevron to prepare a report on its direct and indirect climate lobbying activities, policies and oversight mechanism.	The Board was among 53% of shareholders who voted in favour of the resolution.	The Trustee regarded this an important opportunity to obtain additional information which would enable it to take account of climate change impact when reviewing and monitoring the Scheme’s investment strategy. The Trustee recognises climate change as a relevant financial consideration which could potentially impact on the Scheme’s ability to meet liabilities as they fall due.
Alphabet	For Alphabet to create a new committee to strengthen its	The Board, who co-filed the resolution, was	The Trustee is committed to reducing the potential risk of ESG factors to the Scheme’s

	governance oversight of human rights.	among 16.2% of shareholders who voted in favour of the resolution.	investments, so that the Scheme can meet its liabilities in full. This resolution is a good illustration of the Trustee working to ensure that the Scheme has sufficient assets and to meet its objective that Scheme investments do not work against beneficiaries' interests or the world into which they will retire.
Ocado	Ocado's remuneration report.	The Board was among 29.8% of shareholders who voted against the remuneration report given continuing concerns over remuneration, particularly in respect of the CEO.	This represented a significant example of the Trustee implementing a strategy designed to promote the likelihood of beneficiaries receiving their benefit entitlement in full. The Trustee had concerns that the proposed remuneration package proposed was disproportionately high, relative to those of comparable industry peers. The Trustee considered that this was not conducive to incentivising sustainable, long-term value for shareholders (including the Trustee).

DC Assets

In respect of the relevant voting assets (equities) held within the DC Section, the Trustee has delegated its voting rights to LGIM in its capacity as sole manager of these assets. LGIM is expected to provide voting summary reporting on a regular basis, at least annually, and currently does so.

LGIM uses a proxy voting platform, 'ProxyExchange', which is offered by Institutional Shareholder Services ("ISS"). LGIM's Asset Stewardship team use ISS to perform proxy voting, apply the guidelines the LGIM team set out to them and for research on corporate governance issues and specific proxy items.

Voting results, sourced from LGIM for DC assets, covering the Scheme Year, are shown below.

Fund	Votes cast			Significant vote example
	Votes in total	**Votes against management endorsement**	**Abstentions**	
UK Equity Index Fund	12,468	856	1	***Barclays*** ***Resolution 29*** *- Approve Barclays' Commitment in Tackling Climate Change.* ***Resolution 30*** *- Approve ShareAction Requisitioned Resolution.* ***Voting:*** *LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.* ***Rationale****: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.* *LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.*
World (ex-UK) Equity Index Fund	36,268	6,910	210	***The Procter & Gamble Company*** ***Resolution 5*** *- Report on effort to eliminate deforestation.* ***Voting:*** *LGIM voted in favour of the resolution.* ***Rationale****: Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our*

				clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.
Ethical UK Equity Index Fund	5,007	318	0	***Pearson*** ***Resolution 5*** *- Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.* ***Voting:*** *LGIM voted against the amendment to the remuneration policy.* ***Rationale****: LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies.* *In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.*
Global Equity Fixed Weights (50:50) Index Fund	43,616	7,061	43	***Qantas Airways Limited*** ***Resolution 4*** *- Approve Remuneration Report.* ***Resolution 5*** *- Approve participation of Alan Joyce in the Long-Term Incentive Plan.* ***Voting:*** *LGIM voted against resolution 3 and supported resolution 4.* ***Rationale****: LGIM supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.*
Ethical Global Equity Index Fund	17,725	2,869	24	***Lagardere*** ***Resolution 4*** *- Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).* ***Voting:*** *LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB.*

				***Rationale**: LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardere, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.*