Church Administrators Pension Fund

Annual Report and Financial Statements
31 December 2021

Contents

Trustee's report

The Church of England Pensions Board ("the Board"), as Trustee of the Church Administrators Pension Fund ("CAPF", or "the Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2021.

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 2021. 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.

Going Concern
There has been no significant impact on contributions received from employers, as a result of the impact of the COVID-19 pandemic, 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 that COVID-19 and recent geopolitical events had on the responsible bodies and is satisfied that there was 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 2021 to 14 July 2022)

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
Roger Boulton FIA (from July 2021)
Canon Nicolete Fisher (to June 2021)
Canon Emma Osborne (from July 2021)
Ian Wilson (from July 2021)

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Nikesh Patel (to June 2021)

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 (to June 2021)

Elected by the members of the Church Workers Pension Fund
Susan Pope (to June 2021)
Michaela Southworth

Appointed by the members of the clergy pension schemes
The Revd Hugh Lee (from July 2021)
The Revd Eleanor Robertshaw (from July 2021)

Elected by the House of Bishops of the General Synod
The Rt Revd Alan Wilson, Bishop of Buckingham (to June 2021)

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield (to June 2021)
The Revd Nigel Bourne (to June 2021)
The Revd Peter Ould (to June 2021)
The Ven David Stanton (to June 2021)

Elected by the House of Laity of the General Synod
Roger Boulton FIA (to June 2021)
Canon Emma Osborne (to June 2021)
Bill Seddon (to June 2021)

Appointment by the Archbishops of Canterbury and York after Consultation with the Church Commissioners and the representatives of the dioceses
Nikesh Patel (from July 2021)

Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocuters of the Convocations of Canterbury and York
The Revd Caroline Titley (from July 2021)

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

Elected by the Employers in the Church Workers Pension Funds and the Church Administrators Pensions Fund
Richard Hubbard
Canon Sandra Newton (to June 2021)

Committee Members

Audit and Risk Committee
Maggie Rodger (Chair)
Tony King
Ian Wilson
Helen Ashley Taylor*
Canon Susan Pope*
Caron Bradshaw OBE*

Pensions Committee
Richard Hubbard (Chair)
The Revd Hugh Lee
Maggie Rodger
Michaela Southworth
Ian Wilson

Housing Committee
The Revd Caroline Titley (Chair)
Tony King
The Revd Eleanor Robertshaw
Jonathan Gregory*
Tom Paul*
Lawrence Santcross*
The Rt Revd Alan Wilson*

Investment Committee
Roger Boulton (Chair)
Canon Emma Osbourne
Nikesh Patel
Matthew Beesley*
Jonathan Rodgers*

*Indicates members of committee who kindly give their time and experience to the committee but are not trustees of the Pensions Board

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

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 (until April 2021) Antin Infrastructure Partners Arrowstreet Capital (until May 2022) Audax Group Basalt Infrastructure Partners Blackstone Cambridge Associates CBRE Global Investors Colchester Global Investors DBL Partners DIF Management EQT Infrastructure Partners Igneo (formerly First Sentier) 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 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	**83**	**419**	**820**	**117**	**1,439**
Adjustment from prior year	-	-	(1)	-	(1)
Members retiring	(5)	(22)	27	-	-
Members leaving with deferred pension	(4)	4	-	-	-
Deaths	-	(3)	(25)	(10)	(38)
New spouse and dependent pensions	-	-	-	11	11
Total at 31 December	**74**	**398**	**821**	**118**	**1,411**

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	**469**	**709**	**1,178**
New members joining	91	-	91
Members retiring	(3)	(3)	(6)
Members leaving prior to pension age	(58)	58	-
Re-entrants	1	(1)	-
Deaths	-	(1)	(1)
Transfers out	(7)	(15)	(22)
Member leaving with no liability	-	(1)	(1)
Total at 31 December	**493**	**746**	**1,239**

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 2021 was 4.9% (2020: 1.1%). Pensions in payment on 1 January or 1 April 2022 increased therefore by 4.9% (2021: 1.1%). 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 remained 19.1% of pensionable salary until 1 January 2021, when the employer contribution rate increased 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 17 to the financial statements.

The Summary of Contributions and certificate are set out on pages 30 and 31.

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 2021, 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.

	2021 £'000	**2020 £'000**	Nature of investment
Return seeking investments			
CEIFP – Public Equity Pool	**22,916**	42,309	Public equities
CEIFP – Diversified Growth Pool	**-**	6,808	Property unit trusts, private equity and emerging markets sovereign debt
CEIFP – Diversified Income Pool	**12,640**	16,494	Private infrastructure equity, private debt
CEIFP – Liquidity Pool	**2,797**	1,541	Cash
Liability matching investments			
CEIFP – Listed Credit Pool	**30,255**	12,107	High quality corporate bonds
Liability Driven Investments ("LDI")	**99,976**	76,615	Pooled investment vehicle investing in gilts
AVCs			
Additional Voluntary Contributions	**-**	306	Unit trusts, see below
Total at 31 December	**168,584**	156,180	

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)

<u>Defined Benefit</u>

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 £100m (2020: £76.6m) 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 4.2% in 2021. The Scheme's LDI gains were 8.42% in 2021 and 9.73% for the three years ended 31 December 2021.

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.

At the end of 2021, 11 (2020: 10) Defined Benefit members were paying AVCs.

<u>Defined Contribution</u>

The Board has appointed Legal and General to manage its Defined Contribution investments. A range of funds are available to the members and there are three main types of investments: 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 2021, 316 (2020: 301) members were paying AVCs.

Employer-related investments

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

Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be 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 16 were approved by the Trustee on 14 July 2022 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 2021

Introduction

The DC Section of the Church Administrators Pension Fund ("CAPF") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is a scheme into which a specified rate of employee and employer contributions are paid, and under which the member chooses their investments and bears the investment risk). Members can also pay Additional Voluntary Contributions ("AVCs") to the DC Section of CAPF.

Governance requirements apply to DC pension arrangements, 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 (signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- the processing of core financial transactions (ie administration of the DC Section, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the DC Section is assessed; and
- Trustee knowledge and understanding.

This Statement covers the period from 1 January 2021 to 31 December 2021 (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. Members who join the DC Section and who do not choose an investment option are placed into the "Default". The Trustee recognises that most members do not make active investment decisions and instead have their contributions invested in the Default. After taking advice, the Trustee decided to make the Default the Drawdown Journey of a Target Date Fund ("TDF") strategy. This means a member's investments are automatically de-risked as they approach their target retirement age but some investment risk is retained if the member delays taking their benefits past that age.

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 target 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 Legacy Default.

Details of the objectives and the Trustee's policies regarding the Default and Legacy Default 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 generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk;
- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement; and
- To provide exposure, at retirement, to assets that are considered suitable for those looking to enter into an income drawdown arrangement at retirement.

The Legacy Default was last reviewed on 16 July 2020 and the Default on 30 March 2022. The Trustee formally reviews the default arrangements at least every three years or immediately following any significant change in investment policy or the CAPF's member profile.

The performance and strategy of the Default and Legacy Default are 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 membership profile. The review includes an analysis of member demographics and takes into account expectations of how the members in the relevant 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.

Defined Contribution Governance statement (continued)

The Trustee monitors 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.

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 recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the DC Section, which may in turn reduce their propensity to save and impair future retirement outcomes. The Trustee has received assurance from the DC Section's administrator that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

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. If any issues had been identified by the Trustee as part of its review processes, the Trustee would have raised those issues with the DC Section's administrator immediately and would have ensured it took steps to resolve the 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 broadly 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 and General ("L&G") who is 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. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations, the Trustee has used zero where a transaction cost is negative to give a more realistic projection (ie the Trustee would not expect transaction costs to be negative over the long term).

Default arrangement

The Default is a Target Date Fund ("TDF"), the Drawdown Journey, which is for members looking to target income drawdown at retirement within a set period of time (or vintage). The TDF's asset allocation changes over time, similar to a lifestyle arrangement, with members' assets automatically moving between different asset classes as they approach their target retirement age. 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.

Defined Contribution Governance statement (continued)

For the period covered by this Statement, annualised charges and transaction costs for all the vintages of the Default TDF (where a member is invested) are set out in the table below:

Default charges and transaction costs

Vintage	TER%	Transaction costs
2015 – 2020	0.30%	-0.02%
2020 – 2025	0.30%	-0.01%
2025 – 2030	0.30%	-0.04%
2030 – 2035	0.30%	-0.04%
2035 – 2040	0.30%	-0.04%
2040 – 2045	0.30%	-0.04%
2045 – 2050	0.30%	-0.02%
2050 – 2055	0.30%	-0.02%
2055 – 2060	0.30%	0.00%
2060 – 2065	0.30%	-0.01%

Legacy Default arrangement

The Legacy Default is a lifestyle strategy, targeting annuity purchase at retirement. The Legacy Default's asset allocation changes linearly over time, with members' assets automatically moving between different asset classes as they approach their target retirement date. Therefore, 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 also 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	0.19%	0.03%
4 years to retirement	0.17%	0.03%
3 years to retirement	0.16%	0.04%
2 years to retirement	0.14%	0.04%
1 year to retirement	0.12%	0.04%
At retirement	0.11%	0.04%

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'. 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	0.30%	-0.04%
2040 – 2045	0.30%	-0.04%
2045 – 2050	0.30%	-0.04%

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:

Stay Invested Journey charges and transaction costs

Vintage	TER %	Transaction costs
2020 – 2025	0.30%	-0.07%
2025 – 2030	0.30%	-0.03%
2030 – 2035	0.30%	-0.04%
2035 – 2040	0.30%	-0.04%

For the Scheme Year, annualised charges and transaction costs for the Ethical lifestyle option are set out in the table below:

Defined Contribution Governance statement (continued)

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	0.22%	0.02%
3 years to retirement	0.19%	0.02%
2 years to retirement	0.16%	0.03%
1 year to retirement	0.14%	0.03%
At retirement	0.11%	0.04%

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

Self-select fund charges and transaction costs

Fund	TER%	Transaction Costs
L&G Ethical UK Equity Index Fund	0.20%	0.02%
L&G Ethical Global Equity Index Fund	0.30%	0.00%
L&G UK Equity Index Fund	0.10%	0.02%
L&G Global Equity Market Weights (30:70) Index Fund	0.19%	0.03%
L&G Overseas Equity Consensus Index Fund	0.20%	-0.01%
L&G Over 5 years UK Index-Linked Gilts Fund	0.10%	0.04%
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%	-0.03%
L&G Managed Property Fund	0.72%	-0.31%
L&G Cash Fund	0.13%	0.02%

Additional Voluntary Contributions (AVCs)

Members paying AVCs have exactly the same choice of investments for their AVCs as they do for regular contributions. Annualised charges and transaction costs in respect of AVCs are the same as those set out in the tables above.

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 (including AVCs). 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 three 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 annualised transaction costs over the past three years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme Year.
- 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 the Legacy Default and two funds from the DC Section's self-select fund range. The two self-select funds shown in the illustration are:
  - the fund with highest annual member borne costs – this is the L&G Managed Property Fund.
  - the fund with lowest annual member borne costs – this is the L&G UK Equity Index Fund

Defined Contribution Governance statement (continued)

	Default option		Legacy Default		L&G Managed Property Fund		L&G UK Equity Index Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£11,100	£11,100	£11,200	£11,200	£11,100	£11,100	£11,200	£11,200
3	£17,600	£17,400	£18,100	£18,000	£17,700	£17,400	£18,100	£18,000
5	£24,100	£23,800	£25,300	£25,100	£24,500	£23,900	£25,300	£25,200
10	£40,600	£39,800	£44,900	£44,200	£42,200	£40,400	£44,900	£44,600
15	£57,400	£55,800	£66,900	£65,500	£61,200	£57,500	£66,900	£66,300
20	£74,800	£72,100	£91,700	£89,300	£81,600	£75,200	£91,700	£90,600
25	£92,600	£88,600	£119,600	£115,700	£103,500	£93,500	£119,600	£117,900
30	£111,000	£105,300	£151,100	£145,100	£126,900	£112,400	£151,100	£148,400
35	£126,600	£119,100	£186,500	£177,900	£152,000	£131,900	£186,500	£182,600
40	£136,900	£127,700	£196,300	£186,300	£178,900	£152,200	£226,300	£221,000

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. 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 £7,900. This is the approximate average (median) pot size for active members aged 30 years and younger (rather than using a whole membership average, the Trustee has 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 the scheme'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 9% of salary per year. The approximate average active employee contribution for members aged 30 years and younger is 1% 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: 1.2% above inflation for the initial years, gradually reducing to a return of -1.0% above inflation at the at-retirement allocation of the Target Date Fund.
- Legacy Default: 2.3% above inflation for the initial years, gradually reducing to a return of -2.5% above inflation at the at-retirement allocation of the lifestyle.
    - L&G Managed Property Fund: 1.3% above inflation
    - L&G UK Equity Index Fund: 2.3% above inflation
- No allowance for active management outperformance has been made.

Defined Contribution Governance statement (continued)

Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members can select or could select during the Scheme Year, and in which assets relating to members were invested during the Scheme Year. Returns for the TDFs, lifestyle arrangements and the self-select range are shown over various periods.

For the TDF arrangements (Default, Stay Invested Journey and Annuity Journey), where returns vary with age, returns are shown for members invested in different vintages (determined by their selected retirement age) over the periods shown.

For the lifestyle arrangements (Legacy Default and Ethical Lifestyle), where returns vary with age, the Department of Work and Pensions guidance states that the Trustee should show returns over various periods, for a member aged 25, 45 and 55 at the start of the period that the returns are shown over. This has been shown in the tables below. The Trustee has also included returns for members aged 60 as the allocation to the underlying funds within the two lifestyle arrangements remains static until the last 5 years leading up to retirement. A target retirement age of 65 has been assumed for each of these tables.

The Drawdown Journey net returns over periods to Scheme Year end

Vintage	1 year (%)	Since inception (% pa)[1]
2060-2065	11.2	10.6
2040-2045	9.0	9.0
2030-2035	9.0	9.0

[1] The inception date of the L&G Target Date Funds for CAPF is January 2019.

Legacy Default net returns over periods to Scheme Year end

Age of the member at the start of the period that the returns are shown over	1 year (%)	5 year (% pa)
25	20.2	10.9
45	20.2	10.9
55	20.2	10.9
60	20.2	8.5

Ethical Lifestyle net returns over periods to Scheme Year end

Age of the member at the start of the period that the returns are shown over	1 year (%)	5 year (% pa)
25	20.7	9.5
45	20.7	9.5
55	20.7	9.5
60	20.7	7.6

The Stay Invested Journey net returns over periods to Scheme Year end

Vintage	1 year (%)	Since inception (% pa)[1]
2030-2035	9.0	9.0
2025-2030	8.3	8.3
2020-2025	6.8	7.6

[1]The inception date of the L&G Target Date Funds for CAPF is January 2019.

Defined Contribution Governance statement (continued)

The Annuity Journey net returns over periods to Scheme Year end

Vintage	1 year (%)	Since inception (% pa)
2045-2050	9.0	9.00[1]
2040-2045	9.0	6.50[2]
2035-2040	9.0	9.00[1]

[1]The inception date of the L&G Target Date Fund for CAPF is January 2019.
[2]The inception date of the L&G Target Date Fund for CAPF is September 2019.

Self-select fund net returns over periods to Scheme Year end

Fund name	1 year (%)	5 year (% pa)
L&G Ethical UK Equity Index Fund	16.5	5.2
L&G Ethical Global Equity Index Fund	25.0	13.7
L&G UK Equity Index Fund	17.8	5.4
L&G Global Equity Market Weights (30:70) Index Fund	20.2	10.9
L&G Overseas Equity Consensus Index Fund	20.5	13.0
L&G Over 5 years UK Index-Linked Gilts Fund	4.5	5.0
L&G Over 15 Year Gilts Index Fund	-7.4	4.1
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	-3.9	2.6
L&G Managed Property Fund	19.2	6.0
L&G Cash Fund	-0.1	0.2

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 2022. 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 adviser has confirmed that the fund charges are competitive for the types of funds available to members.

The Trustee's assessment included a review of the performance of the DC Section's investment funds (after all charges and transaction costs) 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 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 service level agreements.

Defined Contribution Governance statement (continued)

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 that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and expects this to lead to greater investment returns net of costs over time.

During the Scheme Year, the Trustee has made changes to its governance process. This included establishing a schedule of roles and responsibilities for advice and implementation across DC advisers in order to improve efficiency. In addition, the Trustee was able to negotiate fee reductions for the Overseas Equity Consensus Fund and Global Equity (30:70) Index Fund which are offered to members as part of the self-select fund range. The Global Equity (30:70) Index Fund is also used within the Legacy Default arrangement.

Overall, the Trustee believes that members of the DC Section are receiving reasonable value for money, for the charges and cost that they incur, for the reasons set out in this section. 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 in line with industry standard and communications are clear and informative.

Recognising that maintaining good value is an ongoing process, the Trustee aims to further improve value for members in the future by taking a number of actions during the 2022/2023 Scheme Years. These include: providing a member portal so members can monitor the value of their pension pots online and instigate investment switches online if they wish; integrating ESG and climate factors within the investment range; as well as considering ways to improve retirement options available for members.

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 advisers, regularly considers its 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 Scheme Year the Trustee received training on the following topics:

- Completing the Pension Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law);
- Receiving formal and informal training at relevant Trustee Board and Committee meetings, including training on DC responsibilities, Trustee safeguarding, sustainability issues considering Environmental, Social and Governance ("ESG") risks and new regulatory issues; and
- Where appropriate, completing self-assessments of training needs.

In addition, individual Trustee board members regularly attend external conferences and participate in peer review exercises. They ensure they are familiar with 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 advisers (eg investment consultants, legal advisers), the Trustee believes that it is well placed to exercise its functions as Trustee of the CAPF DC Section properly and effectively.

______________________________ Date: 14/07/2022

Signed by the Chair of Trustees of the Church Administrators Pension Fund

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 2021 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 2021, 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:

14/07/2022

Fund Account for the year ended 31 December 2021

	Notes	Defined Contribution	Defined Benefit	**2021 Total**	Defined Contribution	Defined Benefit	**2020 Total**
		£000	£000	**£000**	£000	£000	**£000**
Contributions and other income							
Employer contributions	4	2,770	3,940	**6,710**	2,590	4,020	**6,610**
Employee contributions	4	882	99	**981**	646	93	**739**
Transfers in		213	-	**213**	187	-	**187**
Total contributions and other income		3,865	4,039	**7,904**	3,423	4,113	**7,536**
Benefits							
Benefits paid or payable	5	(33)	(4,057)	**(4,090)**	(451)	(3,819)	**(4,270)**
Transfers out	6	(1,205)	(133)	**(1,338)**	(1,107)	(152)	**(1,259)**
Administrative expenses	7	-	(652)	**(652)**	-	(688)	**(688)**
Total benefits and other expenses paid		(1,238)	(4,842)	**(6,080)**	(1,558)	(4,659)	**(6,217)**
Net additions (withdrawals) from dealings with members		2,627	(803)	**1,824**	1,865	(546)	**1,319**
Returns on investments							
Deposit interest		-	-	**-**	-	1	**1**
Change in market value of investments	8	3,668	13,158	**16,826**	1,353	14,202	**15,555**
Investment management expenses		-	(66)	**(66)**	-	(44)	**(44)**
Net returns on investments		3,668	13,092	**16,760**	1,353	14,159	**15,512**
Net increase (decrease) in the fund		6,295	12,289	**18,584**	3,218	13,613	**16,831**
Opening net assets		31,281	156,359	**187,640**	28,063	142,746	**170,809**
Closing net assets		37,576	168,648	**206,224**	31,281	156,359	**187,640**

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

Statement of Net Assets available for benefits as at 31 December 2021

	Notes	Defined Contribution	Defined Benefit	**2021 Total**	Defined Contribution	Defined Benefit	**2020 Total**
		£000	£000	**£000**	£000	£000	**£000**
Investment assets							
Pooled investment vehicles (CEIFP)	8	-	68,608	**68,608**	-	79,259	**79,259**
Pooled investment vehicles (other)	8	37,475	99,976	**137,451**	31,218	76,615	**107,833**
AVC investments	8	-	-	**-**	-	306	**306**
Total investment assets		37,475	168,584	**206,059**	31,218	156,180	**187,398**
Current assets	9	395	2,391	**2,786**	123	341	**464**
Current liabilities	10	(294)	(2,327)	**(2,621)**	(60)	(162)	**(222)**
Net current assets (liabilities)		101	64	**165**	63	179	**242**
Total net assets available for benefits		37,576	168,648	**206,224**	31,281	156,359	**187,640**

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 14 July 2022 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 on a going concern basis 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.

Contributions made by employers to reimburse administration costs and levies payable by the Scheme are accounted for on an accruals basis and in accordance with the Schedule of Contributions.

Insurance claims for death in service claims are accounted for on the accruals basis on the date of 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 2021	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Employer contributions			
Normal	2,360	1,040	**3,400**
Deficit	-	2,400	**2,400**
AVC	410	-	**410**
Employer contributions for administration costs	-	500	**500**
Total employer contributions	2,770	3,940	**6,710**
Employee contributions			
Normal	-	45	**45**
AVC	882	54	**936**
Total employee contributions	882	99	**981**

Year ended 31 December 2020	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£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**

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

Notes to the financial statements (continued)

5. Benefits paid or payable

Year ended 31 December 2021	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Pensions	-	3,013	**3,013**
Commutations of pensions and lump sum	14	1,040	**1,054**
Lump sum death benefits	19	4	**23**
Total benefits paid	33	4,057	**4,090**

Year ended 31 December 2020	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£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**

6. Transfers out

Year ended 31 December 2021	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Individual transfers out to other arrangements	1,205	133	**1,338**
Individual transfers out to other arrangements	1,205	133	**1,338**

Year ended 31 December 2020	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Individual transfers out to other arrangements	1,107	152	**1,259**
Individual transfers out to other arrangements	1,107	152	**1,259**

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:

	2021	**2020**
	£000	**£000**
Actuarial fees	234	322
Audit fees	12	11
Pension levy	44	44
Investment services	49	65
Legal advice	43	41
Administration costs	311	238
VAT rebate	(41)	(33)
Total administrative expenses	652	688

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 2021	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2021**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles	31,218	3,795	(1,206)	3,668	37,475
Total investments	**31,218**	3,795	(1,206)	3,668	**37,475**

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 2021	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2021**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles (CEIFP)					
Public equity pool	**42,309**	-	(23,553)	4,160	**22,916**
Diversified growth pool	**6,808**	-	(6,847)	39	**-**
Diversified income pool	**16,494**	-	(4,916)	1.062	**12,640**
Listed credit pool	**12,107**	18,657	-	(509)	**30,255**
Liquidity pool	**1,541**	18,968	(17,710)	(2)	**2,797**
Total pooled investment vehicles	**79,259**	**37,625**	**(53,026)**	**4,750**	**68,608**
Pooled investment vehicles (other)					
Bonds	**76,615**	90,904	(75,912)	8,369	**99,976**
Total LDI investments	**76,615**	**90,904**	**(75,912)**	**8,369**	**99,976**
AVC investments					
Standard Life	**192**	7	(234)	35	**-**
Scottish Widows	**114**	-	(118)	4	**-**
Total AVC investments	**306**	**7**	**(352)**	**39**	**-**
Total investments	**156,180**	**128,536**	**(129,290)**	**13,158**	**168,584**

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 2021	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Debtors			
Other	12	1,888	**1,900**
Total debtors	12	1,888	**1.900**
Cash	383	503	**886**
Total current assets	395	2,391	**2,786**

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

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 2021	Defined Contribution	Defined Benefit	Total
	£000	£000	**£000**
Creditors			
Trustee	-	-	**-**
Unpaid benefits	-	-	**-**
Tax payable – PAYE and NI	-	106	**106**
Other	294	2,221	**2,515**
Total creditors	294	2,327	**2,621**
Cash	-	-	**-**
Total current liabilities	294	2,327	**2,621**

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**

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 2021	1	2	3	Total
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	975	36,500	-	**37,475**
Total investments	**975**	**36,500**	-	**37,475**

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**

Notes to the financial statements (continued)

11. Fair value of investments (continued)

Defined benefit:

At 31 December 2021	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	26,802	30,768	11,038	**68,608**
Pooled investment vehicles (bonds)	-	99,976	-	**99,976**
AVC investments	-	-	-	**-**
Total investments	26,802	130,744	11,038	**168,584**

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**

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	**2021**	**2020**
					£000	**£000**
Defined Contribution section						
Pooled investment vehicles (mixed investment)	●	◑	●	●	**24,588**	**19,763**
Pooled investment vehicles (equities)	○	◑	○	●	**8,868**	**7,563**
Pooled investment vehicles (bonds)	●	◑	●	◑	**2,817**	**2,720**
Pooled investment vehicles (property)	◑	◑	○	●	**227**	**188**
Pooled investment vehicles (cash)	●	◑	○	○	**975**	**984**
Total Defined Contribution section					**37,475**	**31,218**
Defined Benefit section						
Pooled investment vehicles: CEIFP	(see Investment Risks for the CEIPF in Appendix 2)				**68,608**	**79,259**
Pooled investment vehicles (bonds)	●	○	●	◑	**99,976**	**76,615**
AVCs	(not considered significant in relation to overall Scheme risks)				**-**	**306**
Total Defined Benefit section					**168,584**	**156,180**

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, Note 10.

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.

	2021	**2020**
	£000	£000
Pooled investment vehicles (bonds)	99,976	76,615
Total investments exposed to credit risk	99,976	76,615

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.

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

	Defined benefit £000	**Defined contribution £000**	**2021 £000**	**Defined benefit £000**	**Defined contribution £000**	**2020 £000**
Common investment fund	68,608	-	**68,608**	79,259	-	**79,259**
With-profits funds	-	-	**-**	-	-	**-**
Domestic commingled fund	99,976	-	**99,976**	76,615	-	**76,615**
Unit-linked life insurance	-	37,475	**37,475**	-	31,218	**31,218**
Other	-	-	**-**	306	-	**306**
Total pooled investment vehicles	168,584	37,475	206,059	156,180	31,218	187,398

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

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

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

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

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.

Defined Contribution section

Investment strategy

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

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

Credit Risk

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

Currency risk

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

Other price risk

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

13. Concentration of investments

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

		2021		2020
	£000	**%**	**£000**	**%**
Defined Benefit section:				
Aquila Life over 5 years Index Linked Fund	99,976	53.3	76,615	40.8
CEIFP listed credit pool	30,255	16.1	12,107	6.5
CEIFP public equity pool	22,916	12.2	42,309	22.5
CEIFP diversified income pool	12,640	6.7	16,494	8.8

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 (2020: 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, £Nil is owed by the Scheme to the Trustee (2020: £17,000 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 now 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 2021 as reported in the Church Administrators Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Scheme Actuary on 29 January 2021.

We have examined the Church Administrators Pension Fund's summary of contributions for the Scheme year ended 31 December 2021 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
Chartered Accountants and Statutory Auditors
London
14 July 2022

14/07/2022

Summary of Contributions
for the year ended 31 December 2021

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	2,360	-	**2,360**
Defined Contribution - AVC	410	882	**1,292**
Defined Benefit – normal	1,040	45	**1,085**
Defined Benefit – deficit	2,400	-	**2,400**
Defined Benefit – for administration costs	500	-	**500**
Total contributions required by the schedules of contributions	6,710	927	**7,637**
Other contributions			
Defined benefit - AVC	-	54	**54**
Total other contributions	-	54	**54**
Total contributions	6,710	981	**7,691**

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 29 January 2021 in respect of the Scheme year ended 31 December 2021. 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
14 July 2021

Church Administrators Pension Fund

Adequacy of rates of contribution

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 of Investment Principles (“SIP”, or “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 Benefit section (CAPF DB) - for those who joined before 1 July 2006
- Defined Contribution section (CAPF DC) - for those who joined on or after 1 July 2006

This Statement has been discussed with the sponsors of the Scheme.

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

The Trustee will review this Statement every year and without delay after any significant change in investment policy or, if required, following a formal investment strategy review.

Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

The Trustee receives written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (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 the Scheme’s investments do not work against the 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 current recovery plan is due to end 31 December 2023 and the Trustee is targeting 31 December 2030 for reaching full funding on a de-risked basis. on a Technical Provisions basis.

For the Defined Contribution section

The Trustee’s objectives for the defined contribution section (“DC Section”) of the Scheme are:

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

3. Defined Contribution default option (Defined Contribution section only)

The DC Section’s default option is a target date fund strategy called the “Drawdown Journey”. Legal & General have been appointed as investment platform provider. The default option is well diversified in terms of the assets that are invested in. The asset classes invested in, 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 DC Section are appropriate.

Taking into account the demographics of the DC Section’s membership and the Trustee’s views of how the membership will take their benefits at retirement, the Trustee believes that the current default investment option is appropriate and will continue to review this over time - at least triennially, or after significant changes to the DC Section’s demographic or investment policy, if sooner.

The aims and objectives of the default option are below. How the Trustee seeks to achieve these objectives is shown in italic:

- To generate returns in excess of inflation during the earlier part of the strategy whilst managing downside risk.

  For members further away from target retirement, assets are invested in the "Higher growth" stage which has a higher allocation to equities and other return seeking assets than other parts of the strategy. There is a small risk reduction as members get closer to retirement, with the "Steady growth" phase taking full effect as members are 30 years before target retirement. The Steady growth phase also has a high allocation to equity and other return seeking assets, but slightly less than the Higher growth phase.

- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement.

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk relative to the expected retirement benefit choice as the member approaches retirement is appropriate. At 10 years before target retirement, assets are gradually de-risked to reduce the exposure to return seeking assets in favour of more capital preservation and lower risk investments. This de-risking continues into retirement.

- To provide exposure, at retirement, to assets that are considered suitable for those looking to enter into an income drawdown arrangement at retirement.

  The allocation at retirement predominantly consists of investment grade corporate bonds and UK government bonds (including index-linked) to reduce risk. It also maintains a smaller allocation to equity and return seeking investments, with the aim of combining stability with an opportunity for the pot to continue to grow.

The Trustee's policies in relation to the default option are detailed below:

- The default option manages investment risks through a diversified strategic asset allocation consisting of different types of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. More detail on how the Trustee measures and manages risk for the Scheme as a whole, which is consistent with the default, is provided in the risk section.

- In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- The Trustee considers both the kinds of investments to be held and the balance of investments in the default option. This includes the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate.

- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are investment vehicles which are managed by an investment manager. The Trustee is comfortable with a target date fund strategy which is pre-built by Legal & General Investment Managers ("LGIM").

- Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. Assets are also invested mainly on regulated markets (those that are not are kept to prudent levels).

- Members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement and at the point of retirement.

- Assets in the default option are invested funds where the underlying fund is a long-term insurance contract. Members do not hold any assets directly. The insurance contracts have assets underlying them which generate the returns that are passed on to members who are invested in the funds.

- The Trustee's policies in relation to financially material considerations, non-financial matters, exercise of rights/engagement and arrangements with asset managers in relation to the default are consistent with the Trustee's policies in these areas for the scheme as a whole. These policies are in the sections titled "Ethical and Responsible Investment", and Investment management.

- The performance of the default option is reviewed on at least an annual basis by the Trustee.

The Trustee keeps the default option under regular review, at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members, to ensure they remain appropriate for meeting the Scheme's objectives and controlling risks.

In addition to the Trustee's objectives and beliefs, the Trustee believes the combination of aims and objectives, and policies for the default above combine sufficiently rigorous governance, oversight, expertise and action to meet the intention of ensuring assets are invested in the best interests of relevant members and beneficiaries.

Statement of Investment Principles (continued)

4. Investment Policy

For both the Defined Benefit and Defined Contribution sections

The Trustee is responsible for how the Scheme's assets are invested. It takes advice from the investment consultant and the scheme actuary where appropriate, and it is supported by an in-house investment team. The Trustee has established an Investment 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.

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

For the Defined Benefit section

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.

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.

For the Defined Contribution section

The main Trustee Board determines investment strategy for the Scheme, which is the design of the default option and the range of self-select options.

The Pensions Committee makes recommendations to the Trustee Board in relation to design and implementation of the Defined Contribution section, including scheme design, manager selection and asset allocation.

5. Investment Beliefs

For both the Defined Benefit and Defined Contribution sections

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. Environmental Social and Governance ("ESG") considerations are central to the Trustee's investment beliefs.

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.

6. 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 so called liability driven investment (LDI) assets that are held to back pensions, 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 process, the investment team will challenge decisions that appear inconsistent with the Scheme's stated objectives and/or policies.

Portfolio turnover costs and manager fees 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 periodically.

Statement of Investment Principles (continued)

For the Defined Contribution 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.

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 are readily realisable.
- 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.

The Trustee considers the objectives and policies listed in this document when choosing investments either for the self-select range or for inclusion within the default investment option.

7. Aligning manager appointments with investment strategy

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. 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 being selected. These characteristics will differ for each asset class.

A detailed assessment of the investment managers capabilities in relation to ESG and from a responsible investment perspective is undertaken prior to appointment and on an ongoing basis as part of the manager monitoring framework.

The Trustee will seek guidance from the Investment Consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme offers to its members. The Investment Consultant's manager research ratings assist with due diligence and are used in decisions around selection, and retention of manager appointments. The manager ratings are incorporated into the Trustee's monitoring reports.

Where the Scheme invests in an open-ended vehicle, or segregated mandate, with an investment manager, there is no set duration for the manager appointments. 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; or
- The investment manager has been reviewed and the Trustee has decided to terminate the mandate.

A review of a manager's appointment may be triggered by one or a combination of the non-exhaustive scenarios below:

- Sustained periods of underperformance;
- Change in the portfolio manager or team responsible;
- Change in underlying objectives or process of the investment manager;
- Concern over their ability to meet operational or ESG considerations, or
- Significant change to the investment consultant's rating of the manager.

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. This includes how the investment managers make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity, as well as engage with issuers of debt and equity in order to improve performance in the medium to 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 it 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 (DB section only), 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)

8. 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 long-term funding target, strength of sponsor covenant and the appetite for risk of the Trustee and the Scheme's sponsors.

The Trustee has set a long-term strategic asset allocation, based on its target to be fully funded on a gilts + 0.25% basis by the end of 2030, and established a series of funding level triggers to move from the current, to the long-term, asset allocation in stages. The Trustee's current policy is to keep the level of interest rate and inflation hedging broadly equal to the (Technical Provision) funding level by using leveraged LDI funds.

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

More detail about the default option is contained in the DC default option section.

In addition to the default investment option, the Trustee makes available a self-select investment range which aims to meet the varying investment needs, risk tolerances, return objectives and time horizons for Scheme members to choose as they see fit. The risks of these options are not considered in isolation but in conjunction with expected investment returns and anticipated retirement outcomes for members.

The self-select options consist of two alternative target date fund strategies (annuity targeting and higher risk), an ethical lifestyle and a range of individual funds.

The Trustee believes that the self-select options available offer varying risk/return profiles and risks are managed by the members. In designing the available fund range, the Trustee has explicitly considered the trade-off between risk and expected returns.

Members determine the balance between different kinds of investments they hold. This balance will determine the expected return on members' assets and should be related to the members' own risk appetite and tolerances.

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 ("ESG") 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 of this statement, on the investment over the long-term (and including how these matters are taken into account in the selection, retention and realisations of investments).

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 its 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.

.

Statement of Investment Principles (continued)

9. Realisation of investments

For the Defined Benefit section

The Defined Benefit section of the Scheme is closed to new members, but still open to the future accrual of benefits. The Scheme is cash-flow negative and so the Trustee ensures the Scheme assets are managed to provide sufficient liquidity to meet all benefit payments when they fall due. While, in practice, the Scheme will have some highly liquid assets that can be sold at short notice, this 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 the Trustee receives Advice from the Ethical Investment Advisory Group ("EIAG") (see our website for details of the ("EIAG") and its Terms of Reference) on Christian ethics and responsible investment.

For the Defined Contribution section

The pooled investment vehicles used in the DC section are daily-dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Trustee's or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager.

10. Ethical and responsible investment

For the Defined Benefit and Defined Contribution sections

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.

For the Defined Benefit 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.

The Trustee also values engagement with companies over responsible and ethical investment issues, and it considers engagement 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 Trustee produces an annual Stewardship Report summarising its activities, which is available on the Board's website.

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 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 are regularly reviewed by the Trustee to ensure they are as close as can currently be found.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes of new investment managers and monitoring of existing investment managers.

Statement of Investment Principles (continued)

The Trustee notes that each investment manager of the underlying pooled funds offered on the platform has an investment management agreement or re-assurance agreement with the platform provider. The investment managers are responsible for managing the portfolios of assets within the investment guidelines, objectives, risk parameters and restrictions set out in the respective agreements but, subject to that, exercise discretion as appropriate when investing the portfolio.

As there is no direct relationship between the Trustee and the investment manager and due to the pooled fund structure, the Trustee believes the level of engagement and influence it can exert on the funds and companies invested is relatively low.

However, the Trustee considers its investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the investment manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes consideration of the underlying investment managers' policy on voting and engagement and compliance with the Stewardship Code. The Trustee will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of investment manager appointments.

The policies in this section are applicable to both the default investment option and the self-select fund range options.

11. 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 (which includes a range of financial and non-financial risks). 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 portfolio management purposes.

For the Defined Contribution section

The Trustee considers a wide range of specific risks, including, but not limited to, those set out in Appendix 2. The key DC specific risks considered by the Trustee and mitigated through the design of the default or self-select options (as shown in *italics*) are as follows:

- Risk of capital loss in nominal terms. The protection of capital is fundamental in supporting the long-term growth of the members' individual accounts. However, members who have some time until retirement may be more prepared to accept a capital fall in order to obtain a higher long-term return.

  The Trustee has provided a default option which has an explicit allocation to assets that are expected to provide growth over the long term. The default reduces risk as members approach retirement, reducing the likelihood of falls.

- Risk of erosion by inflation. If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of members' individual accounts will decrease.

  The Trustee has provided a default option which has an explicit allocation to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds, most of which are expected to outperform inflation over the long term.

- Conversion risk. The costs of converting a member's accumulated defined contribution account into pension benefits at retirement is influenced by a number of factors and depends on how the member intends to take their benefits at retirement.

  The Trustee has provided three journey strategies, one of which is the default option which invests in a way considered suitable for those members looking to take income drawdown in retirement. Members may also self-select a higher risk journey ("Stay Invested") or an annuity targeting journey, as well as a range self-select funds. The Trustee believes the range of options is suitable in meeting members' needs for different ways of taking benefits at retirement.

Statement of Investment Principles (continued)

12. Additional voluntary contributions (AVCs)

For the Defined Benefit section

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

For the Defined Contribution section

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

Signed: Clive Mather, Chair

Date: 4 October 2021

Appendix 1

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. Formal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board has also resourced its own Responsible Investment function within and integrated into its Investment Team to implement the Board's approach to stewardship which embraces various stewardship strategies and priorities, 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 2021, which has been submitted to the FRC, in accordance with the FRC Stewardship Code 2020. In 2021 the FRC accepted the Board's 2020 Stewardship Report, and the Board became a signatory to the Stewardship Code. The Code encourages institutional investors to act as good stewards of their 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 ethical and responsible 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 improvements in 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 Approach of the National Church Institutions

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.

2021 highlights
The Board has published a full Stewardship Report for 2021 on its website, which is designed to provide an accessible account of the Board's stewardship activity, record significant votes, provide reporting aligned to the high level TCFD (Taskforce on Climate Related Financial Disclosures) principles, and the FRC Stewardship Code. Key highlights in 2020 are shown below. For more details, please see the information provided in the Stewardship Report.

The Board has prioritised Climate Change and stewardship with the mining industry. 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. It has grown to be supported by 120 funds with over $40trn in assets under management (AUM). 2021 marked a "coming of age" for TPI, with the announcement of a TPI Global Climate Transition Centre, which will significantly scale the depth and breadth of TPI's coverage to over 10,000 companies, as well as assess Government Sovereign Bonds. The Centre will be based at the London School of Economics' Grantham Research Institute, with multimillion-pound funding secured to support it. We were delighted that the world's largest fund manager, BlackRock, also announced it would join TPI as a supporter

Within Europe we are active in the Institutional Investors Group on Climate Change (IIGCC) (we hold a Board seat), 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 lead engagements with target companies on behalf of the broader CA100+ coalition.

Together with IIGCC and TPI, more than 20 leading global investors with collective assets of $10.4trn have led the engagement with leading oil and gas companies – including BP, Shell and TotalEnergies – to inform the creation of the first Net Zero Standard for the oil and gas sector. The Pensions Board chaired the process to develop the Standard, which stresses the need for comprehensive absolute and intensity emissions targets (covering all material emissions), as well as alignment of capital expenditure and production plans with a net zero target. It acknowledges "winding-down" as a legitimate strategy, as well as diversifying energy offerings or working through a company's value chain to reshape demand. Published in September 2021, the Net Zero Standard outlines the actions that oil and gas companies should be taking and how they should be reporting on those actions so that investors have a level playing field to evaluate their progress effectively.

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. In 2021 and via corporate engagement, we secured commitments from 78 mining companies to adopt or scope the adoption of the GISTM. We plan in 2022 to announce our intention to vote against the Chairs of any mining company that has not committed to adopting the GISTM. In relation to institutional support for the GISTM, in 2021 we partnered with the UN Environment Programme to recruit a senior consultant and convene a multistakeholder advisory council to develop the Global Tailings Management Institute. During 2021, this group met to discuss and agree terms of reference, organisational objectives, operating models/plans, and funding. We intend to announce the launch of the Global Institute later in 2022.

Our Stewardship Report contains details of other engagements: promoting diversity in the finance sector and wider economy, engaging on land rights in relation to the mining industry, encouraging living wage and living hours contracts, human rights and workers rights, just transition, on social housing, and responsible corporate climate lobbying, among others.

The Board has outlined a range of 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 2021 on the Board's website.
• Develop the first framework to assess government sovereign bonds on climate criteria through the ASCOR project
• Develop and supporting a partnership between companies and asset owners for a reformed mining sector by 2030 (Mining 2030);
• Establish, together with the UN, an independent Global Institute on Tailings dams;
• Launch a new Global Standard on Corporate Climate Lobbying and lead engagement on alignment with the Standard.
• Advocate for climate engagement (for example, CA100+) to address the demand side.
• Undertake a 'deep dive' into systemic risk and systemic stewardship.
•Develop an engagement programme following the publication of Advice form the EIAG on Big Tech.

Appendix 2

The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2021

Contents

Trustee's report

The Church of England Pensions Board (the "Board"), as Trustee of The Church of England Investment Fund for Pensions ("CEIFP", or the "Fund") is pleased to present its annual report for the year ended 31 December 2021.

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 majority of financial markets generated strong returns over the course of 2021, as the development and roll-out of Covid vaccines and supportive monetary and fiscal policies from the major central banks and governments, fuelled a sharp bounce in economic activity in most developed economies.

More recently, mounting concern that a rise in inflation due to the strength of economic activity and supply chain issues could become structural in nature and cause a policy mistake in the US and China has weighed on market sentiment. The increase in geo-political tensions, with the build-up of Russian military forces and subsequent invasion of Ukraine, has exacerbated these inflationary pressures and fuelled expectations that interest rates will now have to rise sharply over the remainder of the year.

As a longer-term investor, it is difficult to adjust the portfolio in response to shorter-term developments. However, we have been lowering the level of equity market weightings over the course of the year and increasing the allocation to potentially more stable income generative assets in order to lower the level of market risk in the fund.

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

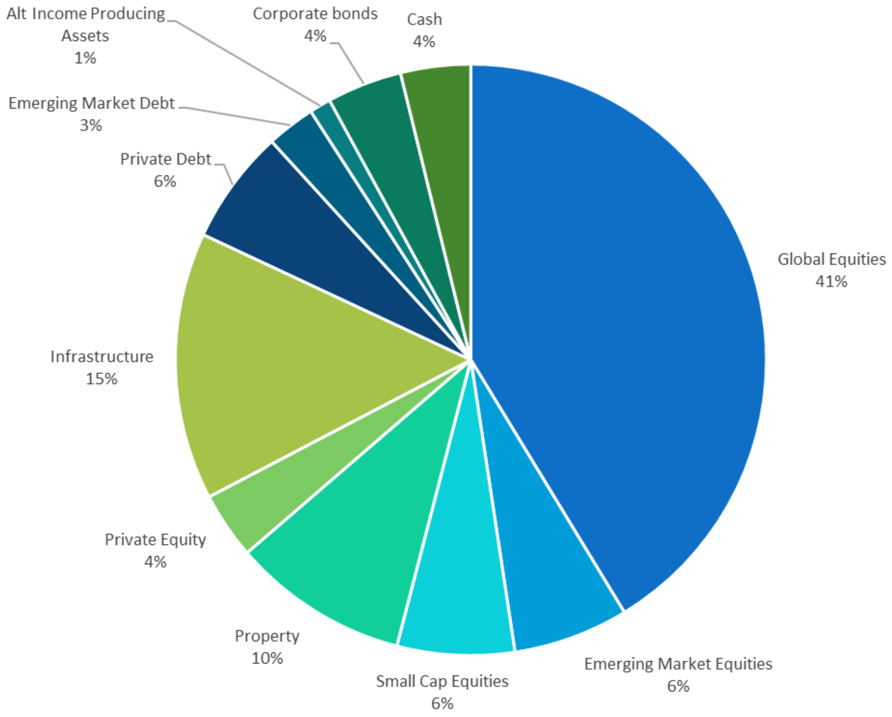
We pool most of the individual pension scheme assets for investment purposes in the CEIFP. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise.

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 2021.



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 2021, the Fund's assets within the CEIFP were managed by 20 managers.

Fund manager	Description
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital (Until May 2022)	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
Igneo (formerly 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 the FTSE TPI Climate Transition Index
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 13.0% over 2021 while the assets within the CEIFP (which excludes the Liability Driven Investment portfolio) returned 14.9%.

The longer-term returns to 31 December 2021 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 2021	Last Month End	3 Mos.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	15 Yrs.	ITD
CEPB Total Assets New	**3,514**	**4.8**	**13.0**	**12.6**	**8.7**	**10.1**	**7.1**	**8.9**
CEPB Total Assets ex LDI	**2,730**	**4.6**	**14.9**	**12.5**	**9.1**	**10.4**	**6.9**	**8.8**
Public Equity Pool	1,481	6.0	18.5	17.9	12.1	12.5	8.3	9.7
Global Equities	1,107	8.0	23.4	17.6	12.3	14.1	--	10.0
Emerging Market Equities	169	-3.7	-9.2	7.9	7.9	--	--	6.9
Small Cap Equities	172	0.8	23.2	23.1	13.7	--	--	16.8
Diversified Growth Pool	359	7.2	18.3	7.0	7.3	8.7	3.9	4.3
Property	259	1.9	13.8	4.9	6.1	8.0	3.5	3.9
Private Equity	98	24.3	31.0	--	--	--	--	-0.5
Diversified Income Pool	677	1.3	8.8	7.6	6.7	--	--	7.5
Infrastructure	392	1.4	12.4	9.6	9.1	--	--	9.4
Private Debt	168	0.8	6.4	1.6	2.3	--	--	4.4
Emerging Market Debt	71	-2.8	-9.3	-0.1	1.4	--	--	2.5
Alt Income Producing Assets	31	0.9	22.5	--	--	--	--	-28.2
Listed Credit Pool	110	0.4	-2.8	4.5	3.2	4.5	6.6	6.7
Liquidity Pool	103	0.0	-0.1	-0.3	-0.6	-0.7	--	0.1
Gilts & LDI Accounts	784	5.7	3.9	--	--	--	--	8.2

The aggregate fund returns across all asset classes of 13.0% in 2021, compares well to the average of 8.7% p.a. over the past five years and longer terms return of c. 10.1% over the past ten and fifteen years, respectively.

Our public equity pool generated returns of over 18.5% over the course of the year, with strong returns from our global equity 23.4% and small capitalisation equity 23.2% helping to offset a decline in our Emerging equity market portfolio -9.2%.

Our other growth assets also performed well returning 18.3%, with the returns on our property portfolio 13.8% being bolstered by strong gains from the private equity portfolio 31.0%.

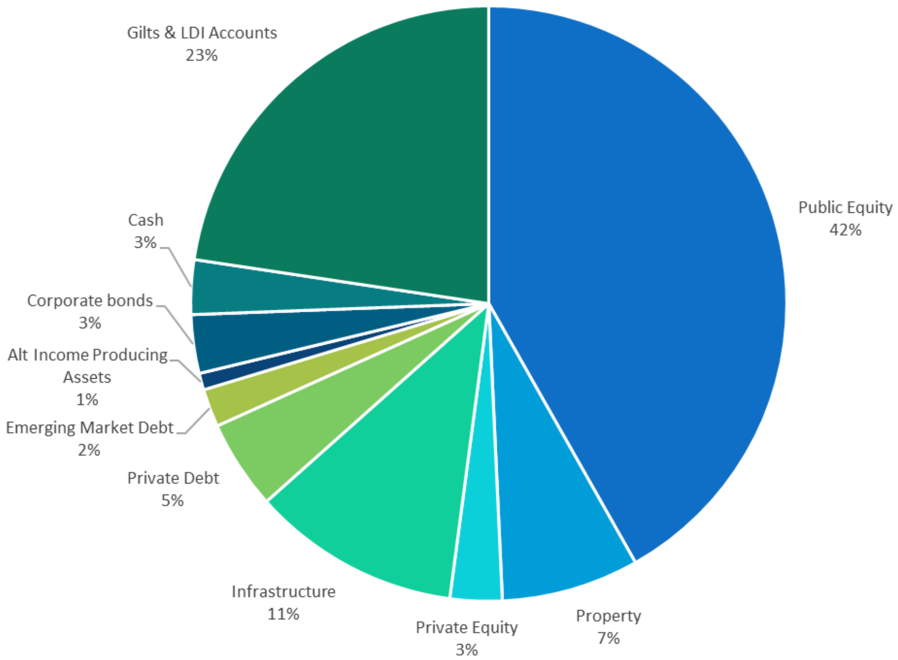
Diversifying and more stable assets also posted reasonable returns. Our diversified income pool of infrastructure and private debt recorded returns of 8.8%. While our listed credit pool suffered modest losses of -2.8%, our Liability Driven Investment portfolio, which sits outside the CEIFP, generated returns of 3,9%.

Although these returns are extremely pleasing, they have meant that many markets have moved to a point where we believe valuations are starting to look a little stretched. We have therefore taken the opportunity to reduce our market weighting to higher risk equities and in favour of potentially more stable return profiles and assets that provide a more explicit element of inflation protection. We continue to look to move the portfolio to a more diversified and environmentally sustainable structure.

Further development of our asset allocation will continue throughout 2022, 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 2021 these fees (including those charged by Northern Trust as custodian) were £6.9m (2020: £6.7m). This equated to 0.25% (2020: 0.28%) 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 6 were approved by the Trustee on 14 July 2022 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 of the Church of England

Opinion

We have audited the financial statements of The Church of England Investment Fund for Pensions ("the Fund") for the year ended 31 December 2021 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 2021 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.

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 and the General Synod. 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

14/07/2022

Statement of total return for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Change in market value of investments	6	310,771	153,247
Change in market value of investment cash and other investment balances	6	(13)	(17,377)
Total change in market value		310,758	135,870
Income	4	59,831	53,855
Expenses	5	(11,789)	(6,707)
Changes in net assets attributable to unit holders from investment activities		358,800	183,018

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Opening net assets attributable to unit holders		2,540,057	2,329,657
Amounts receivable on issue of units	11	513,469	289,769
Amounts payable on cancellation of units	11	(683,283)	(262,387)
Net assets before change from investment activities		2,370,243	2,357,039
Changes in net assets attributable to unit holders from investment activities	11	358,800	183,018
Closing net assets attributable to unit holders		2,729,043	2,540,057

Statement of net assets attributable to unit holders as at 31 December 2021

	Notes	2021 £000	2020 £000
Investment assets			
Equities	6	1,417,306	1,439,739
Bonds	6	174,820	159,196
Pooled investment vehicles	6	928,036	763,801
Derivative contracts	8	18,895	56,142
Other investments	6	172	59
Investment cash	6	182,620	150,234
Other investment balances	6	12,012	14,260
Total assets		2,733,861	2,583,431
Investment liabilities			
Derivative contracts	8	(1,776)	(36,114)
Investment cash	6	(13)	(1)
Other investment balances	6	(3,029)	(7,259)
Total investment liabilities		(4,818)	(43,374)
Total net assets attributable to unit holders	11	2,729,043	2,540,057
Participants' funds	11		
The Church of England Funded Pensions Scheme		2,159,654	2,003,054
The Church Workers Pensions Fund		500,781	457,744
The Church Administrators Pensions Fund		68,608	79,259
Total participants' funds		2,729,043	2,540,057

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

These financial statements were approved by the Trustee on 14 July 2022 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 on a going concern basis 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

	2021	2020
	£000	£000
Equities	27,525	28,863
Bonds	8,520	8,214
Pooled investment vehicles	23,674	16,283
Cash and cash equivalents	112	495
Total income	59,831	53,855

5 Expenses

	2021	2020
	£000	£000
Investment managers' fees	11,789	6,707
Total expenditure	11,789	6,707

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. The investment managers' fees that we pay are a combination of the amount of assets under management and, for a few managers, the performance fee that they can earn on the funds they manage. The rise in investment management fees reflects both a modest increase in assets under management and more notably the very strong performance of a few managers relative to the market related benchmarks that they have been set.

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	1,439,739	760,261	(1,012,931)	230,237	1,417,306
Bonds	159,196	52,732	(21,780)	(15,328)	174,820
Pooled investment vehicles	763,801	205,772	(129,705)	88,168	928,036
Other investments	59	5,861	(5,738)	(10)	172
Net derivative contracts (note 8)	20,028	111,227	(121,840)	7,704	17,119
	2,382,823	1,135,853	(1,291,994)	310,771	2,537,453
Investment cash	150,233			-	182,607
Other investment balances	7,001			(13)	8,983
Total investments	2,540,057			310,758	2,729,043

Analysed between:

	At 1 January	At 31 December
Investment assets	2,583,431	2,733,861
Investment liabilities	(43,374)	(4,818)
Total investments	2,540,057	2,729,043

Other investment balances include the following balances

	2021	2020
	£000	£000
Accrued income	8,654	8,166
Pending trade sales	1,489	4,320
Pending trade purchases	(1,951)	(6,033)
Variation margin	791	548
Total other investment balances	8,983	7,001

The investment portfolio saw redemptions from the segregated mandate with Arcadian and pooled equity investments with LGIM to simplify the portfolio, reduce fees and facilitate a rebalancing of the portfolio into Lability Driven Investments (LDI) pools with BlackRock.

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:

	2021			2020		
	Commission	Other charges	**Total**	Commission	Other charges	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Equities	318	213	**531**	454	225	**679**
	318	213	**531**	454	225	**679**

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

	2021	2020
	£000	£000
Equities	84,201	31,028
Property	242,386	214,273
Cash	12,476	13,629
Private equity	43,955	9,131
Infrastructure	377,092	345,380
Private debt	167,926	150,360
Total pooled investment vehicles	928,036	763,801

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.

	2021	2021	2020	2020
	$000	£000	$000	£000
Investments	218,262	160,424	202,025	148,439
Current assets	20,847	15,323	13,203	9,701
Current liabilities	(10,641)	(7,821)	(9,865)	(7,248)
Total net assets	228,468	167,926	205,363	150,892

7 Investment analysis

Investments of over 5% of net assets

The Fund holds two investments of over 5% of net assets, representing 11.61% of net assets (2020: one asset representing 5.92% of net assets).

	2021	2020
	£000	£000
CBRE GIP GA Fund	145,855	-
Thorney Island Limited Partnership	171,195	150,360
	317,050	150,360

Employer related investments

There were no employer related investments as at 31 December 2021 (2020: none).

8 Derivatives

	2021			2020		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	104	(6)	**98**	102	(2)	**100**
Futures – bonds	49	(109)	**(60)**	91	(64)	**27**
Forward foreign currency contracts	18,742	(1,661)	**17,081**	55,949	(36,048)	**19,901**
Total derivatives	18,895	(1,776)	**17,119**	56,142	(36,114)	**20,028**

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:

	2021			2020		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*513*	7	-	*193*	-	(2)
Equities futures: Overseas	*5,398*	97	(6)	*4,174*	102	-
Total equities futures	***5,911***	**104**	**(6)**	***4,367***	**102**	**(2)**
Bonds: UK	*11,866*	-	(48)	*6,777*	72	-
Bonds: Overseas	*(9,817)*	49	(61)	*(5,987)*	28	(5)
Total bonds futures	***2,049***	**49**	**(109)**	***790***	**100**	**(5)**

All contracts have expiry dates between 8 March 2022 and 31 March 2022. Included within other investment balances is an asset of £791,000 (2020: £548,000) 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 2021	Liabilities at 31 December 2021
		£000	£000
US Dollar			
Forward to buy US Dollars	$12,067,482/$66,694,198	373	(868)
Forward to sell US Dollars	$1,154,738/$7,919,000	13,608	(90)
Euros			
Forward to buy Euros	€9,621,693	-	(135)
Forward to sell Euros	€218,903,961	2,256	-
Japanese Yen			
Forward to buy Japanese Yen	¥584,005,480	-	(127)
Forward to sell Japanese Yen	¥8,676,731	1,822	-
Other currencies			
Forward to buy other currencies		29	(441)
Forward to sell other currencies		654	-
		18,742	(1,661)

All contracts had maturity dates falling between 3 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 2021:

Level	**1**	**2**	**3**	**Total 2021**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	1,416,978	-	328	**1,417,306**
Bonds	-	174,820	-	**174,820**
Pooled investment vehicles	18,123	-	909,913	**928,036**
Other investments	-	-	172	**172**
Derivatives contracts	38	17,081	-	**17,119**
Investment cash	182,607	-	-	**182,607**
Other investment balances	8,654	329	-	**8,983**
Total investments	1,626,400	192,230	910,413	**2,729,043**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2021**
	£000	**£000**	**£000**	**£000**
Public equity pool	1,470,572	9,642	569	**1,480,783**
Diversified growth pool	35,708	1,789	321,187	**358,684**
Diversified income pool	13,920	74,726	588,447	**677,093**
Liquidity pool	102,610	-	88	**102,698**
Listed credit pool	3,590	106,073	122	**109,785**
Total investments	1,626,400	192,230	910,413	**2,729,043**

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 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

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 are responsible for determining the investment strategy and the investment strategy is established after taking advice from a professional investment advisor. The Fund has exposure to a number of investment risks because of the investments it makes to implement its investment strategy as described in the Trustee's Report. 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 that are put in place with the appointment of 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	**2021**	**2020**
					£000	**£000**
Equities	○	◑	○	●	1,417,306	1,439,739
Bonds	●	◑	●	●	174,820	159,196
Pooled investment vehicles	◑	◑	◑	◑	928,036	763,801
Other investments (net)	●	◑	○	○	172	59
Derivatives contracts (net)	●	◑	◑	◑	17,119	20,028
Investment cash	●	◑	○	○	182,607	150,233
Other investment balances	●	◑	○	○	8,983	7,001
Total investments					2,729,043	2,540,057

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.

	2021	2020
	£000	£000
Bonds	174,820	159,196
Pooled investment vehicles	928,036	763,801
Derivatives: forwards	18,742	55,949
Investment cash	182,607	150,233
Total investments exposed to credit risk	1,304,205	1,129,179

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:

	2021	2020
	£000	£000
Limited Partnerships	608,683	467,542
SICAVs (*)	12,476	13,629
Exchange Traded Funds	6,320	6,361
Cooperatief U.A (**)	56,043	41,198
FCP (**)	172,348	153,542
Property Authorised Investment Fund	7,198	10,116
Property Unit Trusts	30,059	33,892
Other funds	34,909	37,521
Total pooled investment vehicles	928,036	763,801

(*) 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 2021 £000**	**Net exposure 2020 £000**
Pounds sterling	401,490	1,111,280	**1,512,770**	1,384,270
US Dollars	1,519,408	(821,982)	**697,426**	619,286
Euros	358,370	(175,722)	**182,648**	173,302
Japanese Yen	108,408	(51,867)	**56,541**	56,782
Other currencies	324,287	(61,709)	**262,578**	286,575
Total investments (excluding forwards)	2,711,963	-	**2,711,963**	2,520,215
Forwards	17,080	-	**17,080**	19,842
Total investments	2,729,043	-	**2,729,043**	2,540,057

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 2021 £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 2021 £000**
The Church of England Funded Pensions Scheme	49,607	20,060	(20,896)	(972)	**47,799**
The Church Workers Pension Fund					
Pension Builder Classic	8,020	2	-	(222)	**7,800**
Defined Benefit Scheme – Employer section	1,406	1,710	(196)	(34)	**2,886**
Defined Benefit Scheme – Life Risk section	15,886	5,664	-	(505)	**21,045**
The Church Workers Pension Fund	25,312	7,376	(196)	(761)	**31,731**
The Church Administrators Pension Fund	12,107	18,657	-	(509)	**30,255**
Total Listed credit pool	87,026	46,093	(21,092)	(2,242)	**109,785**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Public equity pool:

	At 1 January 2021 £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 2021 £000
The Church of England Funded Pensions Scheme	1,206,419	12,000	(235,392)	201,732	**1,184,759**
The Church Workers Pension Fund					
Pension Builder 2014	20,929	1,853	(1,152)	4,020	**25,650**
Pension Builder Classic	75,458	458	(8,460)	13,713	**81,169**
Defined Benefit Scheme – Employer section	128,329	8,038	(33,629)	21,646	**124,384**
Defined Benefit Scheme – Life Risk section	42,080	370	(7,760)	7,215	**41,905**
The Church Workers Pension Fund	266,796	10,719	(51,001)	46,594	**273,108**
The Church Administrators Pension Fund	42,309	-	(23,553)	4,160	**22,916**
Total public equity pool	1,515,524	22,719	(309.946)	252,486	**1,480,783**

Diversified growth pool:

	At 1 January 2021 £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 2021 £000
The Church of England Funded Pensions Scheme	206,748	46,783	-	43,449	**296,980**
The Church Workers Pension Fund					
Pension Builder 2014	3,579	1,761	-	870	**6,210**
Pension Builder Classic	12,905	3,846	(58)	2,776	**19,469**
Defined Benefit Scheme – Employer section	21,945	10,567	(7,224)	4,474	**29,762**
Defined Benefit Scheme – Life Risk section	7,186	322	(2,151)	906	**6,263**
The Church Workers Pension Fund	45,615	16,496	(9,433)	9,026	**61,704**
The Church Administrators Pension Fund	6,808	-	(6,847)	39	**-**
Total diversified growth pool	259,171	63,279	(16,280)	52,514	**358,684**

Diversified income pool:

	At 1 January 2021 £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 2021 £000
The Church of England Funded Pensions Scheme	492,825	14,620	(6,609)	45,663	**546,499**
The Church Workers Pension Fund					
Pension Builder 2014	8,542	2,238	-	904	**11,684**
Pension Builder Classic	30,879	3,117	-	2,899	**36,895**
Defined Benefit Scheme – Employer section	52,371	11,059	(10,771)	4,576	**57,235**
Defined Benefit Scheme – Life Risk section	17,376	-	(6,238)	1,002	**12,140**
The Church Workers Pension Fund	109,168	16,414	(17,009)	9,381	**117,954**
The Church Administrators Pension Fund	16,494	-	(4,916)	1.062	**12,640**
Total diversified income pool	618,487	31,034	(28,534)	56,106	**677,093**

Liquidity pool:

	At 1 January 2021 £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 2021 £000
The Church of England Funded Pensions Scheme	47,455	264,829	(228,618)	(48)	**83,618**
The Church Workers Pension Fund					
Pension Builder 2014	827	6,333	(5,348)	(2)	**1,810**
Pension Builder Classic	3,150	17,817	(15,215)	(3)	**5,749**
Defined Benefit Scheme – Employer section	5,074	25,456	(21,855)	(7)	**8,668**
Defined Benefit Scheme – Life Risk section	1,802	16,941	(18,685)	(2)	**56**
The Church Workers Pension Fund	10,853	66,547	(61,103)	(14)	**16,283**
The Church Administrators Pension Fund	1,541	18,968	(17,710)	(2)	**2,797**
Total liquidity pool	59,849	350,344	(307,431)	(64)	**102,698**

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 2021 (2020: nil).

As at 31 December 2021, the Board had made the following commitments

	2021	**2020**
	£m	£m
Pooled investment vehicles (equity)	8.2	22.5
Pooled investment vehicles (private equity)	286.3	338.7
Pooled investment vehicles (property)	-	-
Pooled investment vehicles (infrastructure)	113.3	156.2
Pooled investment vehicles (private debt)	6.3	18.8
Total commitments	414.1	536.2

13. Related party transactions

Two Board members (2020: two) 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.

14. Post balance sheet event

In May 2022 Arrowstreet Capital were terminated as an investment manager. Proceeds of $186m have been received to date, and a further $3.7m is estimated to be received to complete the disposal.

Appendix 3 2021 Implementation Statement

Church Administrators Pension Fund

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)(b) 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 2021 (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 here.

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 current recovery plan is due to end on 31 December 2023 and the Trustee is targeting 31 December 2030 for reaching full funding on a de-risked basis.

DC Section

For the DC section of the Scheme, the Trustee's objective is to make available a range of investment options, which seek to allow members to set an investment strategy that meets their needs and risk tolerances. The Trustee also recognises that members may not believe themselves qualified to take investment decisions.

In addition to the principal objective, as stated above, the investment objectives for the DC Section translate to the following principles:

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.

The Trustee periodically reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as appropriate.

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 October 2021. The main change was in respect of the DC section, to reflect the newly appointed investment platform provider, Legal & General.

In addition to the SIP, the Scheme also maintains a Stewardship Implementation Framework document, which summarises how the Trustee implements its commitment to ethical and responsible investment.

4. Assessment of how the policies in the SIP have been followed for the year to 31 December 2021

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.

	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 December 2021
1	Securing compliance with the legal requirements about choosing investments	***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 & 4*	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). No new mandates were funded over the year in respect of either the DB section or DC section.
2	Kinds of investments to be held	***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* ***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** The Trustee reviewed its equity strategy over the Scheme Year. Having sought advice from its investment consultant, Mercer the Trustee agreed to: • maintain the current allocation to public small cap equities with Arrowstreet whilst continuing to build the allocation to private equity with Cambridge Associates; • terminate the low volatility equity mandates with Acadian and Robeco, with proceeds transferred to the FTSE TPI mandate managed by LGIM; *and* • terminate the active emerging market equity mandate with GW&K, with the proceeds to be moved to the remaining active EME mandate with T Rowe Price. The Trustee made these changes for a variety of reasons including simplifying the investment arrangements, reducing costs and managing the risks of climate change. **DC Section** There was no change to this policy during the Scheme year. The investment performance was reviewed on a quarterly basis. The investment performance reports provided during the year included how each fund or strategy were delivering against their specific mandates. A formal investment strategy review commenced in late 2021, starting with setting of investment objectives designed to meet members' needs for a good retirement income. This review concluded in 2022. During the investment strategy review, the default option, investment strategy, funds and consolidation options will be further assessed for their continued appropriateness.
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*	***DB Section*** As noted above, the Trustee reviewed the investment strategy over the Scheme Year, with support from its investment consultant Mercer. The Trustee continued to monitor the Scheme's funding level against pre-defined triggers based on the expected return of the current investment strategy, relative to the required return to reach full funding on a de-risked basis by 31 December 2030. The recovery of growth assets in early 2021 caused the Scheme to activate the first predefined trigger point in January. This initiated a switch from return seeking assets to liability matching assets, in line with the pre-agreed strategy level. **DC Section** There was no change to this policy during the Scheme year. The investment performance was reviewed on a quarterly basis. The investment performance reports provided during the year included how each fund or strategy were delivering against their specific mandates.

	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 December 2021
		retirement needs and ambitions, and a prudent default arrangement for those that do not wish to make their own choice. *SIP section 2*	
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, ESG reviews provided by the in house team and Mercer, and policy reviews Ethical Investment Advisory Group ("EIAG") Please see section 2 above for agreed changes made to the investment strategy. ***DC Section*** There were no material changes to this policy during the Scheme year. As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of delegated investment manager / fund managers / funds / asset classes. The Trustee also reviews the performance of the managers on a quarterly basis and may invite managers to present to the Trustee if there are any concerns on the performance or management team. However, no issues warranted a change in investments / managers over the year to 31 December 2021. ***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 2021 two 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 2021, the Trustee's "total asset" return [on its common investment fund investments] was 12.6% p.a. on a net of fees basis and over this period the Scheme's DB Section comprised 4.8% 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** There was no change to this policy during the Scheme year. The investment performance was reviewed on a quarterly basis. The Trustee conducts an annual Value for Members assessment. For the Scheme Year, the Trustee concluded that the Scheme scored above average on 2 of the 8 criteria set and average or above average overall on the rest; therefore continuing to provide good value for members. The investment performance reports provided during the year included how each fund or strategy were delivering against their specific mandates.

	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 December 2021
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.* *SIP section 7*	**DB Section** 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** No changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.
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 Advisory 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. Further the Trustee's extensive consideration of the financial risks arising from climate change, in March 2021 the Trustee formally adopted a policy to achieve net zero alignment by 2050 or sooner. **DC Section** No changes during the year to this policy and the policy reflects current practice. The Trustee considers non-financial matters, specifically ethics (both those prescribed by the Church and more generally) in the selection and retention of funds, while balancing its fiduciary responsibility to achieve its investment objectives. A member survey was carried out in early 2022, the results of which fed into the investment strategy review session in March 2022. This is outside the scope of this statement but will be covered in more detail next year. The Trustee also makes available an ethical lifestyle and ethical funds within the self-select range, which is itself due to be reviewed later in 2022.
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*	**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 2021, the list comprised 467 companies on ethical/responsible investment grounds covering a range of themes including gambling, alcohol, defence, climate change and tobacco (including 28 new exclusions related to climate change). The revenue screen is monitored by the in-house team and refreshed every 3 months. The Trustee also undertakes a range of stewardship activities, see the Trustee's Stewardship Report 2021 for more details, found here. In November 2021, a progress report on delivering the Board's net zero commitment and climate strategy was delivered. The update considered the 2022 voting template and the 2021 Synod Resolution Exclusions.

	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 December 2021
		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 8*	**DC Section** No changes during the year to this policy and the policy reflects current practice. The Trustee considers non-financial matters, specifically ethics (both those prescribed by the Church and more generally) in the selection and retention of funds, while balancing its fiduciary responsibility to achieve its investment objectives. A member survey was carried out in early 2022, the results of which fed into the investment strategy review session in March 2022. This is outside the scope of this statement but will be covered in more detail next year. The Trustee also makes available an ethical lifestyle and ethical funds within the self-select range, which is itself due to be reviewed later in 2022.
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 online 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 the investment managers and expect their investment managers to engage with the investee companies on their behalf. There has been no change in this policy during the year and the policy reflects best practice. The Trustee has requested information on voting records from the investment managers. Investment managers are expected to take into account current best practice, including UK Corporate Governance Code and the UK Stewardship Code. The Trustee considers investment managers policy on voting and engagement and use these assessments in the selection, retention and realization of manager appointments. The Trustee does not use the direct services of a proxy voter. The Trustee has requested key voting activities from Legal & General during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.
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 active ownership activities, including engagement.* *SIP section 5*	**DB Section** Engagement activity is carried out and monitored by the in-house investment team on behalf of the Trustee. During the Scheme Year there were a significant number of engagement activities, particularly in respect of the Board's priority areas of climate change, extractives and other initiatives for a just and sustainable world. The Board continued its involvement with various collective engagement initiatives, including the Transition Pathway Initiative, Climate Action 100+ and the Mining and Tailings Safety Initiative. At a company level, key engagements included Shell, Johnson & Johnson, Alphabet and Amazon. Full details of the engagement activity is set-out in the Trustee's 2021 Stewardship Report. **DC Section** The Trustee has delegated voting rights to the investment managers and expect their investment managers to engage with the investee companies on their behalf. There has been no change in this policy during the year and the policy reflects best practice. The Trustee has requested information on voting records from the investment managers. Investment managers are expected to take into account current best practice, including UK Corporate Governance Code and the UK Stewardship Code.

	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 December 2021
			The Trustee considers investment managers policy on voting and engagement and use these assessments in the selection, retention and realization of manager appointments. The Trustee does not use the direct services of a proxy voter. The Trustee has requested key voting activities from Legal & General during the Scheme year in order to consider this, and the information received is summarised in the Engagement Policy Statement that follows.
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 appointed investment managers. Its strategy, decisions, financial and ESG/ethical performance are monitored by the Trustee's investment committee on a quarterly basis. As part of this process, the Trustee considered the termination of three investment managers' appointments due to concerns around the over-complication of the portfolio and a beneficial fee reduction. 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** In the year to 31 December 2021, the Trustee has discussed their selected continued appointment of the managers and are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long term financial and non-financial performance. Over the period the Trustee believed that the appointments with its investment managers were consistent with its long term objectives and no changes were made.
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 performance in the medium to long-term.	***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 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*	**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 three managers were considered for removal over the Scheme Year (Acadian, Robeco and GW&K). The in-house team, as part of ongoing stewardship on behalf of the Trustee, also engage regularly with the 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 here). Over the Scheme Year the in-house team collaborated with asset managers on engagement with issuers on a range of topics including climate change and the safety of mine waste storage. More detail is available in the Trustee's Stewardship Report, available here. **DC Section** In the year to 31 December 2021, the Trustee has discussed their selected continued appointment of the managers and are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long term financial and non-financial performance. Over the period the Trustee believed that the appointments with its investment managers were consistent with its long term objectives and no changes were made.
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	***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*	**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 here) outlines the ways in which managers' responsible investment performance is monitored and evaluated, consistent with the Trustee's ethical investment policies and strategy.

<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 2021</th></tr>
<tr><td></td><td>with the Trustee’s policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]</td><td>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</td><td>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
Over the year to 31 December 2021, the Trustee has reviewed the performance of the Scheme’s investment managers on a regular basis. The review considers the performance of the investment managers versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term.</td></tr>
<tr><td>14</td><td>How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.</td><td>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</td><td>DB Section
Portfolio turnover costs are monitored by the in-house investment team as part of the ongoing manager monitoring and review process, as described above.

DC Section
The Trustee consider the levels of transaction costs as part of their annual Value for Members assessment.

While the transaction costs provided appear to be reasonably reflective of costs expected of the various asset classes and markets that the Scheme invests in, there is not as yet any industry standard or universe to compare these to.

The Trustee will assess these costs on an annual basis moving forwards and where appropriate with help from their advisor would challenge the level of costs incurred if they were assessed to be too high relative to expectations as this may indicate excessive turnover.</td></tr>
<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 considered:
<table><tr><th></th><th>Manager</th><th>Mandate Type</th></tr><tr><td>Termination</td><td>GW&K</td><td>Emerging Market Equity</td></tr><tr><td></td><td>Robeco</td><td>Low Volatility Equity Strategy</td></tr><tr><td></td><td>Acadian*</td><td>Low Volatility Equity Strategy</td></tr></table>* Agreed to terminate at the February 2021 ISC meeting

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

DC Section
The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or the manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

Over the year to 31 December 2021, no changes were made to the Scheme’s fund range or strategy</td></tr>
</table>

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 2021, 26,520 votes were cast, 17.2% of which were cast against management's recommendation (or support was withheld). Full details of the votes, along with the rationales, can be found here. Further details, including the voting template and examples of significant votes can be found in the Trustee's Stewardship Report 2021 here.

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

Company	Summary of Resolution	Scheme vote
Johnson & Johnson	Report on Government Financial Support and Access to COVID-19 Vaccines	We believe that the company could provide better disclosure on how its pricing and other future decision will take account the public funding received for the development of Covid-19 products. The resolution received 31.8% support from shareholders.
Alphabet	Elect Director Ann Mather	The Board did not support the re-election of Ann Mather because the Board considered the director "over-boarded", that is, the director serves too many boards to be an effective director. Although the resolution passed, the Board noted an unusually high level of dissent (21.5%) when considering the company's voting structure.
Amazon	Report on Lobbying Payments and Policy	We have supported the resolution because we would like further disclosure on state-level lobbying, indirect lobbying related expenditures and related board oversight mechanisms. Although the resolution did not pass, it received a high level of support (34.9%).

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	9,987	699	0	***Informa Plc*** ***Voting:*** *LGIM voted against the resolution.* ***Rationale****: Due to consistent problems with the implementation of the company's Remuneration Policy and the most recent events as described above, LGIM has voted against the Chair of the Remuneration Committee for the past three years.* ***Final Outcome:*** *Resolution passed.*
World (ex-UK) Equity Index Fund	54,929	10,437	549	***Facebook*** ***Voting:*** *LGIM abstained from voting on the resolution.* ***Rationale****: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles.* ***Final Outcome:*** *Resolution passed.*
Ethical UK Equity Index Fund	4,133	248	0	***EVRAZ Plc*** ***Voting:*** *LGIM voted against the resolution.* ***Rationale****: As part of our efforts to influence our investee companies on having greater gender balance, we apply voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board. We also apply voting sanctions to the FTSE 100 companies that do not have 30% women on their executive committee. For smaller companies we expect at least one woman at board level.* ***Final Outcome:*** *Resolution passed.*

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Global Equity Fixed Weights (50:50) Index Fund	64,914	11,036	650	***Amazon*** ***Voting:*** *LGIM voted against the resolution.* ***Rationale****: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles.* ***Final Outcome:*** *Resolution passed.*
Ethical Global Equity Index Fund	15,643	2,347	157	***Microsoft Corporation*** ***Voting:*** *LGIM voted against the resolution.* ***Rationale****: LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.* ***Final Outcome:*** *Resolution passed.*

CAPF Annual Report and Accounts 2021

Final Audit Report 2022-07-14

Created:	2022-07-14
By:	Joanna Woolcock (joanna.woolcock@churchofengland.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAANOo2t-qb0QFrNBHkswju1BDjhxQ17T9R

"CAPF Annual Report and Accounts 2021" History

Document created by Joanna Woolcock (joanna.woolcock@churchofengland.org)
2022-07-14 - 10:07:42 AM GMT- IP address: 165.225.17.155

Document emailed to clive.mather@churchofengland.org for signature
2022-07-14 - 10:17:40 AM GMT

Email viewed by clive.mather@churchofengland.org
2022-07-14 - 10:23:57 AM GMT- IP address: 109.123.74.85

Document e-signed by Clive Mather (clive.mather@churchofengland.org)
Signature Date: 2022-07-14 - 1:30:23 PM GMT - Time Source: server- IP address: 109.123.74.85

Document emailed to Shona Harvie (shona.harvie@crowe.co.uk) for signature
2022-07-14 - 1:30:26 PM GMT

Email viewed by Shona Harvie (shona.harvie@crowe.co.uk)
2022-07-14 - 4:58:31 PM GMT- IP address: 110.239.213.173

Document e-signed by Shona Harvie (shona.harvie@crowe.co.uk)
Signature Date: 2022-07-14 - 4:59:06 PM GMT - Time Source: server- IP address: 77.89.132.101

Agreement completed.
2022-07-14 - 4:59:06 PM GMT