Church Administrators Pension Fund

Annual Report and Financial Statements
31 December 2019

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 2019.

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

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

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 had two pools for 11 months of 2019: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four 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, and the liquidity pool containing cash.

The Scheme has acquired units representing its proportionate share of the assets of the return seeking pool. In 2020 the Trustee, after taking investment advice, will review the Scheme's weighting to each pool 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 2019. 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.

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 2019 to 16 June 2020)

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

Appointed by the Archbishops of Canterbury and York
Roger Mountford (to December 2019)
Canon Nicolete Fisher (from January 2020)

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

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 (from January 2020)
The Revd Caroline Titley

Appointed by the Church Commissioners
Jeremy Clack FIA

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

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

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

Elected by the House of Laity of the General Synod
Roger Boulton FIA
Canon Nicolete Fisher (to December 2019)
Alan Fletcher FCII (Vice Chair) (To December 2019)
Canon Emma Osborne
Bill Seddon

Elected by the members of the Church Workers Pension Fund
Ian Boothroyd (to December 2019)
Susan Pope (from January 2020)
Michaela Southworth

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

Committee Members

Audit and Risk Committee
Maggie Rodger (Chair)
Richard Hubbard
Susan Pope (from March 2020)
The Revd Peter Ould
The Ven David Stanton (to January 2020)
Helen Ashley Taylor (from February 2019, co-opted)
Caron Bradshaw (from February 2019, co-opted)

Board Development Committee (to October 2019)
Canon Nicolete Fisher (Chair)
Roger Boulton FIA
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee
Richard Hubbard (Chair) (from January 2020)
Roger Boulton FIA (Chair) (to December 2019)
The Revd Fr Paul Benfield
Ian Boothroyd (to December 2019)
The Revd Nigel Bourne
Canon Sandra Newton (to December 2019)
Maggie Rodger
Michaela Southworth (from March 2020)

Housing Committee
Canon Sandra Newton (Chair)
Canon Nicolete Fisher
Tony King (from March 2020)
The Revd Caroline Titley
The Revd Alan Wilson
Jonathan Gregory (co-opted)
Tom Paul (co-opted) (from March 2020)
Henrietta Podd (co-opted) (to October 2019)
Lawrence Santcross (co-opted)

Investment Committee
Roger Boulton FIA (Chair from January 2020)
Alan Fletcher FCII (Chair) (to December 2019)
Jeremy Clack FIA
Roger Mountford (to December 2019)
Canon Emma Osborne
Nikesh Patel FIA
Bill Seddon
Simon Baynes (co-opted) (to February 2019)
Matthew Beesley (co-opted)
Deb Clarke (co-opted)
Jonathan Rogers (co-opted)

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 (PricewaterhouseCoopers LLP until 25 June 2019)
Bankers	Lloyds Bank plc
Investment Advisors	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers (Scheme)	BlackRock Investment Management (UK) Limited

Investment Managers (Common Investment Fund)

Acadian Asset Management
Antin Infrastructure Partners
Arrowstreet Capital
Audax Group
Basalt Infrastructure Partners
Blackstone
Cambridge Associates
CBRE Global Investors
Colchester Global Investors
Copper Rock Capital Partners
DIF Management
EQT Infrastructure Partners
First State Investments
Generation Investment Management LLP GW&K
H.I.G. Capital
Insight Investment Management
I Squared Global Capital
KKR & Co. LP
Legal & General
Longview Partners
Northern Trust Global Investors
Robeco Asset Management
T Rowe Price International Ltd

Crowe U.K. LLP were appointed as the Scheme's auditor on 25 June 2019, replacing PricewaterhouseCoopers LLP. The outgoing auditor confirmed that there were no circumstances connected with their resignation which significantly affect the interest of the members, prospective members, or beneficiaries of the Scheme that should be brought to the attention of the Trustee.

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

Defined Benefit	**Active**	**Deferred**	**Pensioners**	**Beneficiaries**	**Total**
At 1 January	**104**	**454**	**820**	**108**	**1,486**
Members retiring	(9)	(16)	25	-	-
Members leaving with deferred pension	(5)	5	-	-	-
Deaths	-	-	(28)	(1)	(29)
Transfers out	-	(2)	-	-	(2)
Beneficiary pension ceased	-	-	-	(2)	(2)
New spouse and dependent pensions	-	-	-	5	5
Other	1	(1)	(2)	2	-
Total at 31 December	**91**	**440**	**815**	**112**	**1,458**

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	**552**	**491**	**1,043**
New members joining	128	-	128
Members retiring	(3)	(8)	(11)
Members leaving prior to pension age	(225)	225	-
Re-entrants	4	(4)	-
Transfers out	(13)	(11)	(24)
Deaths	(2)	-	(2)
Refunds	(5)	-	(5)
Total at 31 December	**436**	**693**	**1,129**

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 2019 was 2.4% (2018: 3.3%). Pensions in payment on 1 January or 1 April 2019 increased therefore by 2.4% (2019: 3.3%). The part that represents Post 1988 Guaranteed Minimum Pension was increased by 3%. There were no discretionary increases, apart from an increase of 3% from 1 April 2020 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)

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 2017. This showed that on that date:

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

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

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

Significant actuarial assumptions

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

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

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

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

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

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

- This is a closed Scheme with a much reduced active membership since the last valuation;
- The modifications to the benefit structure of the defined benefit section implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by CPI plus 1.2%;
- The anticipated rate of return on return-seeking assets being 2.0% 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 2019, 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.

	2019 £'000	2018 £'000	Nature of investment
Return seeking investments			
CEIFP – Return Seeking Pool	-	79,286	Public equities, private infrastructure equity, private debt, emerging markets sovereign debt, property unit trusts, hedge funds and cash
CEIFP – Public Equity Pool	**41,825**	-	Public equities
CEIFP – Diversified Growth Pool	**6,657**	-	Property unit trusts, private equity and emerging markets sovereign debt
CEIFP – Diversified Income Pool	**14,422**	-	Private infrastructure equity, private debt
CEIFP – Liquidity Pool	**403**	-	Cash
Liability matching investments			
CEIFP – Listed Credit Pool (formerly known as Liability Matching Pool	**11,291**	10,317	High quality corporate bonds
Liability Driven Investments ("LDI")	**68,129**	38,430	Pooled investment vehicle investing in gilts
AVCs			
Additional Voluntary Contributions	**488**	460	Unit trusts, see below
Total at 31 December	**143,215**	128,493	

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 mattes are included in Appendix 1. Appendix 1 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.

Impact of COVID-19

Since 31 December 2019, the COVID-19 pandemic has resulted in significant uncertainty in investment markets and necessitated practical changes to the way the administration of the Scheme is carried out. The Trustee fully transitioned to a remote working arrangement in March 2020. The Trustee has written to all Scheme members to outline the Trustee's response to COVID-19, including how to access the Trustee's services when all staff are working remotely.

Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Scheme's holdings in the Common Investment Fund and its holding in liability matching assets have increased in value by £0.7m (0.5%) from £142.7m at 31 December 2019 to £143.4m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.

The value of the Scheme's net assets across all sections represented 90.7% of the technical provisions of the Scheme at the last actuarial valuation as at 31 December 2017. Deficit recovery agreements are in place to target the elimination of the deficit. 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 employers, encourages all employers 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 employers. The Trustee has considered the impact of COVID-19 on the employers and is satisfied that there is no material deterioration in the overall employer covenant and the employers can continue to support the Scheme for the foreseeable future.

Trustee's report (continued)

Defined Benefit

Management and custody of investments

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

The Scheme holds £68.1m (2018: £38.4m) 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 6.8% in 2019. The Scheme's LDI gains were 8.4% (2018: loss of 0.3%).

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

Additional Voluntary Contributions (AVCs)

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

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

At the end of 2019, 6 (2018: 9) Defined Benefit members were paying AVCs.

Defined Contribution

The Board has appointed Legal and General to manage its Defined Contribution investments. A range of funds are available to the members and there are three main types of investments: 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 2019, 260 (2018: 318) members were paying AVCs.

Employer-related investments

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

Further Information

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

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

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

Approval

The Trustee's Report and the Statement of Trustee's Responsibilities set out on page 13 were approved by the Trustee on 16 June 2020 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 2019

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

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

This Statement covers the period from 1 January 2019 to 31 December 2019.

Default arrangements
The DC Section is used as a Qualifying Scheme for auto-enrolment.

When deciding on the DC Section's investment strategy, the Trustee recognises that most members do not make active investment decisions and instead are invested in one of the DC Section's default arrangements. The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the DC Section's default arrangements and selecting the investment funds used in them.

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

The DC Section currently has two default arrangements:
- the legacy default strategy, (the "Legacy Default") which is a lifestyle strategy targeting annuity purchase at retirement; and
- the DC Section's main default investment arrangement, the Drawdown Journey, (the "Default").

The Default is designed for new members who join the DC Section and do not choose an investment option, and most existing members of the DC Section who did not choose an investment option. Assets representing these members' benefits have been allocated to investment funds under the Default automatically. The Legacy Default applies to some existing members (see below).

The Legacy Default was not reviewed during the period covered by this Statement. The Trustee last reviewed the Legacy Default on 21 April 2017. Based on the recommendation of its investment adviser at that time, the Trustee agreed to replace the DC Section's main default arrangement, moving from a lifestyle strategy targeting annuities (the Legacy Default) to a Target Date Fund ("TDF") strategy managed by Legal and General ("L&G") (the Default). Under this new strategy, members' assets are automatically moved between different investment funds as they approach their target retirement date. The decision to replace the Legacy Default was made to allow members additional flexibility to access the new pension and retirement freedoms introduced in pensions legislation by the UK Government in April 2015.

The Legacy Default was replaced by the Default as the main default arrangement in January 2019. Most members in the Legacy Default were then transferred to this new arrangement at that time. However, members who were less than 5 years to their nominated retirement date were not moved automatically and so have remained in the Legacy Default.

The objectives of the Default, as stated in the SIP, are as follows:
- To provide a prudent default arrangement for those that do not wish to make an investment choice; and
- To provide a range of investment funds and de-risking options that enables members to fulfil their retirement needs and ambitions.

The Default was not reviewed during the period covered by this Statement. As explained above, assets started to be invested in this arrangement during this Scheme year and a review of the suitability of the Default was undertaken beforehand in 2017.

The Trustee regularly monitors the performance of the Default and Legacy Default and will formally review both these and their respective strategies at least every three years (the next review is intended to take place in July 2020) or immediately following any significant change in the Trustee's investment policy or the CAPF's membership profile.

The Trustee is satisfied that the Default and Legacy Default remain appropriate, following the changes made as part of the Trustee's last review in 2017.

Requirements for processing core financial transactions
Processing core financial transactions (such as the investment of contributions, processing transfers in and out of the DC Section, processing transfers of DC Section assets between different investments, and payments to members/beneficiaries) is carried out by the administrators of the DC Section, the administration team of the Church of England Pensions Board.

The DC Section's administrators have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the DC Section are processed promptly and accurately.

Defined Contribution Governance statement (continued)

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

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

To help the Trustee monitor whether service levels are being met, the Trustee receives and reviews quarterly reports about the DC Section administrator's performance and compliance with the SLA. Using information provided by the DC Section administrators, which has been reviewed by the CAPF auditors, the Trustee is satisfied that over the period covered by this Statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the CAPF scheme year.

Member-Borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges 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 L&G who are the investment manager for the DC Section. All transaction costs have been obtained for all funds with DC Section member assets invested in them. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

Default arrangement

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

For the period covered by this Statement, annualised charges and transaction costs throughout all of the vintages of the Default TDF are the same, at 0.30% and 0.00% pa respectively.

Legacy default arrangement

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

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

Years to target retirement date	TER	Transaction costs
5 or more years to retirement	0.19%	0.02%
4 years to retirement	0.17%	0.03%
3 years to retirement	0.16%	0.03%
2 years to retirement	0.14%	0.04%
1 year to retirement	0.12%	0.05%
At retirement	0.11%	0.05%

Defined Contribution Governance statement (continued)

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

For the period covered by this Statement, annualised charges and transaction costs throughout all of the vintages of the Annuity Journey and Stay Invested Journey are 0.30% and 0.00% pa respectively.

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

Years to target retirement date	TER	Transaction costs
5 or more years to retirement	0.25%	0.01%
4 years to retirement	0.22%	0.01%
3 years to retirement	0.19%	0.02%
2 years to retirement	0.16%	0.03%
1 year to retirement	0.13%	0.04%
At retirement	0.11%	0.05%

The level of charges for each self-select fund and the transaction costs over the period covered by this Statement are set out in the following table.

Manager – Fund name	TER (% pa)	Transaction costs (% pa)
Ethical UK Equity Index Fund	0.20	0.01
Ethical Global Equity Index Fund	0.29	0.00
UK Equity Index Fund	0.10	0.00
Global Equity Market Weights (30:70) Index Fund	0.19	0.02
Overseas Equity Consensus Index Fund	0.25	0.00
Over 5 years UK Index-Linked Gilts Fund	0.10	0.07
Over 15 Year Gilts Index Fund	0.10	0.02
AAA-AA-A Corp Bond All Stocks Index Fund	0.14	0.00
Managed Property Fund	0.84	0.00
Cash Fund	0.12	0.00

Defined Contribution Governance statement (continued)

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

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees (ie the TER) or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

The transaction cost figures used in the illustration are those provided by the managers over the year to 31 December 2019, subject to a floor of zero (so the illustration does not assume a negative cost over the long term).

The illustration is shown for the Default (the Drawdown Journey) since this is the arrangement with the most members invested in it, as well as four funds from the DC Section's self-select fund range. The four self-select funds shown in the illustration are:

- the fund with the highest before costs expected return – this is the LGIM Global Equity Market Weights (30:70) Index Fund
- the fund with the lowest before costs expected return – this is the LGIM Cash Fund
- the fund with highest annual member borne costs – this is the LGIM Managed Property Fund
- the fund with lowest annual member borne costs – this is the LGIM UK Equity Index Fund

Projected pension pot in today's money

	Default option		LGIM Global Equity Market Weights (30:70) Index Fund		LGIM Cash Fund		LGIM Managed Property Fund		LGIM UK Equity Index Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£16,400	£16,400	£16,600	£16,600	£15,800	£15,700	£16,300	£16,200	£16,600	£16,600
3	£23,200	£23,100	£24,200	£24,000	£20,900	£20,800	£23,100	£22,600	£24,200	£24,100
5	£30,300	£29,900	£32,300	£32,100	£25,800	£25,700	£30,000	£29,100	£32,300	£32,200
10	£48,700	£47,700	£55,800	£55,000	£37,400	£37,100	£48,800	£46,200	£55,800	£55,400
15	£68,600	£66,700	£84,500	£82,800	£47,800	£47,300	£69,700	£64,400	£84,500	£83,700
20	£90,400	£87,100	£119,600	£116,400	£57,200	£56,400	£92,900	£83,700	£119,600	£118,100
25	£114,200	£109,100	£162,600	£157,100	£65,700	£64,600	£118,500	£104,300	£162,600	£160,000
30	£140,300	£132,800	£215,000	£206,400	£73,400	£72,000	£147,000	£126,300	£215,000	£210,900
35	£167,700	£157,400	£279,200	£266,000	£80,300	£78,700	£178,600	£149,600	£279,200	£272,800
40	£196,000	£182,300	£357,600	£338,100	£86,600	£84,600	£213,700	£174,500	£357,600	£348,200

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 £13,100 which is broadly in-line with the average active member as at 31 December 2019.
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach CAPF's Normal Pension Age.
- The starting salary is assumed to be £36,800 which is broadly in-line with the average active member as at 31 December 2019.
- Total contributions (employee plus employer) are assumed to be 8% per year, as this is the employer's contribution for members under 30 years of age as at 31 December 2019.
- The projected annual returns used are as follows:
    - Default option: 2.6% above inflation in the growth phase reducing to 1.5% above inflation at retirement. This is the average rate of funds used within the TDF, including allowance for the changes in asset allocation as a member approaches retirement age.
    - LGIM Global Equity Market Weights (30:70) Index Fund 4.1% above inflation
    - LGIM Cash Fund 2.0% below inflation
    - LGIM Managed Property Fund 2.1% above inflation
    - LGIM UK Equity Index Fund 4.1% above inflation
- No allowance for active management outperformance has been made.

Value for members assessment
The Trustee is required to assess the extent to which the member borne charges and transaction costs which apply to DC Section members represent good value for members. 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 assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

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 2 April 2020. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of funds available to members.

The Trustee's assessment included a review of the performance of the DC Section's investment funds (after all charges) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this Statement have been consistent with their stated investment objectives.

Defined Contribution Governance statement (continued)

The Trustee also considers 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, such as the charge cap applicable to the default arrangements, 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 membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services such as the DC Section website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

Overall, the Trustee believes that members of the DC Section are receiving good value for money for the charges and cost that they incur. The Trustee believe this because fees for the passive funds and active components are reasonably competitive, communications are clear, tailored and informative and there is a clear and concise list of appropriate self-select funds covering the main asset classes we would expect. The Trustee aims to improve this in future. For example, by establishing a separate Trustee training log, assigning routine time on meeting agendas to discuss the DC Section, and reviewing the retirement options available via the DC Section (particularly now the strategy implementation has taken place).

The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.

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 secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pension and trust law. This, together with the advice available, enables the Trustee to properly exercise its functions and run the DC Section properly and effectively.

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

During the period covered by this Statement, the Trustee has ensured its knowledge and understanding is up to date by:

- Completing the Pension Regulator's Trustee Toolkit;
- Receiving formal and informal training at relevant Trustee Board and Committee meetings, including training on DC engagement and communication with members, specific Ethical investment issues and new regulatory requirements in relation to SIP; and
- Where appropriate, completing self-assessments of training needs.

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

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

Approval
The DC Governance Statement was approved by the Trustee on 16 June 2020 and signed on its behalf by:

Clive Mather
Chairman of the Church of England Pensions Board

Statement of Trustee's Responsibilities

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

Trustee's responsibilities in respect of the financial statements

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

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

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

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

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

Trustee's responsibilities in respect of contributions

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

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

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

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

Opinion

We have audited the financial statements of the Church Administrators Pension Fund ("the Scheme") for the year ended 31 December 2019 which comprise the Fund Account, 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 Scheme during the year ended 31 December 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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 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.

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.

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.

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

Use of our report

This report is made solely to the Scheme 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, and to the General Synod. 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 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

16 June 2020

Fund Account for the year ended 31 December 2019

	Notes	Defined Contribution	Defined Benefit	**2019 Total**	Defined Contribution	Defined Benefit	**2018 Total**
		£000	£000	**£000**	£000	£000	**£000**
Contributions and other income							
Employer contributions	4	2,366	3,998	**6,364**	2,631	3,960	**6,591**
Employee contributions	4	556	119	**675**	644	141	**785**
Transfers in		256	-	**256**	282	-	**282**
Other income	4	113	-	**113**	-	-	**-**
Total contributions and other income		3,291	4,117	**7,408**	3,557	4,101	**7,658**
Benefits							
Benefits paid or payable	5	(207)	(3,222)	**(3,429)**	(187)	(3,618)	**(3,805)**
Payments to and on account of leavers	6	-	-	**-**	-	(2)	**(2)**
Transfers out		(1,093)	(728)	**(1,821)**	(599)	-	**(599)**
Administrative expenses	7	-	(617)	**(617)**	-	(574)	**(574)**
Total benefits and other expenses paid		(1,300)	(4,567)	**(5,867)**	(786)	(4,194)	**(4,980)**
Net additions (withdrawals) from dealings with members		1,991	(450)	**1,541**	2,771	(93)	**2,678**
Returns on investments							
Deposit interest		-	5	**5**	-	9	**9**
Change in market value of investments	8	3,619	14,964	**18,583**	(1,588)	(1,899)	**(3,487)**
Investment management expenses		-	(24)	**(24)**	-	(34)	**(34)**
Net returns on investments		3,619	14,945	**18,564**	(1,588)	(1,924)	**(3,512)**
Net increase (decrease) in the fund		5,610	14,495	**20,105**	1,183	(2,017)	**(834)**
Opening net assets		22,453	128,251	**150,704**	21,270	130,268	**151,538**
Closing net assets		28,063	142,746	**170,809**	22,453	128,251	**150,704**

The notes 1 to 18 form part of these financial statements.

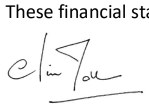
Statement of Net Assets available for benefits as at 31 December 2019

	Notes	Defined Contribution	Defined Benefit	**2019 Total**	Defined Contribution	Defined Benefit	**2018 Total**
		£000	£000	**£000**	£000	£000	**£000**
Investment assets							
Pooled investment vehicles (CEIFP)	8	-	74,598	**74,598**	-	89,603	**89,603**
Pooled investment vehicles (other)	8	27,823	68,129	**95,952**	22,266	38,430	**60,696**
AVC investments	8	-	488	**488**	-	460	**460**
Total investment assets		27,823	143,215	**171,038**	22,266	128,493	**150,759**
Current assets	9	817	129	**946**	802	757	**1,559**
Current liabilities	10	(577)	(598)	**(1,175)**	(615)	(999)	**(1,614)**
Net current assets (liabilities)		240	(469)	**(229)**	187	(242)	**(55)**
Total net assets available for benefits		28,063	142,746	**170,809**	22,453	128,251	**150,704**

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 18 form part of these financial statements.

These financial statements were approved by the Trustee on 16 June 2020 and signed on its behalf by:



Clive Mather
Chairman of the Church of England Pensions Board

Notes to the financial statements

1. Legal status

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

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

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

2. Basis of preparation

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes (2018)" (the "SORP").

3. Accounting policies

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

a) Contributions

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

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

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

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

b) Benefits

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

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

c) Transfers to/from other pension schemes

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

d) Administrative and other expenses

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

e) Investment income and expenditure

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

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

Investment income

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

Investment expenditure

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

Notes to the financial statements (continued)

3. Accounting policies (continued)

f) Investment valuation

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

The Scheme's Defined Contribution and AVC investments are valued based on prices provided by the investment managers. Investment assets and liabilities are measured at fair value. Where an active market is unavailable, the Trustee adopts valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

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

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

g) Foreign currencies

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

4. Contributions and other income

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

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

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

The deficit contributions payable are £2,755,759 per annum, increasing by 3.3% per annum on 1 January, until April 2023.

Notes to the financial statements (continued)

5. Benefits paid or payable

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

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

6. Payments to and on account of leavers

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

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

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:

	2019	**2018**
	£000	**£000**
Actuarial fees	137	162
Audit fees	8	7
Pension levy	59	65
Investment services	65	65
Legal advice	28	52
Administration costs	320	223
Total administrative expenses	617	574

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

8. Investments

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

Defined contribution:	At 1 January 2019	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2019**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles	22,266	17,832	(15,894)	3,619	27,823
Total investments	**22,266**	17,832	(15,894)	3,619	**27,823**

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 2019	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2019**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles (CEIFP)					
Return Seeking Pool	79,286	-	(89,969)	10,683	**-**
Public equity pool	-	41,185	-	640	**41,825**
Diversified growth pool	-	6,666	-	(9)	**6,657**
Diversified income pool	-	14,461	-	(39)	**14,422**
Listed credit pool (formerly liability matching pool)	10,317	-	-	974	**11,291**
Liquidity pool	-	1,044	(638)	(3)	**403**
Total pooled investment vehicles	**89,603**	**62,312**	**(90,607)**	**12,246**	**74,598**
Pooled investment vehicles (other)					
Bonds	38,430	27,000	-	2,699	**68,129**
Total LDI investments	**38,430**	**27,000**	**-**	**2,699**	**68,129**
AVC investments					
Standard Life	315	9	-	17	**341**
Scottish Widows	114	-	-	-	**114**
Equitable Life	31	-	-	2	**33**
Total AVC investments	**460**	**9**		**19**	**488**
Total investments	**128,493**			**14,964**	**143,215**

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

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

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

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

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

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 2019	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	915	26,908	-	**27,823**
Total investments	**915**	**26,908**	-	**27,823**

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

Notes to the financial statements (continued)

11. Fair value of investments (continued)

Defined benefit:

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

At 31 December 2018	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	54,105	21,141	14,357	**89,603**
Pooled investment vehicles (bonds)	-	38,430	-	**38,430**
AVC investments	-	-	460	**460**
Total investments	54,105	59,571	14,817	**128,493**

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	**2019**	**2018**
					£000	**£000**
Defined Contribution section						
Pooled investment vehicles (mixed investment)	●	◑	●	●	**17,047**	**-**
Pooled investment vehicles (equities)	○	◑	○	●	**7,360**	**19,556**
Pooled investment vehicles (bonds)	●	◑	●	◑	**2,297**	**1,734**
Pooled investment vehicles (property)	◑	◑	○	●	**204**	**340**
Pooled investment vehicles (cash)	●	◑	○	○	**915**	**636**
Total Defined Contribution section					**27,823**	**22,266**
Defined Benefit section						
Pooled investment vehicles: CEIFP	(see Investment Risks for the CEIPF in Appendix 2)				**74,598**	**89,603**
Pooled investment vehicles (bonds)	●	○	●	◑	**68,129**	**38,430**
AVCs	(not considered significant in relation to overall Scheme risks)				**488**	**457**
Total Defined Benefit section					**143,215**	**128,493**

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)

<u>Defined Benefit section</u>

Investment strategy

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

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

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 2.

Credit Risk

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

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

	2019	**2018**
	£000	£000
Pooled investment vehicles (bonds)	68,129	38,430
Total investments exposed to credit risk	68,129	38,430

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	**Defined contribution**	**2019**	**Defined benefit**	**Defined contribution**	**2018**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Common investment fund	74,598	-	**74,598**	89,603	-	**89,603**
With-profits funds	68	-	**68**	68	-	**68**
Domestic commingled fund	68,129	-	**68,129**	38,430	-	**38,430**
Unit-linked life insurance	-	27,823	**27,823**	-	22,266	**22,266**
Other	420	-	**420**	389	-	**389**
Total pooled investment vehicles	143,215	27,823	**171,038**	128,493	22,266	**151,148**

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.

Other price risk

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

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

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)
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:

		2019		**2018**
	£000	**%**	**£000**	**%**
Defined Contribution section:				
Legal and General pooled investment vehicle:				
Global Equity MW (30:70) 75% GBP	Below 5% in 2019		16,057	10.7
Defined Benefit section:				
CEIFP return seeking pool	-	-	79,286	52.6
Aquila Life over 5 years Index Linked Fund	68,129	39.9	38,430	25.5
CEIFP public equity pool	41,825	24.5	-	-
CEIFP diversified income pool	14,422	8.4	-	-
CEIFP listed credit pool	11,291	6.6	10,317	6.8

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 (2018: one) who has retired from service under the Scheme is in receipt of a pension on normal terms.

As disclosed in note 9, £82,000 (2018: £80,000) is owed by the Trustee to the Scheme, representing 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)

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. The Trustee is now reviewing, with their advisors, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. When this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee. The Trustee has estimated the total cost of equalisation to be £0.5m, 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.

18. Post balance sheet events

Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Scheme's holdings in the Common Investment Fund and its holding in liability matching assets have increased in value by £0.7m (0.5%) from £142.7m at 31 December 2019 to £143.4m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.

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 2019 as reported in the Church Administrators Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme Actuary on 19 December 2018.

We have examined the Church Administrators Pension Fund's summary of contributions for the Scheme year ended 31 December 2019 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 UK LLP
Chartered Accountants and Statutory Auditors
London
June 2020

16 June 2020

Summary of Contributions
for the year ended 31 December 2019

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	2,026	-	**2,026**
Defined Contribution - AVC	340	556	**896**
Defined Benefit – normal	859	66	**925**
Defined Benefit – deficit	2,756	-	**2,756**
Defined Benefit – for administration costs	383	-	**383**
Total contributions required by the schedules of contributions	6,364	622	**6,986**
Other contributions			
Defined benefit - AVC	-	53	**53**
Total other contributions	-	53	**53**
Total contributions	6,364	675	**7,039**

This summary of contributions has been prepared by, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Scheme Actuary on 19 December 2018 in respect of the Scheme year ended 31 December 2019. 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
16 June 2020

Church Administrators Pension Fund

Adequacy of rates of contribution

3483185

Page 1 of 2

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(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 2017 to be met by the end of the period specified in the recovery plan dated 19 December 2018.

Adherence to statement of funding principles

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

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

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

Name: Aaron Punwani **Qualification:** FIA

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

Name of employer:
Lane Clark & Peacock LLP

Church Administrators Pension Fund

Statement of Investment Principles

1. Introduction

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

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

It has two sections:

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

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

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

2. Objectives

For the Defined Benefit section

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

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

The Trustee therefore has a long-term objective for the Scheme to be fully funded on a basis that incorporates gradual de-risking from the current strategy, to reduce the reliance on the Scheme's sponsors for additional contributions. The Trustee currently targets 30th April 2023 for reaching full funding.

For the Defined Contribution section

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

3. Investment Policy

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

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

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

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

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

4. Investment Beliefs

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

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

Statement of Investment Principles (continued)

5. Investment management

For the Defined Benefit section

The Trustee operates a common investment fund (The Church of England Investment Fund for Pensions, or CEIFP), comprising a Return Seeking Assets Pool and a Liability Matching Pool. This investment vehicle allows the Board's pension schemes, including the CAPF, to pool their assets for greater efficiency and diversification than they would be able to achieve if investing on their own. The investment powers of the common investment fund are set out in the Schedule of Regulations of the CEIFP's Trust Deed and are in accordance with the investment powers of the Board as set out in the Church of England Pensions Measure 2018.

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

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

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

For the Defined Contribution section

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

The Trustee's policy is to:

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

6. Types of investment

For the Defined Benefit section

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

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

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

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

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

For the Defined Contribution section

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

7. Realisation of investments

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

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.

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

Statement of Investment Principles (continued)

8. Ethical and responsible investment

For the Defined Benefit section

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

The Trustee recognises climate change as a major financial 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.

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

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

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

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

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

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

The Trustee intends that the Scheme should vote at all company meetings held by its investee companies. This is carried out by the Corporate Governance Team.

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

For the Defined Contribution section

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

9. Risk

For the Defined Benefit section

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

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

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

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

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

Statement of Investment Principles (continued)

For the Defined Contribution section

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

10. Additional voluntary contributions (AVCs)

For the Defined Benefit section

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

For the Defined Contribution section

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

Signed:

Date: 16 Jun 2020

Appendix 1

Ethical Investment Approach of the National Church Institutions

Ethical Investment Approach of the National Church Institutions

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

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

The NIBs receive Advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the NIBs to act as distinctively Christian – and Anglican – institutional investors. The EIAG develops ethical investment advice, and the NIBs develop investment policies based on this advice. EIAG advice and NIB policies are published on the Church of England website and implemented by the NIBs.

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

Stewardship

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

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

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

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

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

Engagement

The Pensions Board's investment team includes ethics and engagement specialists, who undertake engagement with companies in which the Board is invested, including voting at shareholder meetings.

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

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

Investment exclusions

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

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

Ethical Investment

The way the NIBs invest forms an integral part of the Church of England's witness and mission and their ethical policies and practice are shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG).

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 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.

2019 highlights

In 2019 the Board significantly increased its capacity to support its ambitions on ethical investment, with the appointment of a Deputy Director of Ethics and Engagement and two Senior Engagement Managers. The Board co-ordinates with the other National Investing Bodies (NIBs) and the Ethical Investment Advisory Group on policy and engagement matters.

In particular the Board has taken a lead on Climate Change and on the implementation of the ethical investment policy on extractive industries. Together with the Environment Agency's pension scheme, the London School of Economics and FTSE Russell, the Board established the Transition Pathway Initiative (TPI) in 2017. The TPI is a tool that allows asset owners and investors to monitor the public disclosures made by companies and to assess how they are aligned with the goals of the Paris climate agreement. The extraordinary success of the TPI continues. It is now being used by over 75 investors with over $18 trillion combined assets under management and advice. TPI continues to be the main tool to assess company performance by the global engagement initiative, Climate Action 100+ (CA100+) which is a group of 4500 investors managing over $40 trillion in assets. There has never been a coordinated engagement of companies on the scale being undertaken by CA100+ and the Board is delighted that TPI will play such a prominent role in this initiative. The Board continues to co-lead engagement with Royal Dutch Shell on behalf of CA100+, which in 2019 resulted in 25 engagements over an intensive period, including an in-person interview with Shell's CEO before an audience of 1,000 investors at the 2019 PRI In Person Conference.

In 2019 the Board partnered with FTSE Russell to develop a passive index that incorporates TPI analysis, and in January 2020 launched this innovative approach to incorporating stewardship and climate change considerations into passive investment strategy.

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. This call was taken up by the industry association ICMM, and the United Nations Environment Programme who along with the UN backed Principles for Responsible Investment have co-convened a Global Tailings Review, under an independent Chair. The Pensions Board (with the Council on Ethics of the Swedish National Pension Funds) has acted as a co-convenor on behalf of the UN backed Principles for Responsible Investment.

Alongside this work to establish a Global Standard to enhance the safety of tailings facilities in the mining industry (which appear across the supply chains of many Pensions Board investments), the Board has taken the lead in co-chairing the Investor Mining and Tailings Initiative, which is a coalition of 110 investor institutions with $14 trillion AUM. In 2019 the Board hosted five investor roundtables and chaired one global tailings summit. The Board has also sought to improve the transparency and scope of disclosure on tailings facilities. In April 2019 the Board wrote to 716 publicly listed extractives companies asking them to disclose publicly details on their tailings facilities. To date this request has prompted extensive detailed disclosures on tailings facilities, covering 65% of the mining industry by market capitalisation, providing data that in many instances were not previously in the public domain. In order to improve the standardisation and comparability of this data the Board has established a 'Global Tailings Portal' in partnership with GRID Arendal and the Council on Ethics of the Swedish National Pension Funds, and has partnered with the UK Satellite Applications Catapult, which received £500,000 funding from the UK Government to support the tailings project.

The role of corporate lobbying in public policy is highly influential. As a result the Board has continued its partnership with the €60 billion of assets Swedish Public Pension Fund, AP7, on a focussed initiative engaging 56 European companies about their lobbying activity by their industry associations and alignment to the goals of the Paris climate agreement. The initiative developed a set of Investor Expectations on Corporate Climate Lobbying that was supported by the €23 billion backed European Institutional Investor Group on Climate Change (IIGCC). Companies across Europe were asked to commit to support the expectations and undertake reviews of the lobbying by the industry associations of which they were a member. 12 companies have so far made commitments to greater disclosure on corporate climate lobbying.

The Board continued to deliver its commitment to active ownership, voting in 2019 on 35,180 ballots at 2409 company meetings across 53 different markets. The Pensions Board voted against management (or withheld support) on 17.8% of resolutions. For example, on the topic of executive remuneration, the Board withdrew support from 62.7% of resolutions.

The Board is honoured to host the Secretariat to the Church's Ethical Investment Advisory Group (the EIAG) which serves the NIBs. During 2019 the EIAG's Nominations committee appointed 6 new independent members after an open and competitive process, and the EIAG met 3 times. The Secretariat continued to support the EIAG in its programme of policy reviews and horizon scanning. The EIAG's annual review is available online.

Ethical investment agenda 2020

In the next year the Board will be developing its ethical investment and engagement work, particularly through further support and use of the Transition Pathway Initiative (TPI) and engagement work on extractive industries. The Board will continue to work with the Ethical Investment Advisory Group and partners in the other National Investing Bodies.

Appendix 2
The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2019

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 2019.

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 had two pools for 11 months of 2019: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four 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, 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. Due to the change taking place during the year, investment performance will be quoted at a total asset level.

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

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

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

- Continued to work with Cambridge Associates who manage the Board's allocation to private equity.
- Continued to be drawn down for the CEIFP's infrastructure programme.
- Committed to a new fund managed by Blackstone that will take equity stakes in private equity firms.
- Committed to a new sustainable growth private equity fund managed by Generation.

Trustee's report (continued)

Financial developments (continued)

At the end of 2019, the Fund's assets were managed by 23 managers:

Fund manager	Description
Acadian Asset Management	Global equities
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Group	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Blackstone	Alternative income
Cambridge Associates	Private Equity
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
DIF Management	Pooled infrastructure fund
EQT Infrastructure Partners	Pooled infrastructure fund
First State Investments	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	Global equities passively tracking ethically adjusted MSCI World Index
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Robeco Asset Management	Global equities
T Rowe Price	Emerging market equities

Investment Performance

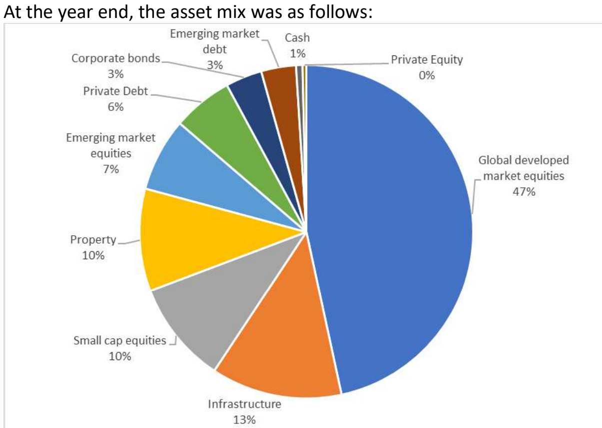
Total assets in the CEIFP returned 15.1% over 2019. The longer term returns, to the end of 2019, after the deduction of fees, were as follows:

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.	15 yr % p.a.
Total assets	15.1	7.8	8.9	9.0	8.5

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

Total Assets ex-LDI

At the year end, the asset mix was as follows:



Investment Performance (continued)

The longer term returns to 31 December 2019 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, with the effect of the currency hedging programme shown separately:

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.
CEPB Total Assets ex-LDI	**15.1**	**7.8**	**8.9**	**9.0**	**8.5**
Public equities	**21.9**	9.5	10.1	10.0	9.0
Property	**0.7**	5.4	7.6	8.9	3.4
Infrastructure equity	**6.5**	7.8	10.8	--	8.9
Fixed income (private debt & emerging market debt)	**1.5**	3.0	4.2	--	4.0
Corporate bonds	**9.4**	4.0	4.6	--	4.9
Cash	**--**	--	--	--	--
Currency hedging (estimated effect)	**1.2**	0.2	-0.5	-0.2	--
Comparators					
UK RPI	*2.6*	*3.0*	*2.5*	*3.0*	*2.9*
FTSE 100	*17.3*	*6.2*	*7.1*	*7.4*	*7.0*
MSCI AC World Index (local currency)	*21.7*	*9.9*	*12.0*	*11.0*	*9.5*
FTSE Over 5-year Index Linked Gilts	*6.8*	*2.9*	*6.5*	*8.5*	*7.6*

Despite concerns over a slowdown in the Chinese economy, the Fed looking to raise rates and the disruptive US/China trade war, markets rallied strongly over the year, with the FTSE 100 returning 17.3% and the MSCI World returning 22.7%.

The CEIFP contains the schemes' investments, excluding investments in liability driven investments ("LDI") which are held directly by each scheme. The CEIFP had just over 60% of its assets invested in public equities at the end of 2019. The CEIFPhas a global bias to public market equity, which has been a key driver for returns, with only a small direct exposure to UK-quoted companies in the portfolio (about 6%). Positions in Global small cap and emerging market equities also had an excellent year, returning 20.3% and 19.9% respectively, which impacted positively on returns.

The alternatives to public market equities, in particular infrastructure equity and corporate bonds also performed well.

Sterling experienced plenty of dramatic swings in 2019 due to the challenge of Brexit, followed by a boost from the General Election result. Although sterling strengthened against a basket of yen, euro and dollar towards the end of the year, the overall currency effect was only slightly positive. This positive effect is estimated to have been equivalent to 1.2% of the total asset value over the year.

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

The Board invests in-line with an agreed ethical investment policy, which prohibits certain types of investment. Over the course of 2019 it is estimated that these policies had a positive impact on our returns, with the difference between the return of the MSCI World Index and the ethically adjusted version of that index, used by the passive equity tracker, being 0.3% over the year. Details of the Trustee's policies in respect of environmental, social and governance matters are included in Appendix 1 in each scheme's accounts.

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 2019 these fees (including those charged by Northern Trust as custodian) were £7.1m (2018: £8.0m). This equated to 0.32% (2018: 0.39%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

Approval

The Trustee's Report and Statement of Trustee's Responsibilities set out on page 5 were approved by the Trustee on 16 June 2020 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 Auditors' report to the Trustee of The Church of England Investment Fund for Pensions and the General Synod 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 2019 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

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.

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

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

16 June 2020

Statement of total return for the year ended 31 December 2019

	Notes	2019	2018
		£000	**£000**
Change in market value of investments	6	249,685	(85,798)
Change in market value of investment cash and other investment balances	6	9,431	225
Total change in market value		259,116	(85,573)
Income	4	52,547	51,938
Expenses	5	(7,094)	(8,020)
Changes in net assets attributable to unit holders from investment activities		304,569	(41,655)

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2019

	Notes	2019	2018
		£000	**£000**
Opening net assets attributable to unit holders		2,041,068	2,055,373
Amounts receivable on issue of units	11	2,327,298	37,339
Amounts payable on cancellation of units	11	(2,343,278)	(9,989)
Net assets before change from investment activities		2,025,088	2,082,723
Changes in net assets attributable to unit holders from investment activities	11	304,569	(41,655)
Closing net assets attributable to unit holders		2,329,657	2,041,068

Statement of net assets attributable to unit holders as at 31 December 2019

	Notes	2019	2018
		£000	**£000**
Investment assets			
Equities	6	1,408,945	1,194,151
Bonds	6	149,937	138,937
Pooled investment vehicles	6	654,278	593,746
Derivative contracts	8	111,543	506
Other investments	6	219	270
Investment cash	6	56,064	121,458
Other investment balances	6	9,106	22,107
Total assets		2,390,092	2,071,175
Investment liabilities			
Other investments	6	-	(141)
Derivative contracts	8	(56,845)	(23,893)
Investment cash	6	-	(1,131)
Other investment balances	6	(3,590)	(4,942)
Total investment liabilities		(60,435)	(30,107)
Total net assets attributable to unit holders	11	2,329,657	2,041,068
Participants' funds	11		
The Church of England Funded Pensions Scheme		1,833,327	1,580,262
The Church Workers Pensions Fund		421,732	371,203
The Church Administrators Pensions Fund		74,598	89,603
Total participants' funds		2,329,657	2,041,068

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

These financial statements were approved by the Trustee on 16 June 2020 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status

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

2. Basis of preparation

The individual financial statements of the Fund have been prepared in accordance Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (2018) (the "SORP") insofar as they relate to common investment funds.

3. Accounting policies

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

a) Income and expenditure

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest. Income from bonds, cash and short-term deposits is accounted for on the accruals basis and includes income bought and sold on purchases and sales of bonds. Income is shown gross of all withholding taxes, with irrecoverable taxes shown as a separate expense.

Where the Fund can separately identify investment managers' fees, these are accounted for on an accruals 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

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Notes to the financial statements (continued)

4 Income

	2019 £000	2018 £000
Equities	29,398	30,818
Bonds	8,108	7,521
Pooled investment vehicles	13,727	12,677
Cash and cash equivalents	1,314	587
Interest from loan to the CEFPS	-	335
Total income	52,547	51,938

5 Expenses

	2019 £000	2018 £000
Investment managers' fees	7,094	8,020
Total expenditure	7,094	8,020

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

6 Investments

	At 1 January £000	Purchases and derivative payments £000	Disposals and derivative receipts £000	Change in market value £000	At 31 December £000
Equities	1,194,151	558,830	(567,891)	223,855	1,408,945
Bonds	138,937	30,552	(24,964)	5,412	149,937
Pooled investment vehicles	593,746	343,297	(274,038)	(8,727)	654,278
Other investments	129	7,547	(7,444)	(13)	219
Net derivative contracts (note 8)	(23,387)	94,175	(45,248)	29,158	54,698
	1,903,576	1,034,401	(919,585)	249,685	2,268,077
Investment cash	120,327			9,434	56,064
Other investment balances	17,165			(3)	5,516
Total investments	2,041,068			259,116	2,329,657

Analysed between:		
Investment assets	2,071,175	2,390,435
Investment liabilities	(30,107)	(60,778)
Total investments	2,041,068	2,329,657

Other investment balances include the following balances

	2019 £000	2018 £000
Accrued income	5,958	7,213
Pending trade purchases	2,059	2,985
Pending trade sales	(2,910)	(4,942)
Variation margin	409	11,909
Total other investment balances	5,516	17,165

Disposals of pooled investment vehicles include £40.8m in respect of the redemption of a fund managed by Bridgewater and a redemption of £39.4m in respect of a fund managed by Winton. This represented the entire holding in funds managed by both managers. The cash proceeds were reinvested in various pooled investment vehicles in line with the capital drawdown requirements of those vehicles. Disposals of equities includes £72.8m relating to the termination of a segregated mandate with Edinburgh Partners.

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:

	2019			2018		
	Commission £000	Other charges £000	**Total £000**	Commission £000	Other charges £000	**Total £000**
Equities	366	216	**582**	470	170	**640**
	366	216	**582**	470	170	**640**

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

	2019	2018
	£000	£000
Equities	14,396	2,178
Property	219,890	218,348
Cash	12,477	22,515
Hedge funds	-	89,053
Infrastructure	275,299	165,929
Private debt	132,216	95,723
Total pooled investment vehicles	654,278	593,746

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.

	2019	**2019**	**2018**	**2019**
	$000	**£000**	**$000**	**£000**
Investments	170,667	128,829	117,470	92,235
Current assets	8,530	6,439	7,552	5,930
Current liabilities	(1,349)	(1,018)	(1,867)	(1,465)
Total net assets	177,848	134,250	123,155	96,700

7 Investment analysis

Investments of over 5% of net assets

The Fund holds one investment of over 5% of net assets, representing 5.68% of net assets (2018: one asset representing 5.48% of net assets).

	2019	**2018**
	£000	£000
Thorney Island Limited Partnership	132,216	-
CBRE GIP GA Fund Class III Dis	-	111,862
	132,216	111,862

Employer related investments

There were no employer related investments as at 31 December 2019 (2018: none).

8 Derivatives

		2019			**2018**	
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	33	(1)	**32**	219	(4,362)	**(4,143)**
Futures – bonds	91	(64)	**27**	77	(208)	**(131)**
Forward foreign currency contracts	111,419	(56,780)	**54,639**	210	(19,323)	**(19,113)**
Total derivatives	111,543	(56,845)	**54,698**	506	(23,893)	**(23,387)**

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:

		2019			**2018**	
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	*150*	1	-	*5,061*	-	(79)
Equities futures: Overseas	*3,888*	32	(1)	*78,622*	219	(4,283)
Total equities futures	***4,038***	**33**	**(1)**	***83,683***	**219**	**(4,362)**
Bonds: UK	*6,569*	-	(64)	*8,252*	77	-
Bonds: Overseas	*(5,968)*	91	-	*(6,479)*	-	(208)
Total bonds futures	***601***	**91**	**(64)**	***1,773***	**77**	**(208)**

All contracts have expiry dates of three months after the year end. Included within other investment balances is an asset of £409,000 (2018: £11,909,000) 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 2019 £000	Liabilities at 31 December 2019 £000
US Dollar			
Forward to buy US Dollars	$848,616,708	-	(46,346)
Forward to sell US Dollars	$1,328,604,514	90,598	-
Euros			
Forward to buy Euros	€160,678,989	-	(6,765)
Forward to sell Euros	€283,899,545	13,416	-
Japanese Yen			
Forward to buy Japanese Yen	¥6,168,187,104	-	(3,601)
Forward to sell Japanese Yen	¥92,082,177	7,139	
Other currencies			
Forward to buy other currencies		266	(68)
Forward to sell other currencies		-	-
		111,419	(56,780)

All contracts had maturity dates falling between 2 January 2020 and 12 March 2020.

9 Fair value hierarchy

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

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

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2019:

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

Analysed by pool:

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

Notes to the financial statements (continued)

9 Fair value hierarchy (continued)

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

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

Analysed by pool:

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

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

10 Investment risk disclosures

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

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

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

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

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

	Credit risk	Market risk			**Total**	**Total**
		Currency	Interest rate	Other price	**2019**	**2018**
					£000	**£000**
Equities	○	◑	○	●	1,408,945	1,194,151
Bonds	●	◑	●	●	149,937	138,937
Pooled investment vehicles	◑	◑	◑	◑	654,278	593,746
Other investments (net)	●	◑	○	○	219	129
Derivatives contracts (net)	●	◑	◑	◑	54,698	(23,387)
Investment cash	●	◑	○	○	56,064	120,327
Other investment balances	●	◑	○	○	5,516	17,165
Total investments					2,329,657	2,041,068

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.

	2019	**2018**
	£000	**£000**
Bonds	149,937	138,937
Pooled investment vehicles	654,278	593,746
Derivatives: forwards	111,419	210
Investment cash	56,064	120,327
Total investments exposed to credit risk	971,698	853,220

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:

	2019	**2018**
	£000	**£000**
Limited Partnerships	350,829	210,966
SICAVs (*)	12,477	22,512
Exchange Traded Funds	6,489	2,145
Company limited by shares	-	50,276
Public Limited Companies	819	446
Cooperatief U.A (**)	36,821	15,356
FCP (**)	153,669	161,786
Property Authorised Investment Fund	10,636	10,922
Property Unit Trusts	38,138	39,645
Other funds	44,400	79,692
Total pooled investment vehicles	654,278	593,746

(*) 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 2019 £000**	**Net exposure 2018 £000**
Pounds sterling	284,850	791,226	**1,076,076**	1,107,375
US Dollars	1,227,368	(616,311)	**611,057**	399,187
Euros	311,681	(134,313)	**177,368**	190,297
Japanese Yen	116,808	(41,770)	**75,038**	40,225
Other currencies	334,311	1,168	**335,479**	323,097
Total investments (excluding forwards)	2,275,018	-	**2,275,018**	2,060,181
Forwards	54,639	-	**54,639**	(19,113)
l investments	2,329,657	-	**2,329,657**	2,041,068

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 had two pools for 11 months of the year: the return seeking pool consisting mostly of equities, bonds, pooled investment vehicles and cash and the liability matching pool consisting mostly of corporate bonds. From 1 December, the return seeking pool was split into four 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, 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:

Return seeking pool:

	At 1 January 2019 £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 2019 £000**
The Church of England Funded Pensions Scheme	1,525,178	40,100	(1,781,339)	216,061	-
The Church Workers Pension Fund					-
Pension Builder 2014	18,010	4,464	(25,232)	2,758	-
Pension Builder Classic	96,916	1,344	(111,979)	13,719	-
Defined Benefit Scheme – Employer section	187,068	3,261	(216,071)	25,742	-
Defined Benefit Scheme – Life Risk section	61,348	15,435	(84,636)	7,853	-
The Church Workers Pension Fund	363,342	24,504	(437,918)	50,072	-
The Church Administrators Pension Fund	79,286	-	(89,969)	10,683	-
Total return seeking pool	1,967,806	64,604	(2,309,226)	276,816	-

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Listed credit pool (formerly Liability Matching Pool):

	At 1 January 2019 £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 2019 £000
The Church of England Funded Pensions Scheme	55,084	-	(13,000)	4,173	**46,257**
The Church Workers Pension Fund					
Pension Builder Classic	6,836	-	-	643	**7,479**
Defined Benefit Scheme – Employer section	-	1,275	-	36	**1,311**
Defined Benefit Scheme – Life Risk section	1,025	13,000	(1,275)	1,073	**13,823**
The Church Workers Pension Fund	7,861	14,275	(1,275)	1,752	**22,613**
The Church Administrators Pension Fund	10,317	-	-	974	**11,291**
Total Listed credit pool	73,262	14,275	(14,275)	6,899	**80,161**

Public equity pool:

	At 1 January 2019 £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 2019 £000
The Church of England Funded Pensions Scheme	-	1,156,591	-	17,982	**1,174,573**
The Church Workers Pension Fund					
Pension Builder 2014	-	16,503	-	257	**16,760**
Pension Builder Classic	-	73,240	-	1,139	**74,379**
Defined Benefit Scheme – Employer section	-	131,268	(774)	2,028	**132,522**
Defined Benefit Scheme – Life Risk section	-	40,491	-	630	**41,121**
The Church Workers Pension Fund	-	261,502	(774)	4,054	**264,782**
The Church Administrators Pension Fund	-	41,185	-	640	**41,825**
Total public equity pool	-	1,459,278	(774)	22,676	**1,481,180**

Diversified growth pool:

	At 1 January 2019 £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 2019 £000
The Church of England Funded Pensions Scheme	-	190,144	-	(228)	**189,916**
The Church Workers Pension Fund					
Pension Builder 2014	-	2,822	-	(4)	**2,818**
Pension Builder Classic	-	12,060	-	(14)	**12,046**
Defined Benefit Scheme – Employer section	-	21,620	(127)	(26)	**21,467**
Defined Benefit Scheme – Life Risk section	-	5,234	-	(6)	**5,228**
The Church Workers Pension Fund	-	41,736	(127)	(50)	**41,559**
The Church Administrators Pension Fund	-	6,666	-	(9)	**6,657**
Total diversified growth pool	-	238,546	(127)	(287)	**238,132**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Diversified income pool:

	At 1 January 2019 £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 2019 £000
The Church of England Funded Pensions Scheme	-	412,385	-	(1,118)	**411,267**
The Church Workers Pension Fund					
Pension Builder 2014	-	6,293	-	(17)	**6,276**
Pension Builder Classic	-	26,155	-	(71)	**26,084**
Defined Benefit Scheme – Employer section	-	46,887	(270)	(126)	**46,491**
Defined Benefit Scheme – Life Risk section	-	11,408	-	(31)	**11,377**
The Church Workers Pension Fund	-	90,743	(270)	(245)	**90,228**
The Church Administrators Pension Fund	-	14,461	-	(39)	**14,422**
Total diversified income pool	-	517,589	(270)	(1,402)	**515,917**

Liquidity pool:

	At 1 January 2019 £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 2019 £000
The Church of England Funded Pensions Scheme	-	22,318	(10,898)	(106)	**11,314**
The Church Workers Pension Fund					
Pension Builder 2014	-	549	(386)	(2)	**161**
Pension Builder Classic	-	1,413	(690)	(7)	**716**
Defined Benefit Scheme – Employer section	-	2,533	(1,249)	(12)	**1,272**
Defined Benefit Scheme – Life Risk section	-	5,149	(4,745)	(3)	**401**
The Church Workers Pension Fund	-	9,644	(7,070)	(24)	**2,550**
The Church Administrators Pension Fund	-	1,044	(638)	(3)	**403**
Total liquidity pool	-	33,006	(18,606)	(133)	**14,267**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2019 (2018: nil).

As at 31 December 2019, the Board had made the following commitments

	2019 £m	**2018** £m
Pooled investment vehicles (equity)	30.3	-
Pooled investment vehicles (private equity)	76.2	-
Pooled investment vehicles (property)	6.4	-
Pooled investment vehicles (infrastructure)	229.3	242.9
Pooled investment vehicles (private debt)	30.7	66.3
Total commitments	372.9	309.2

13. Related party transactions

Four Board members (2018: four) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

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

14. Post balance sheet event

Subsequent to the year end, listed investment markets experienced substantial volatility associated with uncertainties linked to the COVID-19 virus pandemic. The Fund's investments fell in value by £138.2m (5.9%) from £2,329.6m at 31 December 2019 to £2,191.4m as at 30 April 2020, being the most recent date for which information is practicably available. However, asset values continue to be subject to market fluctuation and therefore there will have been further changes in value between this date and the date of approval of the financial statements that cannot be quantified at present. The long term impact on investment values is currently unknown.