Church Administrators Pension Fund

Annual Report and Financial Statements
31 December 2023

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 2023.

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

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

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

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

Other than the Scheme's liability driven investments ("LDI"), the Scheme's investments are principally held in The Church of England Investment Fund for Pensions ("CEIFP"). The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, to which the smaller schemes would not have access on their own. The CEIFP's annual report and financial statements are attached at Appendix 2.

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

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 2023. A full copy of the Scheme rules is available on request.

The Global Economy and Financial developments

In the global economy, 2023 marked a decisive break from the long period of relatively low inflation and ultra-low interest rates experienced since the 2008 financial crisis, as central banks increased rates to try and curb surging inflation. The dramatic increase in the cost of living has caused much distress in society and, within pensions, higher short-term interest rates caused a sharp rise in government and corporate bond yields at the start of 2023. More recently, signs that the major monetary authorities were starting to have some success in bringing headline inflation under control has increased market conviction that short-term interest rates have peaked. Although this sparked a sharp recovery in credit and other risk assets towards the end of the year, 2023 was another tough year for investors.

The liability driven investment (LDI) portfolio of the CAPF is held outside the CEIFP. The rise in bond yields depressed the market value of the fixed income securities in the LDI portfolio at the start of the year. However, rising bond yields also benefits scheme funding, by reducing the future value of liabilities (or the lifetime cost of paying pensions). The reduced future value of liabilities and sustained investment returns over the past decade, has resulted in an improvement in the expected funding position of the defined benefit section of the scheme. This improvement in expected funding position gives members and employers greater security for the future. In line with the current longer-term strategy for the scheme, the trustees used this increased security to lower holdings in risk assets and increase their holdings of lower risk fixed income assets during the year.

Market sentiment continues to be dominated by the outlook for inflation and whether the major central banks will be able to steer interest rates in a way that avoids a global recession. The coming year will see some 40% of the global populations going to the polls, the war in Ukraine continues and there are mounting geopolitical tensions in the middle east and in east Asia. Predicting the near-term performance of markets remains as difficult as ever and the scheme continues to maintain a long-term investment horizon and hold a well-diversified portfolio.

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.

For information about the CEIFP's own financial developments in the year, see its Trustee's Report in Appendix 2.

Trustee's report (continued)

Going Concern

There has been no significant impact on contributions received from employers, as a result of the post pandemic context, geopolitical uncertainty or economic climate, and benefits have continued to be paid when due.

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

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

Board members (1 January 2023 to 11 July 2024)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York Clive Mather (Chair)	
Appointed by the Archbishops of Canterbury and York Roger Boulton FIA Canon Emma Osborne Ian Wilson	**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
Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocutors of the Convocations of Canterbury and York The Revd Caroline Titley	**Appointed by the Archbishops of Canterbury and York after consultation with the Church Commissioners and the representatives of the dioceses** Nikesh Patel
Elected by the members of the Church Workers Pensions Fund Michaela Southworth	**Elected by the members of the Church Administrators Pensions Fund** Maggie Rodger
Elected by the members of the clergy pension schemes The Revd Hugh Lee The Revd Canon Eleanor Robertshaw	**Elected by the Employers in the Church Workers Pensions Fund and the Church Administrators Pensions Fund** Richard Hubbard

Committee Members (1 January 2023 to 11 July 2024)

Audit and Risk Committee Maggie Rodger (Chair) Tony King Ian Wilson Helen Ashley Taylor* Canon Susan Pope* Caron Bradshaw OBE*	**Pensions Committee** Richard Hubbard (Chair) The Revd Hugh Lee Maggie Rodger Michaela Southworth Ian Wilson
Housing Committee The Revd Caroline Titley (Chair) Tony King The Revd Canon Eleanor Robertshaw Jonathan Gregory* Tom Paul* Lawrence Santcross* (to December 2023) The Rt Revd Alan Wilson* (to February 2024)	**Investment Committee** Roger Boulton (Chair) Hannah Gore-Randall* (from March 2023) Canon Emma Osborne Nikesh Patel Jonathan Rodgers*(to May 2023) Chris Rule* (from March 2023) Padmesh Shukla* (from March 2023)

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

Employers

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

Trustee's report (continued)

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

Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	Crowe U.K. LLP
Bankers	Lloyds Bank plc
Investment Advisors	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers (Scheme)	BlackRock Investment Management (UK) Limited Legal and General (Defined Contribution investments)
Investment Managers (Common Investment Fund)	Antin Infrastructure Partners Audax Group Basalt Infrastructure Partners Blackstone Cambridge Associates CBRE Global Investors Colchester Global Investors DBL Partners DIF Management EQT Infrastructure Partners Igneo Infrastructure Partners Generation Investment Management LLP H.I.G. Capital Insight Investment Management I Squared Global Capital KKR & Co. LP Legal & General Investment Management T Rowe (terminated November 2023) Robeco Institutional Asset Management B.V. (appointed November 2023)

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

Defined Benefit	**Active**	**Deferred**	**Pensioners**	**Beneficiaries**	**Total**
At 1 January	**63**	**376**	**815**	**125**	**1,379**
Adjustments	-	-	-	(1)	(1)
Members retiring	(6)	(16)	22	-	-
Beneficiary pension ceased	-	-	-	(5)	(5)
Deaths	-	(3)	(33)	(9)	(45)
New spouse and dependent pensions	-	-	-	12	12
Total at 31 December	**57**	**357**	**804**	**122**	**1,340**

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	**546**	822	**1,368**
New members joining	142	-	142
Members retiring	(2)	(10)	(12)
Members leaving prior to pension age	(84)	84	-
Re-entrants	3	(2)	1
Transfers out	(1)	(17)	(18)
Total at 31 December	**604**	**877**	**1,481**

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"), subject to a maximum increase. 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 part that represents Post 1988 Guaranteed Minimum Pension was increased by 3%. The part that represents Pre 1988 Guaranteed Minimum Pension was increased by 0%. All other elements were increased by 5%.

Transfers
As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuary. There were no discretionary benefits. With effect from 1 April 2009, the Board ceased accepting transfers into the Defined Benefit section of the Scheme.

Trustee's report (continued)

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

These liabilities are considered by the Scheme's Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable. The financial statements do not include liabilities in respect of future retirement benefits.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2022. This showed that on that date:

- the value of the technical provision was £103.9 million; and
- the value of the net assets of the Defined Benefit section was £102.0 million
- the deficit was £1.9 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	4.3% p.a.
RPI	3.5% p.a.
CPI	3.0% p.a.
Pension increases in payment:	
CPI	3.0% p.a.
CPI subject to a maximum of 3% p.a	2.3% p.a.
RPI subject to a maximum of 5% p.a (with CPI underpin)	3.4% p.a.
RPI subject to a maximum of 5% p.a	3.3% p.a.
Post-retirement mortality	100% of S3NMA and S3NFA mortality tables projected from 2013 in line with the CMI 2022 extended model with long-term annual rate of improvement of 1.5% p.a, a smoothing parameter of 7, allowance for 2020/2021/2022 data of 0%/0%/15% respectively and an addition to the initial rates of 0.5% p.a.

As a result of this actuarial valuation as at 31 December 2022, the Trustee set the recovery period (the period over which the identified deficit is targeted to be eliminated) at 1 year. The employer contribution rate remained at 27.6% of pensionable salary between 1 January 2023 and 31 December 2023 at which point these decreased to 16.5% of pensionable salary. In addition to the future service contributions, the employers are paying contributions towards the Scheme deficit of £2,400,000 per annum from 1 January 2023 to 31 December 2023, at which point deficit contributions cease. This sum is being paid by each employer in proportion to pensionable salaries.

An allowance was made for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions, although the precise effect of Guaranteed Minimum Pension equalisation is not known at present. Further details are in note 17 to the financial statements.

The Summary of Contributions and certificate are set out on pages 32 and 33.

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

- The overall strategy for the scheme, which is to achieve low employer-dependency, given it is closed to new entrants and has a maturing membership;
- The investment strategy, which is low risk but retains some exposure (23%) to grow assets with the aim of closing the gap to buy-out funding levels over the next 10 or so years, without the need for additional funding;
- The strength of the employer's covenant (rated strong) and the level of contributions the employers can reasonably afford;
- Changes in demographic (principally mortality) and financial conditions (principally interest rates and inflation), both observed and projected.

The next actuarial valuation of the Scheme is due as at 31 December 2025.

Trustee's report (continued)

Investment management
At the end of 2023, 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.

	2023 £'000	2022 £'000	Nature of investment
Return seeking investments ("RSI")			
CEIFP – Public Equity Pool	**14,061**	5,765	Public equities
CEIFP – Diversified Income Pool	**7,440**	6,104	Private infrastructure equity, private debt and EM sovereign debt
CEIFP – Liquidity Pool	**60**	40	Cash
Total RSI	**21,561**	11,909	
Liability matching investments ("LMI")			
CEIFP – Listed Credit Pool	**19,482**	12,687	High quality corporate bonds
Liability Driven Investments ("LDI")	**59,700**	76,007	Pooled investment vehicle investing in gilts excluding cash deposits held
Total LMI	**79,182**	88,694	
Total at 31 December	**100,743**	100,603	

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 Trustees have been following a 'trigger based' strategy to manage the relative weighting to return seeking and liability matching investments within the scheme. The tri-annual actuarial valuation of the defined benefit section of the CAPF indicated that, while the funding position had improved over previous years, it could still benefit from maintaining a modest exposure to risk assets with a view to achieving buy-out in the longer term. The strategic asset allocation review following the actuarial valuation maintained the existing asset allocation and trigger-based approach. However, it also recognised that any future move to derisk the portfolio was likely to lead towards a portfolio comprising solely of gilts and listed credit.

The trustees also reviewed the liability benchmark portfolios and hedging ratios of the liability driven portfolio with BlackRock. As a result of this review, undertaken by our investment and actuarial consultants, the trustees were able to adjust the holdings and remove the need for having a 'levered' LDI portfolio. This removes the need to maintain collateral and simplifies the management of these LDI mandates.

Responsible Investment Considerations
Responsibly investing the pensions assets in order to pay pension promises remains at the heart of our work. In May 2023, and informed by the Transition Pathway Initiative analysis, we took the decision to disinvest from the last of our oil and gas holdings in line with the commitments made in 2018. In November 2023, the Board published its Climate Action Plan, which sets out our next steps as an investor to tackle the climate emergency. This includes engagement with companies and sectors that are significant users of fossil fuels, a focus on climate solutions and supporting a just transition. The Board is also continuing to advocate for transformation across the mining sector, addressing matters of safety, human rights and social justice, including through leadership of a new Global Investor Commission on the future of the sector.

The details of the Trustee's policies with respect to environmental, social and governance matters are included in Appendix 1. Appendix 1 forms part of the Trustee's Report.

The Implementation Statement included as Appendix 3 discusses the implementation of the Statement of Investment Principles. Appendix 3 forms part of the Trustee's Report.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for the Scheme by the Trustee. This incorporates the investment strategy and is supported by documents that set out how the investment strategy is implemented. The SIP was updated in September 2023. The SIP is detailed as an appendix to this annual report and financial statements. 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.

Trustee's report (continued)

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

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

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

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

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

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

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

The Trustee also values engagement with companies over responsible and ethical investment issues, and it considers that as a more effective means of exercising its stewardship responsibilities than disinvestment in many situations. Company engagement is carried out and monitored for effective change by the Board's investment team. The Trustee regularly reviews the engagement and corporate governance activities of the investment team.

<u>Defined Benefit</u>
Management and custody of investments
The CEIFP's custody arrangements are described in the CEIFP's Trustee's Report in Appendix 2.

The Scheme holds £60m (2022: £76m) of its liability matching assets outside the CEIFP in its own LDI account including cash deposits held in the LDI mandate. 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

The overall return on the Scheme's investment assets, including the LDI portfolio, for 2023 was 2.49%

Fears that inflation and the associated tightening in monetary policy could prompt a recession plagued markets for much of the year. However, a slowing in the rate of inflation and signs that short-term interest rates had peaked prompted vigorous recovery in developed market equities and the equity pool in the (CEIFP) and was up 14.3% over the previous year.

The impact of rising inflation, higher short-term rates and the crisis in confidence sparked by the UK mini fiscal statement in September 2022, is most readily seen in the negative annual return on the Gilts and LDI accounts, albeit posting a strong recovery towards the end of 2023.

The global and UK macro-economic developments outlined above also raised concern in the credit markets, and a rise in yields combined with a widening in credit spreads weighed on the listed credit pool for much of the year, before signs short-term interest rates had peaked and hopes that the US Federal Reserve would be able to avoid a recession and engineer a 'soft-landing' in the US and global economies saw a fall in yields and a sharp contraction in credit spreads. This caused strong gains in the listed credit portfolio pool (of 10.8%) over the previous year.

The property and private equity portfolios came under pressure in 2023 (falling by 6.7% and 7.0%) but the diversified income pool fared better (6.2%), supported by gains in the emerging market debt portfolio (15.1%) and infrastructure funds (5.2%) outweighing declines in the private debt and alternative income producing assets.

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

Additional Voluntary Contributions (AVCs)

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

- Church Workers Pension Fund – Pension Builder Classic section, where they are converted into guaranteed pension when they are received;
- CAPF Defined Benefits section – where they purchase added years.

At the end of 2023, 11 (2022: 10) Defined Benefit members were paying AVCs.

Trustee's report (continued)

<u>Defined Contribution</u>
The Board has appointed Legal and General to manage its Defined Contribution investments. A range of funds are available to the members and there are three main types of investments: mixed investment Target Date Funds, equities; bonds and gilts; and cash.

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

The performance of the Defined Contribution section assets will vary depending on each member's units selected. The performance of the default option depends on the length of time that a member has until retirement. The performance of the funds are set out in the Defined Contribution Governance Statement included within the Annual Report.

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

At the end of 2023, 367 (2022: 350) members were paying AVCs.

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

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

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

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

Approval
The Trustee's Report and the Statement of Trustee's Responsibilities set out on page 18 were approved by the Trustee on 11 July 2024 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 2023

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

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

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

This Statement covers the period from 1 January 2023 to 31 December 2023 (the Fund Year).

After careful consideration, the National Church Institutions ("NCIs"), acting collectively in accordance with their normal decision-making process, have made the decision to close the Fund to new members effective from January 1, 2024. Henceforth, new members will be automatically enrolled into the Church Workers Pension Fund Pension Builder 2014 ("PB 14"), which is a 'cash-balance' pension scheme. All current active members of the Fund were offered the opportunity to redirect future contributions into the PB 14 Scheme.

The decision was primarily motivated by the need for alignment with the Trustee's responsible investment policies. The Trustee has determined that the Fund does not fully adhere to these policies and cannot be brought into full alignment. In contrast, the PB 14 Scheme is fully aligned with the Trustee's responsible investment policies and so was thought to be a better vehicle for members' pension provision going forward.

Default arrangements
The Fund was used as a Qualifying Scheme for automatic enrolment purposes over the period covered by this Statement. However, effective 1 January 2024, the Fund ceased to be used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee has made available a range of investment options for members. Members who joined the Fund during the Fund Year and did not choose an investment option were placed into the Drawdown Journey (the "Default"). The Trustee recognises that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a Target Date Fund ("TDF") strategy, which means that members' assets are switched automatically and gradually to lower risk investments as members approach their target retirement age.

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

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

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

- The aims and objectives of the Default arrangement, as stated in the SIP, are as follows:
- To generate returns in excess of inflation during the earlier part of the strategy whilst managing downside risk;
- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement; and
- To provide exposure, at retirement, to assets that are considered suitable for those looking to enter into an income drawdown arrangement at retirement.

The Default and Legacy Default were not reviewed during the Fund Year. The last review of the default arrangements was carried out on 30 March 2022 and 16 July 2020, respectively.

The performance and strategy of the Default and Legacy Default were reviewed during the Fund Year to ensure that investment returns (after deduction of any charges) have been consistent with the Trustee's aims and objectives for those arrangements, as stated in the SIP, and to check that it continues to be suitable and appropriate given the Fund's membership profile. This includes an analysis of member demographics and takes into account expectations of how the members will take their pension at retirement.

Defined Contribution Governance statement (continued)

Following the review of the Default in March 2022, the Trustee concluded that it remained appropriate for the Default to target income drawdown at retirement. In addition, as part of the review the Trustee agreed to proposed changes being made to the Default by L&G, as investment manager for the Fund, which involved a greater level of explicit Environmental, Social and Governance ("ESG") integration and lower fees for Fund members. The changes were implemented in June 2022.

The Trustee formally reviews the default arrangements at least every three years or immediately following any significant change in investment policy or the Fund's member profile. The next review of the Default is intended to take place by March 2025.

Regarding the Legacy Default strategy, the Trustee remains satisfied that it is appropriate for CAPF members who were within 5 years of their target retirement date at the point the new default was introduced in February 2019. By February 2024 all such member should have reached normal retirement age, or switched to a different strategy, and therefore no further review of the Legacy Default is planned.

The Trustee also monitors the performance of the Fund's default arrangements against its objectives for those arrangements, on a quarterly basis. The reviews include analysis of performance to check that the risk and return levels meet expectations. Following each of its reviews during the Fund Year, the Trustee concluded that the Fund's default arrangements were performing broadly as expected given market conditions over the periods assessed.

Asset allocation breakdown
The Trustee is required to calculate the percentage of the scheme assets within the default arrangements allocated to each of the following asset classes. In line with DWP's guidance the Trustee has shown this asset allocation for different ages as at the Fund Year end. The asset allocation breakdown assumes a target retirement age of 65.

Default - Drawdown journey[1]

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.1	0.1	0.1	1.5
Corporate bonds (UK and overseas)	13.9	13.9	13.9	28.4
UK government bonds	2.7	2.7	2.7	9.1
Overseas government bonds	9.0	9.0	9.0	16.1
Listed equities[2]	74.3	74.3	74.3	30.7
Property (direct)	-	-	-	2.3
Private debt	-	-	-	10.9
Other	-	-	-	1.0

[1]Please note that L&G has discretion to make active asset allocation changes to its TDF range and therefore the glidepath (and underlying asset allocation) might vary between different vintages.

[2]The listed equities allocation includes shares in listed infrastructure and private equity companies and global Real Estate Investment Trusts (REITs).

Legacy Default

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.0	0.0	0.0	25.0
UK government bonds	0.0	0.0	0.0	75.0
Listed equities	100.0	100.0	100.0	0.0

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

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

Defined Contribution Governance statement (continued)

The Trustee has a Service Level Agreement ("SLA") in place with the Fund's administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it meet the SLA are as follows:

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

To help the Trustee monitor whether service levels are being met, the Trustee receives quarterly reports about the Fund administrator's performance and compliance with the SLA. Any issues identified by the Trustee as part of its review processes would be raised with the Fund's administrator immediately and steps would be taken to resolve the issues.

Following the end of the Fund Year, the Trustee became aware that a small cohort of members who joined the Fund during the Fund Year were erroneously invested in the Legacy Default arrangement (discussed in Section 2 above). The Fund's administration team has undertaken a rectification exercise to assess the impact on the relevant members. Members were found to have benefitted from the errors and have retained their gains. The administration team has confirmed that it has reviewed and updated its processes to prevent the same errors occurring in future.

With the exception of the aforementioned error, the Trustee is satisfied that, based on its review processes and over the period covered by this Statement, the following observations hold true regarding the Fund:

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

Member-borne charges and transaction costs
The Trustee is required to set out the on-going charges incurred by members over the Fund Year, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges are shown as a per annum ("pa") figure and exclude administration charges, since these are not met by 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 Fund'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. Transaction costs are borne by members.

The charges and transaction costs have been supplied by Legal and General ("L&G") who is the investment manager for the Fund. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations the Trustee has used zero where a transaction cost is negative to give a more realistic projection (ie the Trustee would not expect transaction costs to be negative over the long term).

No performance based fees were incurred during the year.

Default arrangements
The Default arrangement is a Target Date Fund ("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 moving between different asset classes as they approach their target retirement age. Whilst the annual management charge component of the fee charged to members for investing in this strategy remains the same regardless of how far members are from their target retirement age, the level of additional expenses (and hence the overall fees) and transaction costs can sometimes vary, depending on how close members are to their target retirement age and what assets they are invested in.

For the period covered by this Statement, annualised charges and transaction costs for all the vintages of the Default TDF with CAPF members invested are set out in the following table.

Defined Contribution Governance statement (continued)

Default charges and transaction costs (% per annum)

Vintage	TER	Transaction costs
2015-2020	0.25	0.06
2020-2025	0.25	0.08
2025-2030	0.25	0.05
2030-2035	0.25	0.04
2035-2040	0.25	0.05
2040-2045	0.25	0.06
2045-2050	0.25	0.06
2050-2055	0.25	0.07
2055-2060	0.25	0.07
2060-2065	0.25	0.07

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 moving between different asset classes as they approach their target retirement date. Therefore, fees charged to members for investing in this strategy vary as they move closer to retirement. The level of transaction costs incurred by members in the Legacy Default also varies as members move closer to retirement.

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

Legacy Default charges and transaction costs (% per annum)

Years to target retirement age	TER	Transaction costs
5 or more years to retirement	0.19	0.05
4 years to retirement	0.17	0.05
3 years to retirement	0.16	0.06
2 years to retirement	0.14	0.06
1 year to retirement	0.12	0.06
At retirement	0.11	0.06

Self-select options
In addition to the Default arrangements, members also have the option to invest in one other TDF strategy, the 'Annuity Journey'. There is also an Ethical Lifestyle option and several other self-select funds. However, the Ethical Lifestyle was closed to new members in June 2022 following review as the Trustee no longer deemed the annuity purchase at-retirement target of the lifestyle appropriate. The underlying funds used in the Ethical Lifestyle are still available to self-select by members.

For the period covered by this Statement, annualised charges and transaction costs for all the vintages of the Annuity Journey with CAPF members invested are set out in the following table.

Annuity Journey charges and transaction costs (% per annum)

Vintage	TER	Transaction costs
2025-2030	0.25	0.00
2030-2035	0.25	0.03
2035-2040	0.25	0.05
2040-2045	0.25	0.05
2045-2050	0.25	0.06

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

Defined Contribution Governance statement (continued)

Ethical Lifestyle option charges and transaction costs (% per annum)

Years to target retirement age	TER	Transaction costs
5 or more years to retirement	0.25	0.01
4 years to retirement	0.22	0.02
3 years to retirement	0.19	0.03
2 years to retirement	0.16	0.04
1 year to retirement	0.14	0.05
At retirement	0.11	0.06

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.

Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
L&G Ethical UK Equity Index Fund	0.20	0.01
L&G Ethical Global Equity Index Fund	0.30	0.00
L&G UK Equity Index Fund	0.10	-0.01
L&G Global Equity Market Weights (30:70) Index Fund	0.19	0.05
L&G Overseas Equity Consensus Index Fund	0.20	0.03
L&G Over 5 years UK Index-Linked Gilts Fund	0.10	0.04
L&G Over 15 Year Gilts Index Fund	0.10	0.00
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.15	-0.04
L&G Managed Property Fund	0.70	-0.70
L&G Cash Fund	0.13	0.10

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

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings (including AVCs). In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustee has used the average annualised transaction costs over the past five years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Fund Year.
- The illustration is shown for the Default (the Drawdown Journey), since this is the arrangement with the most members invested in it, as well the Legacy Default arrangement and two funds from the Fund's self-select fund range. The two self-select funds shown in the illustration are:
- the fund with highest annual member borne costs – this is the L&G Managed Property Fund
- the fund with lowest annual member borne costs – this is the L&G UK Equity Index Fund

Defined Contribution Governance statement (continued)

Projected pension pot in today's money

	Default option		Legacy Default option		L&G Managed Property Fund		L&G UK Equity Index Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£8,000	£8,000	£8,100	£8,100	£8,000	£7,900	£8,100	£8,100
3	£14,500	£14,400	£14,800	£14,700	£14,200	£14,000	£14,800	£14,800
5	£21,200	£21,000	£22,000	£21,800	£20,600	£20,200	£22,000	£21,900
10	£39,600	£38,900	£42,200	£41,600	£37,600	£36,100	£42,200	£42,000
15	£60,300	£58,700	£66,300	£64,900	£55,900	£52,700	£66,300	£65,700
20	£83,600	£80,700	£94,900	£92,200	£75,600	£69,900	£94,900	£93,800
25	£109,900	£105,000	£128,900	£124,300	£96,800	£87,900	£128,900	£127,000
30	£139,400	£132,000	£169,200	£161,900	£119,600	£106,500	£169,200	£166,200
35	£170,700	£160,100	£217,100	£206,100	£144,200	£126,000	£217,100	£212,600
40	£201,700	£187,400	£272,100	£256,500	£170,700	£146,200	£274,000	£267,300

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. The long term annual inflation assumption used is 2.5%, as prescribed by the Financial Reporting Council (FRC) in its Actuarial Standard Technical Memorandum 1 ("TM1").
- Annual salary growth 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 the prescribed inflation assumption to allow for prudence in the projected values.
- The starting pot size used is £4,900. This is the approximate average (median) pot size for active members aged 30 years and younger than using a whole membership average, we have taken this approach to give a more realistic 40-year projection.
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £37,000. This is the approximate median salary for active members aged 30 or younger.
- Total contributions (employee plus employer) are assumed to be 8.0% of salary per year. The employer contribution for members under the age of 30 is 8.0% per year, whilst the average member for this age cohort does not contribute.
- The projected annual returns used are as follows:
- Default option: 2.4% above inflation for the initial years, gradually reducing to a return of 1.6% above inflation at the at-retirement allocation of the Target Date Fund.
- Legacy Default option 3.5% above inflation for the initial years, gradually increasing to a return of 3.25% above inflation at the at-retirement allocation of the lifestyle.
- L&G Managed Property Fund: 1.5% below inflation
- L&G UK Equity Index Fund: 3.5% above inflation
- No allowance for active management outperformance has been made.

Investment returns
This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Fund Year. Returns for the TDFs, lifestyle arrangements and the self-select range are shown over various periods. The Trustee has had regard to the statutory guidance in preparing this Section.

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

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

Defined Contribution Governance statement (continued)

Default net returns over periods to Fund Year end

Vintage	1 year (%)	Since inception (% pa)[1]
2060-2065	10.4	6.5
2040-2045	9.3	5.4
2030-2035	8.7	5.2

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

Legacy Default net returns over periods to Fund Year end

Age of the member at the start of the period that the returns are shown over	1 year (%)	5 year (% pa)
25	16.0	10.4
45	16.0	10.4
55	16.0	10.4
60	13.3	1.6

Ethical Lifestyle net returns over periods to Fund Year end

Age of the member at the start of the period that the returns are shown over	1 year (%)	5 year (% pa)
25	12.5	10.1
45	12.5	10.1
55	12.5	10.1
60	10.5	1.3

The Annuity Journey net returns over periods to Fund Year end

Vintage	1 year (%)	Since inception (% pa)
2045-2050	9.8	5.5[1]
2040-2045	9.0	4.2[2]
2035-2040	9.0	5.3[1]

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

Defined Contribution Governance statement (continued)

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

Fund name	1 year (%)	5 year (% pa)
L&G Ethical UK Equity Index Fund	8.0	6.2
L&G Ethical Global Equity Index Fund	17.1	13.8
L&G UK Equity Index Fund	7.7	6.6
L&G Global Equity Market Weights (30:70) Index Fund	16.0	10.4
L&G Overseas Equity Consensus Index Fund	15.6	12.3
L&G Over 5 years UK Index-Linked Gilts Fund	1.7	-5.1
L&G Over 15 Year Gilts Index Fund	2.1	-6.5
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	7.5	-0.3
L&G Managed Property Fund	-1.7	1.5
L&G Cash Fund	4.5	1.3

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

The Trustee review 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 Fund. The date of the last review, which covered the Fund Year, was 17 April 2024. 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 Fund's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this Statement have been consistent with their stated investment objectives given the market conditions over the period.

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

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

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

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

During the 2023 Fund Year the Trustee, in conjunction with the administration team, implemented online account access for members to view their pension account. Within their online accounts, members can view their fund values, investment choices, and change their AVC contribution rates. In addition, the Board proactively developed an action plan in response to the identified improvement areas from the externally facilitated effectiveness assessment undertaken in 2022. This plan outlines the actions required for each improvement, assigns responsible personnel to oversee implementation, and suggests realistic timelines for completion. For instance, in an effort to ease the trustees' workload, BoardVantage was introduced towards the end of 2023 to aid with paperwork and related tasks.

Overall, the Trustee believes that the Fund offers sufficient quality of service to members, at reasonable value for money. The assessment contains both areas of strength and areas for improvement. Recognising that maintaining good value is an ongoing process, the Trustee aims to further enhance value for members in the future by continuing to improve the functionality of the online pension account service.

Defined Contribution Governance statement (continued)

Trustee knowledge and understanding

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Fund effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including principles relating to the investment of occupational pension scheme assets, and pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee, with the help of its advisers, regularly consider training requirements to identify any knowledge gaps. It maintains a Trustee training log, in line with best practice, to assist with this assessment. The Trustee also receives quarterly updates on topical pension issues from its DC advisers. During the Fund Year the Trustee received training on a variety of topics, including but not limited to:

- Developments in Pensions Legislation and Case Law;
- Challenges Facing the Pensions Industry; and
- Financial Wellbeing.

In addition, individual Trustee board members regularly attend external conferences and participate in peer review exercises.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law), or an equivalent qualification. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Fund Year.

The Trustees ensure they are familiar with the Fund's Trust Deed and Rules, SIP and all other documents setting out the Trustee's current policies relating to the Fund as appropriate from time to time to ensure it has a good working knowledge of these documents. Further, the Trustee believe 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 Fund.

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

____ Date: _11 July 2024_________________

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

Statement of Trustee's Responsibilities

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

Trustee's responsibilities in respect of the financial statements

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

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

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of the Church Administrators Pension Fund ('the Scheme') for the year ended 31 December 2023 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Use of our report

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

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 11 July 2024

Fund Account for the year ended 31 December 2023

	Notes	Defined Contribution £000	Defined Benefit £000	**2023 Total £000**	Defined Contribution £000	Defined Benefit £000	**2022 Total £000**
Contributions and other income							
Employer contributions	4	3,627	3,786	**7,413**	3,059	3,826	**6,885**
Employee contributions	4	1,010	70	**1,080**	853	71	**924**
Transfers in		378	-	**378**	111	-	**111**
Total contributions and other income		5,015	3,856	**8,871**	4,023	3,897	**7,920**
Benefits							
Benefits paid or payable	5	(251)	(4,174)	**(4,425)**	(197)	(4,275)	**(4,472)**
Transfers out	6	(998)	-	**(998)**	(1,444)	(2,010)	**(3,454)**
Administrative expenses	7	-	(1,056)	**(1,056)**	-	(735)	**(735)**
Total benefits and other expenses paid		(1,249)	(5,230)	**(6,479)**	(1,641)	(7,020)	**(8,661)**
Net additions (withdrawals) from dealings with members		3,766	(1,374)	**2,392**	2,382	(3,123)	**(741)**
Returns on investments							
Deposit interest		-	17	**17**	-	1	**1**
Change in market value of investments	8	3,684	2,295	**5,979**	(3,753)	(63,480)	**(67,233)**
Investment management expenses		-	(73)	**(73)**	-	(75)	**(75)**
Net returns on investments		3,684	2,239	**5,923**	(3,753)	(63,554)	**(67,307)**
Net (decrease)/increase in the fund		7,450	865	**8,315**	(1,371)	(66,677)	**(68,048)**
Opening net assets		36,205	101,971	**138,176**	37,576	168,648	**206,224**
Closing net assets		43,655	102,836	**146,491**	36,205	101,971	**138,176**

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

Statement of Net Assets available for benefits as at 31 December 2023

	Notes	Defined Contribution £000	Defined Benefit £000	**2023 Total £000**	Defined Contribution £000	Defined Benefit £000	**2022 Total £000**
Investment assets							
Pooled investment vehicles (CEIFP)	8	-	41,043	**41,043**	-	24,596	**24,596**
Pooled investment vehicles (other)	8	43,585	59,700	**103,285**	36,035	76,007	**112,042**
Total investment assets		43,585	100,743	**144,328**	36,035	100,603	**136,638**
Current assets	9	70	2,406	**2,476**	718	3,673	**4,391**
Current liabilities	10	-	(313)	**(313)**	(548)	(2,305)	**(2,853)**
Net current assets		70	2,093	**2,163**	170	1,368	**1,538**
Total net assets available for benefits		43,655	102,836	**146,491**	36,205	101,971	**138,176**

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the defined benefit section of the Scheme, which does take into account such obligations, is described in the report on actuarial liabilities on page 5, and these financial statements should be read in conjunction with this report.

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

These financial statements were approved by the Trustee on 11 July 2024 and signed on its behalf by:

Clive Mather
Chairman of the Church of England Pensions Board

Notes to the financial statements

1. Legal status

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

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

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

2. Basis of preparation

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

3. Accounting policies

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

a) Contributions

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

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

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

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

b) Benefits

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

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

c) Transfers to/from other pension schemes

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

d) Administrative and other expenses

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

e) Investment income and expenditure

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

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

Investment income

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

Investment expenditure

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

Notes to the financial statements (continued)

3. Accounting policies (continued)

f) Investment valuation

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

The Scheme's Defined Contribution 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 2023	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Employer contributions			
Normal	3,075	886	**3,961**
Deficit	-	2,400	**2,400**
AVC	552	-	**552**
Employer contributions for administration costs	-	500	**500**
Total employer contributions	3,627	3,786	**7,413**
Employee contributions			
Normal	-	47	**47**
AVC	1,010	23	**1,033**
Total employee contributions	1,010	70	**1,080**

Year ended 31 December 2022	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Employer contributions			
Normal	2,615	926	**3,541**
Deficit	-	2,400	**2,400**
AVC	444	-	**444**
Employer contributions for administration costs	-	500	**500**
Total employer contributions	3.059	3,826	**6,885**
Employee contributions			
Normal	-	49	**49**
AVC	853	22	**875**
Total employee contributions	853	71	**924**

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

Notes to the financial statements (continued)

5. Benefits paid or payable

Year ended 31 December 2023	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Pensions	-	3,441	**3,441**
Commutations of pensions and lump sum	251	729	**980**
Lump sum death benefits	-	4	**4**
Total benefits paid	251	4,174	**4,425**

Year ended 31 December 2022	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Pensions	-	3,209	**3,209**
Commutations of pensions and lump sum	197	985	**1,182**
Lump sum death benefits	-	81	**81**
Total benefits paid	197	4,275	**4,472**

6. Transfers out

Year ended 31 December 2023	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Individual transfers out to other arrangements	998	-	**998**
Individual transfers out to other arrangements	998	-	**998**

Year ended 31 December 2022	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Individual transfers out to other arrangements	1,444	2,010	**3,454**
Individual transfers out to other arrangements	1,444	2,010	**3,454**

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:

	2023	**2022**
	£000	**£000**
Actuarial fees	465	312
Audit fees	13	13
Pension levy	-	(44)
Investment services	53	12
Legal advice	26	12
Administration costs	523	443
VAT rebate	(24)	(13)
Total administrative expenses	1,056	735

Administrative expenses for both the Defined Benefit and the Defined Contribution sections are borne by the Defined Benefit section. The 2021 Pension Levy charge was reversed in 2022, as this cost is now borne by the employer in line with the Schedule of Contributions. The VAT rebate is the Scheme's share of the VAT reclaimed by the Trustee on fees relating to the administration and investment activities carried out by the Trustee on behalf of the Schemes to which it acts as trustee. The Pensions Board incurs the administrative expense costs and re-charges these through to the Scheme.

8. Investments

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

Defined contribution:	At 1 January 2023	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2023**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles	36,035	5,072	(1,206)	3,684	43,585
Total investments	**36,035**	5,072	(1,206)	3,684	**43,585**

The Defined Contribution section's holdings also include AVC investments. Defined Contribution investments are allocated to specific members. Included within pooled investment vehicles is an amount of £396,278 (2022: £nil) relating to a pending investment purchase.

Notes to the financial statements (continued)

8. Investments (continued)

The Defined Contribution section's holdings comprises the following funds:

	2023	2022
	£000	£000
Mixed	30,146	24,386
Equities	9,441	8,290
Bonds	2,512	1,980
Property	197	200
Cash	1,289	1,179
Total pooled investment vehicles	**43,585**	**36,035**

Defined benefit:	At 1 January 2023	Purchases at cost	Sales proceeds	Change in market value	**At 31 December 2023**
	£000	£000	£000	£000	**£000**
Pooled investment vehicles (CEIFP)					
Public equity pool	**5,765**	13,980	(7,033)	1,349	**14,061**
Diversified income pool	**6,104**	1,800	(900)	436	**7,440**
Listed credit pool	**12,687**	8,704	(3,700)	1,791	**19,482**
Liquidity pool	**40**	15,442	(15,434)	12	**60**
Total pooled investment vehicles	**24,596**	**39,926**	**(27,067)**	**3,588**	**41,043**
Pooled investment vehicles (other)					
Bonds	**52,893**	39,879	(36,715)	(1,894)	**54,163**
Cash	**23,114**	457	(18,635)	601	**5,537**
Total LDI investments	**76,007**	**40,336**	**(55,350)**	**(1,293)**	**59,700**
Total investments	**100,603**	**80,262**	**(82,417)**	**2,295**	**100,743**

The Trustees have been following a 'trigger based' strategy to manage the relative weighting to return seeking and liability matching investments within the scheme. The tri-annual actuarial valuation of the defined benefit section of the CAPF indicated that, while the funding position had improved, it could still benefit from maintaining a modest exposure to risk assets. The strategic asset allocation review following the actuarial valuation maintained the existing asset allocation and trigger-based approach. However, it also recognised that any future move to derisk the portfolio was likely to lead towards a portfolio comprising solely of gilts and listed credit.

The trustees also reviewed the liability benchmark portfolios and the interest and inflation hedge ratios of the liability driven portfolio with BlackRock. As a result of this review, undertaken by our investment and actuarial consultants, the trustees were able to adjust the holdings and remove the need for having a 'levered' LDI portfolio while maintaining the existing hedge ratios.

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.

Significant movements in the assets underlying the pooled investment vehicles in the CEIFP are disclosed in the CEIFP accounts which are appended to the scheme's accounts. In summary, the reduction in equity allocation with the CEIFP led to a further consolidation of the equity managers that were employed in the equity pool. This allowed a further consolidation of equity managers and resulted in the termination of the emerging market equity mandate with T Rowe Price towards the end of 2023.

Notes to the financial statements (continued)

9. Current assets

At 31 December 2023	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Debtors			
Inter section debtor	70	-	**70**
Other	-	317	**317**
Total debtors	70	317	**387**
Cash	-	2,089	**2,089**
Total current assets	70	2,406	**2,476**

At 31 December 2022	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Debtors			
Other	718	2,194	**2,912**
Total debtors	718	2,194	**2,912**
Cash	-	1,479	**1,479**
Total current assets	718	3,673	**4,391**

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

10. Current liabilities

At 31 December 2023	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Creditors			
Tax payable – PAYE and NI	-	114	**114**
Inter section creditor	-	70	**70**
Trustee	-	32	**32**
Other	-	97	**97**
Total current liabilities	-	**313**	**313**

At 31 December 2022	Defined Contribution	Defined Benefit	**Total**
	£000	£000	**£000**
Creditors			
Tax payable – PAYE and NI	-	7	**7**
Other	548	2,298	**2,846**
Total current liabilities	548	2,305	**2,853**

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

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 2023	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	1,289	42,296	-	**43,585**
Total investments	**1,289**	**42,296**	-	**43,585**

At 31 December 2022	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles	1,179	34,856	-	**36,035**
Total investments	**1,179**	**34,856**	-	**36,035**

Defined benefit:

At 31 December 2023	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	15,255	19,157	6,631	**41,043**
Pooled investment vehicles (other)	-	59,700	-	**59,700**
Total investments	15,255	78,857	6,631	**100,743**

At 31 December 2022	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Pooled investment vehicles (CEIFP)	6,444	12,943	5,209	**24,596**
Pooled investment vehicles (bonds)	-	76,007	-	**76,007**
Total investments	6,444	88,950	5,209	**100,603**

Notes to the financial statements (continued)

12. Investment risk disclosures

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

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	**2023**	**2022**
					£000	**£000**
Defined Contribution section						
Pooled investment vehicles (mixed investment)	●	◑	●	●	**30,146**	**24,387**
Pooled investment vehicles (equities)	○	◑	○	●	**9,441**	**8,290**
Pooled investment vehicles (bonds)	●	◑	●	○	**2,512**	**1,979**
Pooled investment vehicles (property)	◑	◑	○	●	**197**	**200**
Pooled investment vehicles (cash)	●	◑	○	○	**1,289**	**1,179**
Total Defined Contribution section					**43,585**	**36,035**
Defined Benefit section						
Pooled investment vehicles: CEIFP	(see Investment Risks for the CEIPF in Appendix 2)				**41,043**	**24,596**
Pooled investment vehicles (other)	●	◑	●	◑	**59,700**	**76,007**
AVCs	(not considered significant in relation to overall Scheme risks)				**-**	**-**
Total Defined Benefit section					**100,743**	**100,603**

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. The AVCs are incorporated and included within the defined contribution section pooled investment vehicle assets and are not separately identified.

Defined Benefit section

Investment strategy

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

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

Most of the liability matching investments are held in a separate LDI account, which is constructed to match future expected beneficiary payments. A small proportion of the liability matching investments remain in the CEIFP. All of the return seeking investments continue to be held wholly within the CEIFP. The investment risks faced by the CEIFP are described in Appendix 2, Note 10.

Credit Risk

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

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

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

	2023	2022
	£000	£000
Pooled investment vehicles (bonds)	54,163	52,893
Total investments exposed to credit risk	54,163	52,893

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

	Defined benefit £000	Defined contribution £000	2023 £000	Defined benefit £000	Defined contribution £000	2022 £000
Common investment fund	41,043	-	**41,043**	24,596	-	**24,596**
Domestic commingled fund	59,700	-	**59,700**	76,007	-	**76,007**
Unit-linked life insurance	-	43,585	**43,585**	-	36,035	**36,035**
Total pooled investment vehicles	**100,743**	**43,585**	**144,328**	**100,603**	**36,035**	**136,638**

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

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which at the time of purchased are rated at least investment grade.

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 has limited exposure to currency risk as the Liability Driven Investment is largely denominated in Sterling. However, the currency risk associated with some of the residual growth and income assets is mitigated in part by foreign exchange hedging arrangements.

Interest rate risk
The section is subject to interest rate risk due to its investment its bond holdings in the Listed Credit pool in the CEIFP and Liability Driven Investment (LDI) portfolio. If interest rates and bond yields fall, the market value of the bonds will rise, while if interest rates rise the market values of bonds will fall. Changes in interest rates can also influence the value of the actuarial value of the liabilities of the schemes. The increase in value of bonds that arises from a fall in bond yields will often help to '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 they did in September 2022), this will often match the decline in the actuarial liabilities because of an increase in discount rate being applied to the liabilities.

The main problem identified by the so-called gilt crisis of 2022 was primarily to do with leveraged LDI positions, where the magnitude and speed of the move in gilt yields caused some pension funds to struggle to meet their collateral requirements that need to be held to back such positions. Although the CAPF was always able to meet its collateral requirements the nature of the pooled investment solution being using by BlackRock meant that the desired hedge ratios where not always maintained. The improved funding position of the defined benefit scheme of the CAPF has since allowed the trustees to use unlevered investment solutions in the LDI mandate with BlackRock. This removes the need to maintain collateral and simplifies the management of the LDI mandate.

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.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

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:

		2023		**2022**
	£000	**%**	**£000**	**%**
Defined Benefit section:				
Aquila Life over 5 years index-linked fund	-	-	76,007	55.0
CEIFP listed credit pool	19,482	13.3	12,687	9.2
Blackrock 2040 index-linked gilt fund	17,487	11.9	n/a	n/a
CEIFP public equity pool	14,061	9.6	n/a	n/a
Blackrock 2050 index-linked gilt fund	13,505	9.2	n/a	n/a
Blackrock 2032 index-linked gilt fund	8,880	6.1	n/a	n/a
Blackrock 2062 index-linked gilt fund	8,109	5.5	n/a	n/a
CEIFP diversified income pool	7,440	5.1	n/a	n/a

14. Employer related investments

There were no employer-related investments during the year (2022: nil).

15. Additional voluntary contributions (AVC) investments

AVCs are 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 (2022: one) who has retired from service under the Scheme is in receipt of a pension on normal terms.

As disclosed in note 10, £32,000 is owed by the Scheme to the Trustee (2022: £Nil owed by the Scheme to the Trustee), representing money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 7).

17. Guaranteed Minimum Pension equalisation

In October 2018, the High Court determined that Guaranteed Minimum Pension benefits provided to members who had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Additionally, in November 2020, the High Court determined that Guaranteed Minimum Pension shortfalls also apply to past transfers. The Trustee is now reviewing, with their advisors, the implication of these rulings on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. When this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee. The Trustee has estimated the total cost of equalisation to be £0.5m, 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.

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 2023 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 29 January 2021 and 28 November 2023.

We have examined the Church Administrators Pension Fund's summary of contributions for the Scheme year ended 31 December 2023 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

Crowe U.K. LLP

Crowe U.K. LLP
Chartered Accountants and Statutory Auditors
London
11 July 2024

Summary of Contributions
for the year ended 31 December 2023

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	3,075	-	**3,075**
Defined Contribution - AVC	552	1,010	**1,562**
Defined Benefit – normal	886	47	**933**
Defined Benefit – deficit	2,400	-	**2,400**
Defined Benefit – for administration costs	500	-	**500**
Total contributions required by the schedules of contributions	7,413	1,057	**8,470**
Other contributions			
Defined benefit - AVC	-	23	**23**
Total other contributions	-	23	**23**
Total contributions	7,413	1,080	**8,493**

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 Schedules of Contributions certified by the Scheme Actuary on 29 January 2021 and 28 November 2023 in respect of the Scheme year ended 31 December 2023. 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
11 July 2024

Church Administrators Pension Fund

Adequacy of rates of contribution

Actuary's certification of schedule of contributions

Church Administrators Pensions Fund

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 2022 to be met by the end of the period specified in the recovery plan dated 21 November 2023.

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 21 November 2023.

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:	28 November 2023
Name:	*Aaron Punwani FIA* *Appointed Scheme Actuary* *Fellow of the Institute and Faculty of Actuaries*	Address:	Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ

Church Administrators Pension Fund

Statement of Investment Principles

1. Introduction

This Statement of Investment Principles (“SIP”, or “Statement”) sets out how the assets of the Church Administrators Pension Fund (referred to as the “CAPF” or the “Scheme” in the rest of this document) are invested. It has been prepared by the Church of England Pensions Board (referred to as the “Board” or “Trustee” in the rest of this document), which is the corporate Trustee of the Scheme, with advice from its Investment Consultant.

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

It has two sections:

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

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

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

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

The Trustee receives written advice from its investment consultant on any investments prior to them being implemented. This Statement complies with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

2. Objectives

For the Defined Benefit section:

The Trustee is responsible for the stewardship of the Scheme’s assets. It has three main objectives in relation to the defined benefit section (the “DB Section”) of the Scheme, which are to ensure that:

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

The Trustee therefore has a long-term objective for the DB Section of the Scheme to be fully funded on a basis that incorporates gradual de-risking from the current strategy to reduce the reliance on the Scheme’s sponsors for additional contributions. The current recovery plan is due to end 31 December 2023 and the Trustee is targeting 31 December 2030 for reaching full funding on a de-risked basis.

For the Defined Contribution section:

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

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

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

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

The DC Section’s default option is a target date fund strategy called the “Drawdown Journey”. Legal & General have been appointed as investment platform provider. The default option is well diversified in terms of the assets that the strategy is invested in. The asset classes, and the managers of them, are listed on the Board’s website.[1] The Trustee takes advice to ensure that the asset classes invested in by the DC Section are appropriate.

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

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

(1) To generate returns in excess of inflation during the earlier part of the strategy, whilst managing downside risk.

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

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

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

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

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

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

i. The default option manages investment risks through a diversified strategic asset allocation consisting of different types of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. More detail on how the Trustee measures and manages risk for the Scheme as a whole, which is consistent with the default, is provided in the risk section.
ii. In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns.
iii. The Trustee considers both the kinds of investments to be held and the balance of investments in the default option. This includes the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate.
iv. Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are investment vehicles which are managed by an investment manager. The Trustee is comfortable with a target date fund strategy which is pre-built by Legal & General Investment Managers ("LGIM").
v. Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity, and profitability of a member's portfolio as a whole. Assets are also invested mainly on regulated markets (and those that are not, are kept to prudent levels).
vi. Members do not have to take their retirement benefits in line with those targeted by the default option: the target benefits are merely used to determine the investment strategy held pre-retirement and at the point of retirement.
vii. Assets in the default option are invested funds where the underlying fund is a long-term insurance contract. Members do not hold any assets directly. The insurance contracts have assets underlying them which generate the returns that are passed on to members who are invested in the funds.
viii. The Trustee's policies in relation to financially material considerations, non-financial matters, exercise of rights/engagement and arrangements with asset managers in relation to the default are consistent with the Trustee's policies in these areas for the scheme. These policies are in the sections titled "Ethical and Responsible Investment" and "Investment management".
ix. The performance of the default option is reviewed on at least an annual basis by the Trustee.

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

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

4. Investment Policy

For both the Defined Benefit and Defined Contribution sections

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

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

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

For the Defined Benefit section

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

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

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.

For the Defined Contribution section

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

The Pensions Committee makes recommendations to the Trustee Board in relation to design and implementation of the Defined Contribution section, including scheme design, manager selection and asset allocation. The Trustee receives specific DC advice from its Investment Consultant.

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

6. Investment Management

For the Defined Benefit section

The Trustee operates a common investment fund, The Church of England Investment Fund for Pensions, (or "CEIFP"), comprising a Public Equity Pool, Diversified Growth Pool, Diversified Income Pool, Listed Credit and Liquidity Pool (together "the pools"). The common investment fund 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 (as amended).[2]

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, so called Liability Driven Investment (LDI) assets are held to back pensions in payment and to hedge against inflation and changes in interest rates (with physical Gilts and Index-linked Gilts).

The Scheme's investment managers are listed in the Scheme's Annual Report which also carries information on investment performance, asset allocation and the main investment decisions taken during the year. The Annual Report is published on the Church of England website.

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

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

For the Defined Contribution section

The funds available to members are managed by the investment manager LGIM. Voting rights are exercised by LGIM in accordance with their policies rather than those of the Trustee.

The Trustee's policy is to:

(1) Make a range of options available that gives a broad choice of investments funds to members including an ethical investment option;
(2) Make options available which, under normal circumstances are readily realisable;
(3) Reduce risk and cost to members, by offering passively managed fund options, wherever possible; and
(4) Regularly review the arrangements offered to DC members to ensure they are fit for purpose.

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

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

7. Aligning Manager Appointments with Investment Strategy

For both the Defined Benefit and Defined Contribution sections

As the Trustee is a long-term investor, it does not expect to make investment manager changes on a frequent basis. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. These characteristics will differ for each asset class.

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

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

Where the Scheme invests in an open-ended vehicle, or segregated mandate, with an investment manager, there is no set duration for the manager appointments. The Trustee expects to retain them unless:

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

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

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

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

The Trustee reviews the performance of the investment managers on a regular basis versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term. This includes how the investment managers make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity, as well as how they engage with issuers of debt and equity in order to improve performance in the medium to long-term.

The Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager. Investment management fees are charged as a proportion of the value of assets being managed and, in some instances (DB section only), include an element based on investment performance. The fees are set on appointment and reviewed regularly thereafter. The Trustee takes advice to ensure the fees are appropriate.

8. Types of Investment

For the Defined Benefit section

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

The Trustee takes advice to ensure that the asset classes invested in by the Scheme are appropriate for it.

The split between the pools is determined by the characteristics of the Scheme, in particular its demographic profile, the spread of time over which its liabilities fall due, its long-term funding target, strength of sponsor covenant and the appetite for risk of the Trustee and the Scheme's sponsors.

The Trustee has set a long-term strategic asset allocation, based on its target to be fully funded on a gilts + 0.25% basis by the end of 2030, and established a series of funding level triggers to move from the current, to the long-term, asset allocation in stages. The Trustee's current policy is to maintain a high level of interest rate and inflation hedging on the Technical Provisions basis using physical gilts and index-linked gilts.

The Scheme may use synthetic instruments in a segregated fund (or via a pooled fund) to reduce risk or to improve operational efficiency. The Scheme's allocation to specific assets is shown in its Annual Report.

For the Defined Contribution section

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

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

The self-select options consist of one alternative target date fund strategy (the annuity targeting journey), an ethical lifestyle and a range of individual funds.

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

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

For both the Defined Benefit and Defined Contribution sections

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

- Underlying assets held and how they will allocate between them;
- Risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them;
- Expected return targeted by the investment manager and details around realisation of the investment; and the
- Impact of financial and non-financial factors, including those outlined in the Ethical and Responsible Investment section of this statement, on the investment over the long-term (and including how those matters are taken into account in the selection, retention and realisations of investments).

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

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

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

9. Realisation of Investments

For the Defined Benefit section

The Defined Benefit section of the Scheme is closed to new members, but still open to the future accrual of benefits. The Scheme is cash-flow negative and so the Trustee ensures the Scheme assets are managed to provide sufficient liquidity to meet all benefit payments when they fall due. While in practice the Scheme will have some highly liquid assets that can be sold at short notice, this is unlikely to be required for some years.

For the Defined Benefit section, the Trustee does not directly consider the views of beneficiaries with regard to the selection, retention and realisation of investments. However, its investment beliefs reflect the Christian identity and values of the Scheme's beneficiaries, and these are central to how the Scheme is invested, and the Trustee receives advice from the Ethical Investment Advisory Group ("EIAG")[3] on Christian ethics and responsible investment, which the Trustee draws upon to determine its investment policies.

For the Defined Contribution section

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

10. Ethical and Responsible Investment

For the Defined Benefit and Defined Contribution sections

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

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

For the Defined Benefit section

The Trustee regularly receives advice on the ethical implication of investments from the EIAG, which informs the Board's investment policies.

The Trustee also values engagement with companies over responsible and ethical investment issues, and it considers engagement as a more effective means of exercising its stewardship responsibilities than disinvestment in many situations. Company engagement is carried out and monitored for effective change by the Board's investment team. The Trustee regularly reviews the engagement and corporate governance activities of the investment team. The Trustee produces an annual Stewardship Report summarising its activities, which is available on the Board's website.

The investment team produces a list of restricted investments, and maintains a list of excluded companies based on the Board's ethical investment screens that reflect 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 suppliers and act with sensitivity to the communities in which they operate. When appointing its investment managers, the Trustee takes into consideration how they incorporate analysis of companies' performance on ESG issues into their stock selection.

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

Before an investment is made in a pooled vehicle, where the Trustee cannot directly influence the selection of individual investments, the Trustee will satisfy itself that the proportion of restricted investments (as shown on the Board'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 and therefore maintains full discretion over voting activity. This is administered by the in-house team using a platform provided by Institutional Shareholder Services ("ISS"), with input from the EIAG, and a responsible proxy voting template developed with reference to other members of the Church Investors Group. The Trustee takes its own voting decisions and is not bound by any other investor in doing so.

The Scheme, via the Church of England Pensions Board, is a signatory to the UNPRI and the Financial Reporting Council's UK Stewardship Code 2020. It is also a member of the IIGCC (Institutional Investors Group on Climate Change), a co-founder of the Transition Pathway Initiative (TPI), and a member of a number of other collective engagement initiatives detailed in the Trustee's Stewardship Report.

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/direct application of the Pension Board's policies for the DB funds, but the ethical funds are regularly reviewed by the Trustee to ensure they are as close as can currently be found. The Trustee has also made the employer aware of its other pension offerings through the Church Workers Pension Fund, which could be selected to offer full alignment.

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

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

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

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

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

The Trustee considers non-financial matters, specifically ethics (as advised by the EIAG) and more generally in the selection and retention of funds, while balancing its fiduciary responsibility to achieve its investment objectives.

The Trustee considers which areas would constitute 'significant' when it comes to company engagement by their fund managers. To consider the extent to which voting behaviour is consistent with the Scheme's investment objectives and stewardship priorities, the Trustee has classified 'significant votes' as those which consider any one of the following factors with relevant (but not exhaustive) examples:

- Climate change
- Pollution & natural resource degradation
- Human rights
- Diversity, equity, and inclusion

These stewardship priorities have been selected by the Trustee following a review and consideration of key priorities which the Trustee believes to be in members' best interests in light of the Trustee's investment beliefs and specifics of the Scheme. Ultimately voting decisions are made by the Trustee's fund manager LGIM.

The Trustee considers how ESG, climate change and stewardship is integrated within LGIM's investment processes in the monitoring process. The Trustee has requested key voting activities from LGIM during the Scheme year in order to consider this.

The Trustee has delegated voting rights to the investment manager, LGIM, and expect their investment managers to engage with the investee companies on their behalf. There has been no change in this policy during the year and the policy reflects best practice. The Trustee has requested information on voting records from the investment managers. Investment managers are expected to take into account current best practice, including UK Corporate Governance Code and the UK Stewardship Code. The Trustee considers investment managers policy on voting and engagement and use these assessments in the selection, retention and realisation of manager appointments.

The Trustee believes that the investment manager, LGIM, has the necessary expertise and framework in place to effectively manage and monitor investments in line with these areas, and this is implemented through their stewardship approach. The LGIM Investment Stewardship team focuses on client outcomes and broader societal and environmental impacts in its engagements with companies and policymakers. This spans consideration of systemic risks and macro developments through to company specific issues, implemented by LGIM using the following six step approach:

1. Identify the most material ESG issues
2. Enhance the power of engagement e.g. through public statements
3. Vote
4. Formulate a strategy
5. Collaborate with other shareholders and policy makers
6. Report to stakeholders

LGIM is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

A summary of the LGIM Stewardship themes and priorities can be found at:
https://www.lgim.com/uk/en/capabilities/investment-stewardship/

A copy of LGIM's Responsible and Sustainable investment report can be found at:
https://group.legalandgeneral.com/en/sustainability/responsible-investing

The Scheme also maintains a Stewardship Implementation Framework document, which summarises how the Trustee implements its commitment to ethical and responsible investment. (Stewardship and responsible investment | The Church of England)

11. Risk

For the Defined Benefit section

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

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

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

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

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

For the Defined Contribution section

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

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

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

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

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

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

The Trustee has provided two journey strategies, one of which is the default option which invests in a way considered suitable for those members looking to take income drawdown in retirement.

Members may also self-select an annuity targeting journey, as well as a range self-select funds. The Trustee believes the range of options is suitable in meeting members' needs for different ways of taking benefits at retirement.

(4) Environmental, Social and Corporate Governance risk. The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.

The management of ESG related risks is delegated to LGIM.

See Section 10, above, for the Trustee's responsible investment and corporate governance statement.

The Trustee reviews the LGIM Stewardship Monitoring Report on an annual basis.

(5) Investment Manager risk. The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.

The Trustee regularly reviews performance of investment funds.

(6) Liquidity risk. The risk that the Scheme's assets cannot be realised at short notice in line with member demand.

The Scheme is invested in daily dealt and daily priced pooled funds.

12. Additional Voluntary Contributions (AVCs)

For the Defined Benefit section

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

For the Defined Contribution section

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

Signed: Clive Mather, Chair

Date: 28th September 2023

[1] https://www.churchofengland.org/about/pensions/capf-defined-contribution-scheme

[2] The current version of the Measure is on the government website at https://www.legislation.gov.uk/ukcm/2018/9/contents

[3] See the Church of England website for further details on the work of the EIAG.

APPENDIX 1

Ethical Investment Approach of the Church of England Pensions Board

The Pensions Board receives ethical investment advice from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to support the Board to act as a distinctively Christian – and Anglican – institutional investor. The EIAG develops ethical investment advice, and the Board develops and approves investment policies based on this advice. EIAG advice and Board's policies are published on the Church of England website.

The EIAG consists of a representative of each National Investing Body of the Church of England (the "NIBs": the Church Commissioners, the CBF Church of England Funds, and the Pensions Board), and six independent members appointed by the Nominations Committee of the EIAG (which itself includes representatives of General Synod, the Archbishops' Council, the Mission and Public Affairs Council, the Church Investors Group and the NIBs).

The EIAG is supported by a small Secretariat hosted by the Pensions Board and jointly funded by the NIBs. Formal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board has also resourced its own Responsible Investment function within and integrated into its Investment Team to implement the Board's approach to stewardship which embraces various stewardship strategies and priorities, engagement and investment exclusions.

Stewardship

The Pensions Board has published a Stewardship Report 2023 which has been submitted to the FRC, in accordance with the FRC Stewardship Code 2020. In 2021, 2022 and 2023, the FRC accepted the Board's stewardship reporting and the Board has been a signatory to the Stewardship Code since the first cohort of signatories. The Code encourages institutional investors to act as good stewards of their investments through active ownership (monitoring, engagement and voting). The Board is a signatory 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 Board recognises climate change as a distinct ethical and responsible investment issue and invests in line with a climate change policy, and a Climate Action Plan, published in November 2023. The Board has also published a TCFD report [available here] for the Clergy scheme (CEFPS), which also contains relevant information for the Board's other schemes. The Pensions Board has developed a Stewardship Implementation Framework that guides its active ownership practices, including its approach to engaging with asset managers.

Engagement

The Pensions Board's investment team includes ethical and responsible investment specialists, who undertake engagement with companies in which the Board is invested, including voting at shareholder meetings. In general, the Board expects companies in which it invests to pay proper attention to human rights, responsible employment practices, sustainable environmental practice, fair treatment of customers and suppliers, sensitivity towards the communities in which they operate and best corporate governance practice. The engagement team engages with investee companies to seek improvements in standards in these areas, and other areas defined by the suite of ethical investment policies. Policies adopted by the Board are listed on the EIAG website and they include specific policies on Executive Remuneration, Business and Engagement, Climate Change and Extractive Industries, among others.

Investment exclusions

The Pensions Board does 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 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. 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 Board determines whether to disinvest. The Board expects a recognition of responsibility and action within a clear timescale to improve, rather than perfection.

Ethical Investment Approach of the National Church Institutions

Ethical Investment

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. In 2023 the Board also took the decision to restrict investments in oil and gas companies, on the basis of a combination of third party and in-house transition assessment, after a 5 year intensive programme of engagement. This is outlined in the Board's Climate Action Plan (published November 2023), along with details of a change in our climate stewardship to focus on demand side companies, rather than supply.

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

• Take a long-term view.

• Select investment managers who are able to analyse and act on the environmental, social and governance issues relevant to their strategies.

• Act as good stewards of its investments including through voting at company general meetings and engaging actively with companies in which the Board invests.

• Promote ethical behaviour, corporate responsibility and sustainability in interactions with investment managers, companies and government.

Implementation of ethical investment policies

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

The Board has published a full Stewardship Report for 2023 on its website, which is designed to provide an accessible account of the Board's stewardship activity, record significant votes, and the FRC Stewardship Code. A separate report aligned to the Taskforce on Climate Related Financial Disclosure (TCFD) has been published for the Clergy scheme (CEFPS, available here) which also contains detail relevant to the Board's other schemes. Relevant summaries are contained in the implementation statements for each scheme, and for more details, please see the information provided in the Stewardship Report.

Key future focus areas in 2024, building on previous year's work

Systemic stewardship:

• Through the Global Investor Commission on Mining 2030 develop an investor vision for socially and environmentally responsible mining.

• Develop a responsible investor response to conflict and extraction including supporting the creation of a Global Centre for Peacebuilding, Reconciliation and Business with an initial focus on conflicts in five countries.

• Open the Global Tailings Institute in South Africa, launch the first global database of tailings dams together with ICOLD and develop an investor position on legacy/lost tailings facilities.

• Establish an asset owner dialogue on the future role of pension funds investing in the UK water industry.

• Retain stewardship as an active part of our investment process, including manager monitoring and selection, assessment of risks, due diligence, voting, screening, etc.

Climate & Biodiversity:

• Develop the Board's approach on biodiversity aligned with TNFD that includes portfolio analysis, reporting and stewardship.

• Implement commitments made within the Climate Action Plan, meet TCFD requirements and ensure alignment of the portfolio with the Net Zero Investment Framework.

• To continue to lead the Emerging Markets Just Transition Initiative and integrate the Initiative Principles into Board approach and manager selection related to emerging markets.

• Lead 'demand' side fossil fuel engagement approach and advocate for greater focus on demand by CA100+.

• Pilot new net zero standard on diversified mining.

Social & Governance:

• Develop and implement a Social Action Plan.

• Launch the Fair Reward Framework and use this to inform proxy voting at company AGMs.

• Continue to support adoption and implementation of the Asset Owner Diversity Charter.

Appendix 2

The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2023

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 2023.

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 schemes. The Board has established various committees to assist it in this responsibility.

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

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

Unitisation

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

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

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

The Global Economy and Financial developments

In the global economy, 2023 marked a decisive break from the long period of relatively low inflation and ultra-low interest rates experienced since the 2008 financial crisis, as central banks increased rates to try and curb surging inflation. The dramatic increase in the cost of living has caused much distress in society and, within pensions, higher short term interest rates caused a sharp rise in government and corporate bond yields. Signs that the monetary authorities were starting to have some success in bringing headline inflation under control, has increased market conviction that short term interest rates have peaked, and sparked a sharp recovery in credit and other risk assets towards the end of the year. Nevertheless, 2023 was another tough year for investors.

Although the schemes Liability Driven Investment (LDI) portfolios are held outside the CEIFP, the earlier rise bond yields depressed the market value of these fixed income securities. However, rising bond yields also benefits scheme funding, by reducing the future value of liabilities (or the lifetime cost of paying pensions). The reduced future value of liabilities and sustained investment returns over the past decade, has resulted in the Defined Benefit (DB) schemes being fully funded as at the end of 2023. This gives members and employers greater security for the future. The trustees of the schemes used this increase security to lower holdings in risk assets and increase their holdings of lower risk fixed income assets during the course of the year and this is reflected in movements in the CEIFP assets.

Market sentiment continues to be dominated by the outlook for inflation and whether the major central banks be able to steer interest rates in a way that avoids a global recession. The coming year will see some 40% of the global populations going to the polls, the war in Ukraine has entered its third year and there are mounting geopolitical tensions in the middle east and in east Asia. Predicting the near-term performance of markets remains as difficult as ever and the schemes continue to maintain a long-term investment horizon and hold a well-diversified portfolio.

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

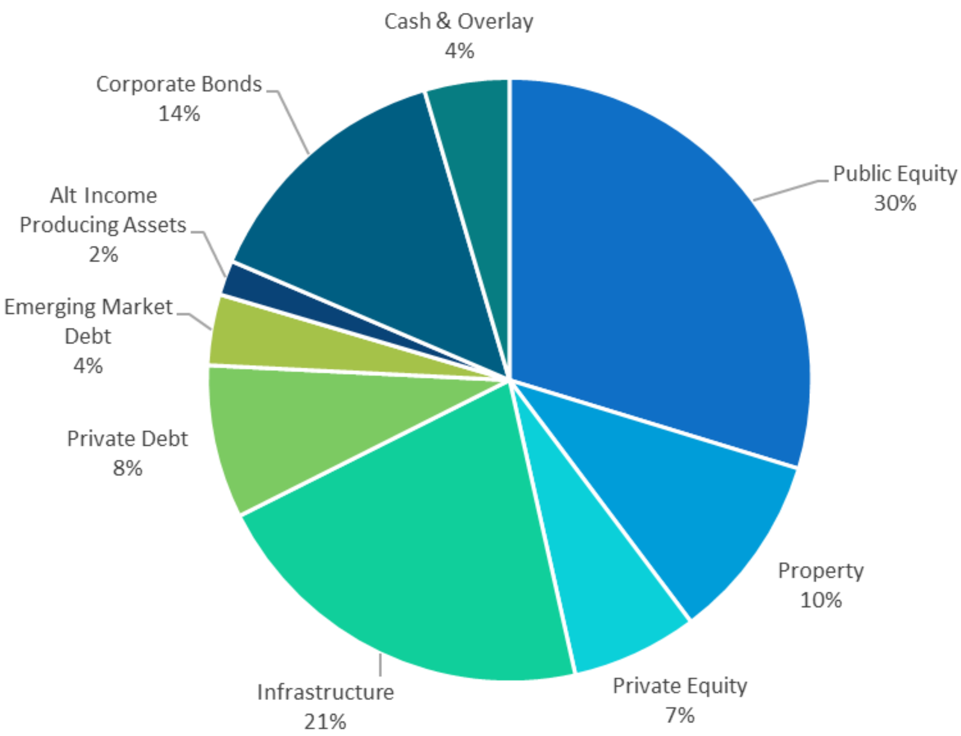
We pool most of the individual pension scheme assets for investment purposes in the CEIFP. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise.

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

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

Total Assets in the CEIFP (excluding-LDI holdings)

The chart below shows how our assets were invested in the CEIFP at the end of 2023.



Higher UK Gilt yields, together with cost savings and sustained investment returns over time have driven improvements in the funding level of the pension schemes investing in the CEIFP. As a result, we have progressively reallocated investments away from so called "growth assets" (like developed and emerging equities) into alternative, diversified and traditionally less volatile fixed income assets, with a focus on delivering income streams more closely 'matching' the future expected flow of pension payments.

The reduction in public equity investments has allowed us to further simplify and consolidate the number of asset managers we work with, delivering recurring cost savings to members and employers (who bear the cost of scheme administration). At the end of 2023, the Fund's assets within the CEIFP were managed by 17 investment managers (having terminated the emerging market equity mandate with T Rowe Price in December 2023).

Fund manager	**Description**
Antin Infrastructure Partners	Pooled infrastructure fund
Audax Group	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Blackstone	Alternative income
Cambridge Associates	Private equity
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
DBL Partners	Venture capital
DIF Management	Pooled infrastructure fund
EQT Infrastructure Partners	Pooled infrastructure fund
Igneo Infrastructure Partners	Pooled infrastructure fund
Generation Investment Management LLP	Global equities and private equity
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
Insight	High quality corporate bonds
KKR & Co. L.P.	Pooled infrastructure fund
Legal & General Investment Management	Global equities passively tracking the FTSE TPI Climate Transition Index

Investment Performance

Total assets of the three schemes for which the Church of England Pension Board (CEPB) is trustee returned 5.4%, while the assets within the CEIFP (which excludes the Liability Driven Investment portfolio) returned 7.3% in 2023.

The longer-term annualised returns to 31 December 2023 for each of the broad asset classes are set out below, including Inception to Date ("ITD") All figures are net of fund management fees and asset class returns are shown in Sterling terms.

Investment returns to 31st December 2023	£m	3 Mos.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	ITD
CEPB Total Assets New	**3,054**	**5.8**	**5.4**	**1.1**	**5.5**	**6.6**	**7.5**
CEPB Total Assets ex LDI*	**2,350**	**3.6**	**7.3**	**5.8**	**8.0**	**7.8**	**8.1**
Public Equity Pool	**700**	**7.2**	**14.3**	**5.5**	**10.2**	**8.8**	**8.7**
Global Equities	690	8.3	17.4	9.4	11.5	11.0	9.1
Emerging Market Equities	00	-3.6	-7.8	-8.6	1.1	5.0	4.1
Public Equity Cash	10	1.2	4.0	0.9	--	--	0.2
Public Equity Hedge	00	2.9	5.1	-1.9	--	--	0.3
Diversified Growth Pool	**394**	**-3.6**	**-5.4**	**4.8**	**3.6**	**7.0**	**3.6**
Property	232	-4.7	-6.7	4.2	2.8	6.6	3.4
Private Equity	157	-4.5	-7.0	8.5	--	--	-0.8
Diversified Growth Cash	04	0.7	2.9	-3.4	--	--	--
Diversifed Growth Hedge	01	4.2	4.7	-3.4	--	--	-0.4
Diversified Income Pool	**823**	**1.8**	**6.2**	**9.7**	**8.6**	**7.6**	**8.0**
Infrastructure	489	0.6	5.2	14.7	12.0	10.5	10.5
Private Debt	190	-2.8	-1.1	6.4	3.5	--	4.9
Emerging Market Debt	88	5.8	15.1	3.8	4.2	--	4.3
Alt Income Producing Assets	43	-2.7	-8.4	4.5	--	--	-17.0
Diversified Income Cash	11	0.8	2.0	-1.9	--	--	-1.5
Diversified Income Hedge	02	3.3	4.5	-1.8	--	--	0.0
Listed Credit Pool	**327**	**10.0**	**10.8**	**-4.7**	**0.3**	**3.2**	**5.5**
Liquidity Pool (Cash)	**105**	**1.4**	**4.1**	**1.9**	**0.6**	**-0.6**	**0.3**
Gilts & LDI	**704**	**14.7**	**-2.6**	**-16.8**	**--**	**--**	**-9.9**

Fears that inflation and associated tightening in monetary policy could prompt a recession plagued markets for much of the year. However, a slowing in the rate of inflation and signs that short-term interest rates had peaked prompted vigorous recovery in developed market equities and the equity pool in the (CEIFP) recorded gains of 7.2% in the final quarter of 2023 and was up 14.3% over the previous year. US shares fared the best, with the with the Nasdaq returning 14% and the S&P 500 ending the quarter near its all-time high. Equity performance was extremely concentrated with the so called 'magnificent seven' generating much of the gains in the developed equity markets. A poor performance from Chinese equities meant that emerging market equities tends to lag developed equity markets.

The impact of rising inflation, higher short-term rates and the crisis in confidence sparked by the UK mini fiscal statement in September, is most readily seen in the negative annual return on the Gilts and LDI accounts, albeit posting a strong recovery towards the end of 2023.

The global and UK developments outlined above also raised concern in the credit markets, and the rise in yields combined with a widening in credit spreads weighing on the listed credit pool for much of the year, before signs of a peak in short term rates and hopes that the US federal Reserve would be able to engineer a soft-landing in the US and global economies saw a fall in yields and a sharp construction in credit spreads, causing gains in the listed credit portfolio pool (of 10.8%).

The property and private equity portfolios came under pressure in 2023 (falling by 6.7% and 7.0%) but the diversified income pool fared better (6.2%) supported by gains in our emerging market debt portfolio (15.1%) and infrastructure funds (5.2%) outweighing declines in our private debt and alternative income producing assets.

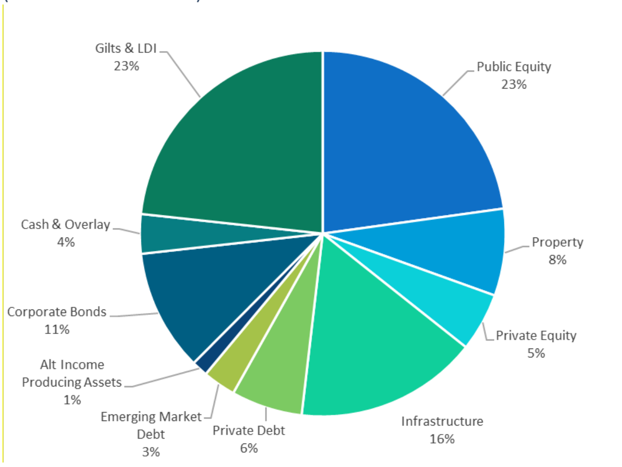
Responsible Investment Considerations

Responsibly investing the pensions assets under the stewardship of the schemes in order to pay pension promises remains at the heart of our work. In May 2023, and informed by the Transition Pathway Initiative analysis, we took the decision to disinvest from the last of our oil and gas holdings in line with the commitments made in 2018. In November, the Board published its Climate Action Plan, which sets out our next steps as an investor to tackle the climate emergency. This includes engagement with companies and sectors that are significant users of fossil fuels, a focus on climate solutions and supporting a just transition. The Board is also continuing to advocate for transformation across the mining sector, addressing matters of safety, human rights and social justice, including through leadership of a new Global Investor Commission on the future of the sector.

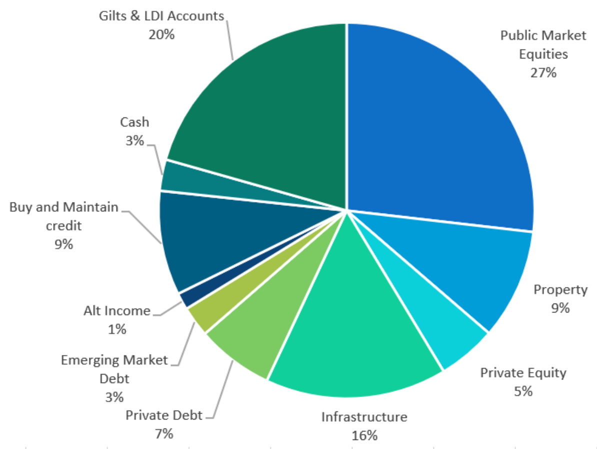
Trustee’s report (continued)

The chart below shows the distribution of the overall asset allocation for the total assets for which the Church of England Pensions Board is Trustee as at the 31 December 2023 and how the position compares to that as at 31 December 2022.

Asset Allocation of Total Assets
(at 31 December 2023)



Asset Allocation of Total Assets
(at 31 December 2022)



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 assets of the underlying schemes held within the CEIPF after taking advice from the Fund’s Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement these strategies.

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 2023 these fees (including those charged by Northern Trust as custodian) were £5.6m (2022: £5.9m). This equated to 0.24% (2022: 0.26%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

Approval
The Trustee’s Report and Statement of Trustee’s Responsibilities set out on page 6 were approved by the Trustee on 11 July 2024 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 ("CEIFP", or the "Fund").

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

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- comply with the requirements of the Trust Deed dated 18 September 1985 (as amended).

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

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

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

Opinion

We have audited the financial statements of The Church of England Investment Fund for Pensions ("the Fund") for the year ended 31 December 2023 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 2023 and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Use of our report

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

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

11 July 2024

Type text here

Statement of total return for the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Change in market value of investments	6	95,202	(145,665)
Change in market value of investment cash and other investment balances	6	11,403	(18,242)
Total change in market value		106,605	(163,907)
Income	4	63,749	66,350
Expenses	5	(5,898)	(9,468)
Changes in net assets attributable to unit holders from investment activities		164,456	(107,025)

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Opening net assets attributable to unit holders		2,303,168	2,729,043
Amounts receivable on issue of units	11	1,045,892	909,022
Amounts payable on cancellation of units	11	(1,165,285)	(1,227,872)
Net assets before change from investment activities		2,183,775	2,410,193
Changes in net assets attributable to unit holders from investment activities	11	164,456	(107,025)
Closing net assets attributable to unit holders		2,348,231	2,303,168

Statement of net assets attributable to unit holders as at 31 December 2023

	Notes	2023 £000	2022 £000
Investment assets			
Equities	6	676,103	803,969
Bonds	6	386,786	270,758
Pooled investment vehicles	6	1,092,624	1,091,145
Derivative contracts	8	12,122	3,333
Other investments	6	40	320
Investment cash	6	170,612	134,534
Other investment balances	6	16,845	18,751
Total assets		2,355,132	2,322,810
Investment liabilities			
Derivative contracts	8	(6,867)	(17,417)
Investment cash	6	(3)	-
Other investment balances	6	(31)	(2,225)
Total investment liabilities		(6,901)	(19,642)
Total net assets attributable to unit holders	11	2,348,231	2,303,168
Participants' funds	11		
The Church of England Funded Pensions Scheme		2,009,203	1,975,029
The Church Workers Pensions Fund		297,986	303,544
The Church Administrators Pensions Fund		41,042	24,595
Total participants' funds		2,348,231	2,303,168

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

These financial statements were approved by the Trustee on 11 July 2024 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status

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

2. Basis of preparation

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

3. Accounting policies

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

a) Income and expenditure

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

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

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

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

b) Investment valuation

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

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

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

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

- **Pooled investment vehicles** which are not traded on an active market have their fair value estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation. The net asset value is determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used. For investments in vehicles where the Fund’s Trustee is the sole ultimate beneficial owner and which are held for the purpose of resale, no consolidated accounts have been prepared as the statutory framework for pension schemes financial reporting does not require consolidation.

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

c) Foreign currencies

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

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

d) Unitisation

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

Notes to the financial statements (continued)

4 Income

	2023 £000	2022 £000
Equities	15,517	24,866
Bonds	18,679	9,869
Pooled investment vehicles	23,353	29,504
Cash and cash equivalents	6,200	2,111
Total income	63,749	66,350

5 Expenses

	2023 £000	2022 £000
Investment managers' fees	5,898	9,468
Total expenditure	5,898	9,468

The Fund bears investment management expenses charged by the investment managers and custodians. Administration costs (including external audit fees) incurred by the Church of England Pensions Board in relation to the CEIFP are borne by the member schemes and are included in the administration expenses in the schemes' own financial statements. The investment managers' fees that we pay are a combination of the amount of assets under management and, for a few managers, the performance fee that they can earn on the funds they manage.

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	803,969	226,199	(436,165)	82,100	676,103
Bonds	270,758	119,417	(15,566)	12,177	386,786
Pooled investment vehicles	1,091,145	126,068	(84,788)	(39,801)	1,092,624
Other investments	(395)	23,380	(22,981)	5	9
Net derivative contracts (note 8)	(14,085)	118,340	(139,721)	40,721	5,255
	2,151,392	613,404	(699,221)	95,202	2,160,777
Investment cash	134,535			2,037	170,609
Other investment balances	17,241			9,366	16,845
Total investments	2,303,168			106,605	2,348,231

Analysed between:		
Investment assets	2,322,810	2,355,132
Investment liabilities	(19,642)	(6,901)
Total investments	2,303,168	2,348,231

Other investment balances include the following balances

	2023 £000	2022 £000
Accrued income	12,151	9,943
Pending trade sales	-	284
Pending trade purchases	-	(311)
Variation margin	4,694	7,325
Total other investment balances	16,845	17,241

During the year investments in the emerging market equity portfolio with T Rowe Price were terminated for a total of £138.1m. In addition, there were dis-investments from the LGIM equity portfolio as part of the de-risking strategy. Proceeds were used to meet margin and collateral requirements for our FX hedges and LDI portfolios, fund investments in the Listed Credit pool with Insight and LDI portfolios with BlackRock. A selection process for a High Yield Credit manager was undertaken during 2023, with Robeco selected as the chosen manager, and implementation to commence in 2024.

Notes to the financial statements (continued)

6 Investments (continued)

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:

	2023			2022		
	Commission	Other charges	**Total**	Commission	Other charges	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Equities	251	277	**528**	323	235	**558**
	251	277	**528**	323	235	**558**

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.

b) Pooled investment vehicles

	2023	**2022**
	£000	**£000**
Equities	80,401	92,777
Property	228,065	259,186
Cash	13,106	13,074
Private equity	109,460	92,790
Infrastructure	471,236	440,890
Private debt	190,356	192,428
Total pooled investment vehicles	1,092,624	1,091,145

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.

	2023	**2023**	**2022**	**2022**
	$000	**£000**	**$000**	**£000**
Investments	239,825	177,152	225,813	186,504
Current assets	30,675	22,659	20,584	17,000
Current liabilities	(12,800)	(9,455)	(13,410)	(11,076)
Total net assets	257,700	190,356	232,987	192,428

7 Investment analysis

Investments of over 5% of net assets
The Fund holds two investments of over 5% of net assets, representing 14.9% of net assets (2022: two assets representing 16.2% of net assets).

	2023	**2022**
	£000	**£000**
CBRE GIP GA Fund	158,413	180,518
Thorney Island Limited Partnership	190,356	192,428
Total	348,769	372,946

Employer related investments
There were no employer related investments as at 31 December 2023 (2022: none).

Notes to the financial statements (continued)

8 Derivatives

	2023			2022		
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Futures – equities	82	-	**82**	-	(72)	**(72)**
Futures – bonds	3,929	(3,827)	**102**	563	(2,759)	**(2,196)**
Forward foreign currency contracts	8,111	(3,040)	**5,071**	2,769	(14,586)	**(11,817)**
Total derivatives	12,122	(6,867)	**5,255**	3,332	(17,417)	**(14,085)**

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:

	2023			2022		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures: UK	-	-	-	-	-	-
Equities futures: Overseas	*3,362*	82	-	*2,563*	-	(72)
Total equities futures	***3,362***	**82**	**-**	***2,563***	**-**	**(72)**
Bonds: UK	*76,987*	3,929	-	*46,753*	-	(2,739)
Bonds: Overseas	*(73,991)*	-	(3,827)	*(61,510)*	563	(20)
Total bonds futures	***2,996***	**3,929**	**(3,827)**	***(14,757)***	**563**	**(2,759)**

All contracts have expiry dates between 7 March 2024 and 28 March 2024. Included within other investment balances is an asset of £4,694,000 (2022: £7,325,000) in respect of initial and variation margins arising on futures contract open at the year end.

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 2023**	**Liabilities at 31 December 2023**
		£000	**£000**
US Dollar			
Forward to buy US Dollars	$109,344,789	-	(1,308)
Forward to sell US Dollars	$890,834,949/$11,281,264	7,610	(19)
Euros			
Forward to buy Euros	€2,462,798	11	-
Forward to sell Euros	€6,122,000/€146,219,362	39	(624)
Japanese Yen			
Forward to buy Japanese Yen	¥38,080,160	8	-
Forward to sell Japanese Yen	¥2,882,257,260	-	(590)
Other currencies			
Forward to buy other currencies		379	(79)
Forward to sell other currencies		64	(420)
		8,111	(3,040)

All contracts had maturity dates falling between 4 January 2024 and 11 March 2024.

Notes to the financial statements (continued)

9 Fair value hierarchy

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

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

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2023:

Level	**1**	**2**	**3**	**Total 2023**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	676,045	-	58	**676,103**
Bonds	-	371,469	15,317	**386,786**
Pooled investment vehicles	9,815	-	1,082,809	**1,092,624**
Other investments	-	-	9	**9**
Derivatives contracts	185	5,070	-	**5,255**
Investment cash	170,609	-	-	**170,609**
Other investment balances	12,151	4,694	-	**16,845**
Total investments	868,805	381,233	1,098,193	**2,348,231**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2023**
	£000	**£000**	**£000**	**£000**
Public equity pool	699,137	302	206	**699,645**
Diversified growth pool	27,730	694	365,145	**393,569**
Diversified income pool	20,488	69,978	732,736	**823,202**
Liquidity pool	105,377	-	50	**105,427**
Listed credit pool	16,073	310,259	56	**326,388**
Total investments	868,805	381,233	1,098,193	**2,348,231**

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2022:

Level	**1**	**2**	**3**	**Total 2022**
Investments	**£000**	**£000**	**£000**	**£000**
Equities	803,910	-	59	**803,969**
Bonds	-	270,758	-	**270,758**
Pooled investment vehicles	18,982	-	1,072,163	**1,091,145**
Other investments	-	(395)	-	**(395)**
Derivatives contracts	(2,268)	(11,817)	-	**(14,085)**
Investment cash	134,535	-	-	**134,535**
Other investment balances	9,943	7,298	-	**17,241**
Total investments	965,102	265,844	1,072,222	**2,303,168**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2022**
	£000	**£000**	**£000**	**£000**
Public equity pool	849,133	(4,810)	329	**844,652**
Diversified growth pool	47,636	(1,356)	383,749	**430,029**
Diversified income pool	55,616	65,796	687,378	**808,790**
Liquidity pool	9,600	-	51	**9,651**
Listed credit pool	3,117	206,609	320	**210,046**
Total investments	965,102	266,239	1,071,827	**2,303,168**

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.

Notes to the financial statements (continued)

10 Investment risk disclosures

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

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

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

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

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

	Credit risk	Market risk			**Total**	**Total**
		Currency	Interest rate	Other price	**2023**	**2022**
					£000	**£000**
Equities	○	◑	○	●	676,103	803,969
Bonds	●	◑	●	○	386,786	270,758
Pooled investment vehicles	◑	◑	◑	◑	1,092,624[1]	1,091,145
Other investments (net)	●	◑	○	○	9	(395)
Derivatives contracts (net)	●	◑	◑	◑	5,255	(14,085)
Investment cash	●	◑	○	○	170,609	134,535
Other investment balances	●	◑	○	○	16,845	17,241
Total investments					2,348,231	2,303,168

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

[1] An analysis of Pooled Investment Vehicles is set out in Note 6

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.

	2023	2022
	£000	£000
Bonds	386,786	270,758
Pooled investment vehicles	1,092,624	1,091,145
Derivatives: forwards	8,111	2,769
Investment cash	170,609	134,535
Total investments exposed to credit risk	1,658,130	1,499,207

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.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which at the time of purchase are rated at least investment grade. Cash is also held with financial institutions which have an investment grade credit rating.

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:

	2023	2022
	£000	£000
Limited Partnerships	786,003	735,829
SICAVs (*)	13,106	13,074
Exchange Traded Funds	-	8,864
Cooperatief U.A (**)	78,032	72,093
FCP (**)	161,663	202,563
Property Authorised Investment Fund	5,992	6,320
Property Unit Trusts	23,713	25,169
Other funds	24,115	27,233
Total pooled investment vehicles	1,092,624	1,091,145

(*) 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 of roughly 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 2023 £000**	Net exposure 2022 £000
Pounds sterling	480,705	806,827	**1,287,532**	1,224,247
US Dollars	1,291,829	(641,802)	**650,027**	627,176
Euros	361,939	(129,888)	**232,051**	206,067
Japanese Yen	43,867	(15,830)	**28,037**	28,688
Other currencies	164,821	(19,307)	**145,514**	228,806
Total investments (excluding forwards)	2,343,161	-	**2,343,161**	2,314,984
Forwards	5,070	-	**5,070**	(11,816)
Total investments	2,348,231	-	**2,348,231**	2,303,168

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 Listed Credit pool and Liability Driven Investment (LDI) portfolios held outside the CEIFP. If interest rates and bond yields fall, the market value of the bonds will rise, while if interest rates rise the values of bonds will fall. Changes in interest rate can also influence the value of the actuarial value of the liabilities of the schemes. The increase in value of bonds that arises from a fall in bond yields will often help to '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 they did in 2022), this will often match the decline in the actuarial liabilities because of an increase in discount rate.

Following the so-called UK Gilt crisis in September 2022 the Pension Regulator has announced new guidance and measures for LDI strategies. As we have noted the LDI strategies managed for the schemes by BlackRock sit outside the CEIPF. However, the Trustees continue to adopt a prudent approach in the LDI strategies to ensure these measures continue to be met.

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, infrastructure equity, 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 a say over whether such transactions can take place.

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 private debt instruments.

11. Member schemes' participation

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

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

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

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Listed credit pool:

	At 1 January 2023 £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 2023 £000
The Church of England Funded Pensions Scheme	195,066	80,785	(69,877)	22,436	**228,410**
The Church Workers Pension Fund					
Pension Builder Classic	-	8,450	(1,840)	482	**7,092**
Defined Benefit Scheme – Employer section	1,749	59,796	(6,784)	3,317	**58,078**
Defined Benefit Scheme – Life Risk section	544	17,728	(5,940)	994	**13,326**
The Church Workers Pension Fund	2,293	85,974	(14,564)	4,793	**78,496**
The Church Administrators Pension Fund	12,687	8,704	(3,700)	1,791	**19,482**
Total Listed credit pool	210,046	175,463	(88,141)	29,020	**326,388**

Public equity pool:

	At 1 January 2023 £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 2023 £000
The Church of England Funded Pensions Scheme	747,690	53,173	(333,174)	94,056	**561,745**
The Church Workers Pension Fund					
Pension Builder 2014	17,099	36,077	(16,941)	3,529	**39,764**
Pension Builder Classic	56,576	66,814	(47,028)	7,601	**83,963**
Defined Benefit Scheme – Employer section	14,419	29,897	(46,315)	2,111	**112**
Defined Benefit Scheme – Life Risk section	3,103	1,637	(4,956)	216	-
The Church Workers Pension Fund	91,197	134,425	(115,240)	13,457	**123,839**
The Church Administrators Pension Fund	5,765	13,980	(7,033)	1,349	**14,061**
Total public equity pool	844,652	201,578	(455,447)	108,862	**699,645**

Diversified growth pool:

	At 1 January 2023 £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 2023 £000
The Church of England Funded Pensions Scheme	357,336	34,645	(9,755)	(20,534)	**361,692**
The Church Workers Pension Fund					
Pension Builder 2014	9,228	3,022	(5,502)	(363)	**6,385**
Pension Builder Classic	25,496	1,522	(12,650)	(935)	**13,433**
Defined Benefit Scheme – Employer section	36,987	2,377	(26,489)	(816)	**12,059**
Defined Benefit Scheme – Life Risk section	982	1,615	(2,590)	(7)	-
The Church Workers Pension Fund	72,693	8,536	(47,231)	(2,121)	**31,877**
The Church Administrators Pension Fund	-	-	-	-	-
Total diversified growth pool	430,029	43,181	(56,986)	(22,655)	**393,569**

Diversified income pool:

	At 1 January 2023 £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 2023 £000
The Church of England Funded Pensions Scheme	667,897	95,546	(45,182)	43,664	**761,925**
The Church Workers Pension Fund					
Pension Builder 2014	15,690	12,076	(15,150)	828	**13,444**
Pension Builder Classic	47,693	20,500	(41,960)	2,067	**28,300**
Defined Benefit Scheme – Employer section	70,144	19,318	(78,178)	810	**12,094**
Defined Benefit Scheme – Life Risk section	1,262	2,333	(3,612)	17	-
The Church Workers Pension Fund	134,789	54,227	(138,900)	3,722	**53,838**
The Church Administrators Pension Fund	6,104	1,800	(900)	435	**7,439**
Total diversified income pool	808,790	151,573	(184,982)	47,821	**823,202**

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Liquidity pool:

	At 1 January 2023	Amounts receivable on issue of units	Amounts payable on cancellation of units	Change in net assets from investment activities	At 31 December 2023
	£000	**£000**	**£000**	**£000**	**£000**
The Church of England Funded Pensions Scheme	7,040	294,746	(206,887)	532	**95,431**
The Church Workers Pension Fund					
Pension Builder 2014	150	30,686	(30,914)	116	**38**
Pension Builder Classic	233	35,821	(36,052)	120	**122**
Defined Benefit Scheme – Employer section	1,286	75,034	(67,048)	433	**9,705**
Defined Benefit Scheme – Life Risk section	902	22,368	(23,394)	195	**71**
The Church Workers Pension Fund	2,571	163,909	(157,408)	864	**9,936**
The Church Administrators Pension Fund	40	15,442	(15,434)	12	**60**
Total liquidity pool	9,651	474,097	(379,729)	1,408	**105,427**

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2023 (2022: nil).

As at 31 December 2023, the Board had made the following commitments:

	2023	**2022**
	£m	£m
Pooled investment vehicles (equity)	2.8	4.2
Pooled investment vehicles (private equity)	113.5	151.7
Pooled investment vehicles (property)	-	-
Pooled investment vehicles (infrastructure)	199.3	256.1
Pooled investment vehicles (private debt)	10.2	10.1
Total commitments	325.8	422.1

13. Related party transactions

Two Board members (2022: two) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

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

APPENDIX 3

2023 Implementation Statement

Church Administrators Pension Fund

Section 1: Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Church of England Pensions Board in its capacity as Trustee has been followed during the year running from 1 January 2023 to 31 December 2023 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with the relevant version of the SIP that was in place for the Scheme Year, which was the SIP dated 29 September 2022 covering the period between 1 January 2023 and 27 September 2023, and the SIP dated 28 September 2023 covering the period between 28 September 2023 and 31 December 2023.
The Scheme has two sections:

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

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Scheme Year, respectively.
Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Scheme Year.**

A copy of the SIP is available at: https://www.churchofengland.org/sites/default/files/2023-09/capf-sip-2023_0.pdf

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Scheme.

Section 2: Statement of Investment Principles

2.1 Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.

DB Section

For the **DB Section** of the Scheme, the Trustee is responsible for the stewardship of the Scheme's assets. It has three main objectives, which are to ensure that:

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

The Trustee 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 is targeting 31 December 2030 for reaching full funding on a de-risked basis.

DC section

For the **DC section** of the Scheme, the Trustee's objective are:

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

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

2.2 Review of the SIP

DB & DC Section

During the year, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed on 28 September 2023 as part of the annual review the Trustee undertakes. Changes made to the SIP included updating the information in regards to the Scheme's interest rate and inflation hedging strategy. For the DC section, the Trustee reviewed the extent to which ESG considerations are taken into account, and also updated the SIP to reflect the self-select fund options. In addition, the Trustee's views on ethical and responsible investments were considered and updated.

2.3 Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in this section highlights the work undertaken by the Trustee during the year, and has driven long term value for beneficiaries where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated 28 September 2023), relating to the DB Section and DC Section of the Scheme. References to the SIP sections refer to the SIP signed on 28 September 2023.
In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme Year.

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant, Mercer and/or Scheme Actuary. The policy is detailed in Section 4 ('Investment Policy') of the SIP, which applies to the DB and DC sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
A number of changes were made in relation to how the assets were invested over the Scheme Year. The Trustee: - Transitioned the Liability Driven Investment ("LDI") portfolio of the Scheme with BlackRock from leveraged to unleveraged gilts. - Terminated the Scheme's Emerging Market Equity mandate with T Rowe Price. - Considered advice regarding de-risking the Scheme in light of the 31 December 2022 Actuarial Valuation.	The Scheme's investment funds are monitored on a quarterly basis. The Trustee reviewed the investment dashboard reports at the Trustee meeting to ensure the Scheme default and non-default funds met their performance objectives. No new investments were implemented over the year to 31 December 2023. In April 2023, the Trustee carried out a review of the self-select fund range. The review covered the suitability of the existing self-select fund range. The Trustee agreed to add the LGIM Future World Inflation Sensitive Annuity Aware Fund (formerly known as the LGIM Pre-Retirement Inflation Sensitive Fund) to the Scheme's self-select fund range, however, at the time of writing, the Fund has yet to be implemented.

Realisation of Investments

Policy

The Trustee's policy is detailed in Section 9 ('Realisation of Investments'). The Defined Benefit section of the Scheme is closed to new members, but still open to the future accrual of benefits. The Scheme is cash-flow negative and so the Trustee ensures the Scheme assets are managed to provide sufficient liquidity to meet all benefit payments when they fall due. While in practice the Scheme will have some highly liquid assets that can be sold at short notice, this is unlikely to be required for some years.
For the Defined Benefit section, the Trustee does not poll the beneficiaries for their views on the selection, retention and realisation of investments, though it does seek the views of and feedback from members through e.g. stewardship focus groups, member communications and annual member meetings. The Trustee's investment beliefs reflect the Christian ethos and values of many of the Scheme's beneficiaries, these are central to how the Scheme is invested, and the Trustee receives advice from the Ethical Investment Advisory Group ("EIAG") on Christian ethics and responsible investment, which the Trustee draws upon to determine its investment policies.

For the Defined Contribution section, the Scheme's investment managers have responsibility for generating cash to meet any benefit outgoings, as advised by the Trustee. The manager has discretion in relation to the liquidity of the underlying investments of the funds in which the Scheme invests.

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

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
An allocation to the liquidity pool is maintained in order to meet unexpected liquidity needs (e.g. retirement lump sums, transfer values, etc.). The Trustee received advice in May 2023 in regards to liquidity management which considered the ability of the Scheme's current and long-term investment strategy to meet collateral requirements under a number of scenarios.	No changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.

Environmental, Social and Governance ("ESG")

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Scheme's SIP outlines the Trustee's beliefs on ESG factors (including stewardship and climate change). This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship, as well as collaborations the Trustee has been involved in.

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

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

Further details are included in Section 10 of the SIP entitled 'Ethical and Responsible Investment'. The Trustee keeps its policies under regular review with the SIP reviewed every year and without delay after any significant change in investment policy, or if required, following a formal strategy review. In addition to the SIP, the Scheme also maintains a Stewardship Implementation Framework document, which summarises how the Trustee implements its commitment to ethical and responsible investment.

DB and DC

How has this policy been met over the Scheme Year?

The Trustee uses an in-house investment team to carry out engagement and voting activity (as detailed in Section 4 and 5 below).

The Trustee is heavily involved in various collective engagement initiatives, a number of which the Trustee was instrumental in setting-up. Significant engagement initiatives include the Transition Pathway Initiative, Climate Action 100+, Assessing Sovereign Climate-related Opportunities and Risks ("ASCOR") and the Investor Commission on Mining 2030. Over the Scheme Year the Trustee helped to establish a new initiative, the Sustainability Principles Charter for the Bulk Annuity Process. These principles seek to align expectations around sustainability within the bulk annuity process, and the Trustee became one of the founding signatories. An additional collaboration of note saw the Trustee as part of the Investor Commission on Mining 2030 convene the Commission for the first time over 2023, with its aim to work collaboratively towards establishing consensus on the role finance has in realising a vision of a socially and environmentally responsible mining sector. Further details of these collaborations as well as additional collaborations are detailed in the Trustee's Stewardship Report.

The Trustee maintains a list of excluded companies based on the Trustee's ethical investment screens and restrictions based on the escalation of engagement/stewardship review. As at 31 December 2023, the list comprised of 447 companies covering a range of themes including gambling, alcohol, and thermal coal and tar sands. The revenue screen for ethical exclusions is monitored by the in-house team and refreshed every 3 months. In June 2023, the Trustee announced its disinvestment from Shell plc and other remaining oil and gas holdings, which were as a result added to its list of excluded companies. This decision was made following prolonged engagement with the sector, including a focused period of engagement from 2019-2023, where companies needed to meet specific hurdles in order to remain investible. The engagement programme aimed to bring companies' emissions reduction targets and transition plans in alignment with 1.5ºC pathways as independently assessed by the Transition Pathway Initiative. In 2023, unfortunately no company met this expectation and the decision was made to divest remaining holdings.

Over the Scheme Year, the Trustee has assessed the ongoing suitability of the appointed investment managers. Each manager's strategy, decisions, financial and ESG/ethical performance are monitored by the Trustee's Investment Committee on a quarterly basis.

In December 2023, the Trustee released its inaugural Climate Action Plan ("CAP"), which sets out its approach to managing climate risks and its approach to using stewardship as a key lever to accelerate climate action. The CAP details the Trustee's ambition to reach net-zero in its investment portfolio by 2050.

DB and DC

For the DC section the Trustee considers non-financial matters, specifically ethics (both those that fall under the advice of the Ethical Investment Advisory Group, and more generally) in the selection and retention of funds, while meeting its fiduciary responsibilities to achieve its investment objectives. During the Scheme Year, the Trustee reviewed the Scheme's Oil and Gas exposure, reviewed its approach to ESG, and updated the SIP accordingly. The Trustee considers how ESG, climate change and stewardship are integrated within investment processes of new investment managers and monitoring of existing investment managers. The Trustee has reviewed the voting activities from LGIM (the DC investment manager) during the Scheme Year.

The Trustee considers which areas would constitute 'significant' when it comes to company engagement by their fund manager. These were formally discussed at the March 2024 Trustee meeting.

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee's would monitor and engage with relevant persons about relevant matters).

Policy

DB Section

The Trustee's policy is to fully exercise its responsibilities as an asset owner, so the Trustee maintains full discretion over voting activity (in respect of the relevant voting assets (equities)). This is administered by the in-house team using a platform provided by Institutional Shareholder Services. As an active voter the Trustee exercises its voting rights in line with its comprehensive voting policy and according to its stewardship priorities.
Further details are set out in Section 10 ("Ethical and Responsible Investment") of the SIP.

DC Section

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers.
Further details are set out in Section 6 of the SIP. In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

DB and DC

How has this policy been met over the Scheme Year?

DB Section

During the Scheme Year 17,623 votes have been cast in regards to the Scheme's holdings, with a full disclosure of this voting information available (along with rationales) on the Trustee's website. Voting was conducted in line with the Scheme's comprehensive voting policy and according to its stewardship priorities.

The Trustee has the following key stewardship priorities (the Stewardship Report provides a detailed overview of the Trustee's stewardship activities).

- Climate Change (in particular relating to lobbying, and the TPI framework & Management)
- Diversity (in particular ethnic representation and gender)
- Modern slavery
- Tax transparency
- Mining & extractives
- Living wage

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote":

- A significant vote is defined as one that is linked to the Plan's stewardship priorities/themes.
- A vote could also be significant for other reasons, e.g. due to size of holdings.
- Trustee are to include details on why a vote is considered significant and rationale for the voting decision.

Section 3 includes examples of engagement activity undertaken by the in-house team, and section 4 sets out a summary of voting activity and the most significant votes cast by the Trustee. Further information can be found in the annual Stewardship Report which the Trustee produces, and it provides a comprehensive overview of the broad range of both engagement and voting activity which the Trustee has played a role in.

DC Section

The Trustee has delegated voting rights to the investment managers and expect their investment managers to engage with the investee companies on their behalf and there has been no change in this policy during the year and the policy reflects best practice.

DB and DC

The Trustee has requested information on voting records from the investment managers and investment managers are expected to consider current best practice, including UK Corporate Governance Code and the UK Stewardship Code.

The Trustee considers investment managers policy on voting and engagement and use these assessments in the selection, retention, and realisation of manager appointments. The Trustee has also considered which areas would constitute ‘significant’ when it comes to company engagement by their fund managers. To ensure voting behaviour is consistent with the Schemes’ investment objectives and stewardship priorities, the Trustee has classified ‘significant votes’ for the DC section as those which consider any one of the following factors:

- Climate change
- Pollution & natural resource degradation
- Human rights
- Diversity, equity, and inclusion

A vote could also be significant for other reasons, e.g. due to the size of holding.

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

Policy

The Trustee's policy is set out in Section 7 ('Aligning Manager Appointments with Investment Strategy') of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
Over the Scheme Year, the Trustee has assessed the ongoing suitability of the appointed investment managers. Its strategy, decisions, financial and ESG/ethical performance are monitored by the Trustee's Investment Committee on a quarterly basis. As part of this process, the Trustee terminated its Emerging Market Equity mandate with T Rowe Price. This was a result of prolonged underperformance, and a number of changes at the portfolio manager level. The Trustee believes that the appointments of its remaining investment managers are consistent with its long-term objectives and no further changes were made over the Scheme Year.	In the year to 31 December 2023, the Trustee discussed the continued appointment of LGIM and are happy that the contractual arrangements in place continue to incentivise the manager to make decisions based on medium to long term financial and non-financial performance. Over the period the Trustee believed that the appointments with its investment manager was consistent with its long-term objectives and no changes were made.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 7 ('Aligning Manager Appointments with Investment Strategy') of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
The Trustee reviews the performance of the investment managers on a regular basis versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term (e.g. 3 and 5 year rolling periods). The fees are set on appointment and reviewed regularly thereafter. The Trustee takes advice to ensure the fees are appropriate. The majority of investment managers are remunerated by way of a fee, calculated as a percentage of assets under management, but some do employ performance fees or the fees paid are reduced over the life of the investment.	Over the year to 31 December 2023, the Trustee has reviewed the performance of the Scheme's investment managers on a regular basis. The review considers the performance of the investment managers versus agreed benchmarks and targets, over multiple periods, with an emphasis on the long term.

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 6 ('Investment Management') of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
Portfolio turnover costs and manager fees are monitored by the investment team, in absolute terms and relative to what might be reasonably expected given the underlying asset class and investment style of each investment manager, and have been reported to the Trustee periodically.	The Trustee considers the levels of transaction costs as part of their annual Value for Members ("VfM") assessment. Where appropriate with help from their advisor, the Trustee would challenge the level of costs incurred if they were assessed to be too high relative to expectations as this may indicate excessive turnover.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 7 ('Aligning Manager Appointments with Investment Strategy') of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
During the Scheme Year, the Trustee terminated the Scheme's allocation to the T Rowe Price Emerging Market Equity mandate. The Trustee is satisfied that the duration of the Scheme's other arrangements remain appropriate and it continues to monitor this periodically.	The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or the manager appointed has been reviewed and the Trustee has decided to terminate the mandate. The investment performance of all funds was reviewed at the annual Trustee Board meeting but also on a quarterly basis. This includes how the default and non-default funds are delivering against their specific targets. There remains no set duration for manager appointments. Furthermore, there were no appointments were terminated during the year

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments

DB	DC
Policy	*Policy*
The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP: • Objectives (SIP Section 2) • Investment Policy (SIP Section 3) • Investment Management (SIP Section 6) • Types of Investment (SIP Section 8)	The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP: • Objectives (SIP Section 2)
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
The Trustee regards the basic distribution and balance of the assets to be appropriate for the Scheme's objectives and liability profile.	The range of funds and types of investments available to members continues to be appropriate and provides members with options across the risk/return spectrum.
A number of changes were made in relation to how the assets were invested over the Scheme Year. The Trustee: - Transitioned the Liability Driven Investment ("LDI") portfolio of the Scheme with BlackRock from leveraged to unleveraged gilts. - Terminated the Scheme's Emerging Market Equity mandate with T Rowe Price. - Considered advice regarding de-risking the Scheme in light of the 31 December 2022 Actuarial Valuation.	The investment performance reports provided during the year included how each fund or strategy were delivering against their specific mandates. In April 2023, the Trustee carried out a review of the self-select fund range. The review covered the suitability of the existing self-select fund range. The Trustee agreed to add the LGIM Future World Inflation Sensitive Annuity Aware Fund (formerly known as the LGIM Pre-Retirement Inflation Sensitive Fund) to the Scheme's self-select fund range, however, at the time of writing, the Fund has yet to be implemented.
The revised investment arrangements were assessed to have an expected return sufficient to achieve the funding objective of the Scheme, with a level of investment risk that was consistent with the return.	
The Trustee continued to monitor the Scheme's funding level against pre-defined triggers based on the expected return of the current investment strategy, relative to the required return to reach full funding on a de-risked basis by 31 December 2030.	

Risks, including the ways in which risks are to be measured and managed

DB	DC
Policy	*Policy*
The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:	In determining which investment options to make available, the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

DB	DC
• Risk (SIP Section 11)	The key DC specific risks considered by the Trustee and mitigated through the design of the default or self-select options can be found under the SIP section 11.
How has this policy been met over the Scheme Year?	How has this policy been met over the Scheme Year?
The Trustee considered both quantitative and qualitative measures periodically throughout the Scheme Year as part of its risk monitoring and management framework. These include quarterly investment performance reports, manager due diligence undertaken by the in-house investment team and ESG reviews provided by the EIAG and Mercer amongst others.	There were changes made to the key DC specific risks during the Scheme year. Three additional risks were added to this section; namely, Environmental, Social and Corporate Governance risk, Investment Manager risk and Liquidity risk. As detailed in the risk policy in the SIP, the Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of delegated investment manager / fund managers / funds / asset classes. The Trustee also reviews the performance of the managers on a quarterly basis and may invite the manager (LGIM) to present to the Trustee if there are any concerns on the performance or management team. However, no issues warranted a change in investments / managers over the year to 31 December 2023.

DB and DC
The Trustee maintains a register of key risks, including investment risks, which is maintained by the Trustee's Audit and Risk Committee, which reports to the Trustee. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional action taken.

Section 1:

Engagement Activity by the Trustee & Scheme's Investment Managers

DB Section

Engagement activity is carried out and monitored by the in-house investment team on behalf of the Trustee (in respect of the DB assets). Areas of particular focus in regards to engagements for the Trustee include: climate change, mining safety, nature/biodiversity, modern slavery, 'Big Tech', executive remuneration and sewerage leaks into UK waterways.
The following are examples of significant engagement activities undertaken over the Scheme Year:

Mining Sector

The Trustee has continually engaged with the mining sector, with it being a major stewardship priority of the Trustee since the EIAG published extractive industries advise in 2017.

As part of its engagement efforts the Trustee established and has led an investor coalition of $24 trillion of assets under management to ask for novel disclosures of waste storage sites (tailings storage facilities) across the mining sector. The outcome of this engagement has been that a very significant proportion of the mining sector responded with itemised disclosures. The Trustee subsequently partnered with UNEP and GRID Arendal to collate/standardise the responses and present them to the public through an accessible platform. The Trustee then co-convened an independently chaired Global Tailings Review, and the development of a 'Global Industry Standard on Tailings Management'.

Over the Scheme Year the Trustee saw the first company disclosures against the new standard by the world largest mining companies, covering the facilities that would have 'Very High' or 'Extreme' consequences if they were to fail. All 25 International Council on Mining and Metals ("ICMM") companies published statements, showing further detail on the management of 113 'Extreme' and 125 'Very High' facilities. Approximately 60% of the facilities were reported as 'in conformance' with the global standard, and about 40% were reported as not-yet-in-conformance. The Trustee has continued its engagement with the non-ICMM members, encouraging conformance to the global standard.

Corporate Climate Lobbying

Over the Scheme Year, the Trustee continued its focus on corporate climate lobbying following the publication of the Global Standard on Responsible Climate Lobbying in 2023. The Trustee believes such engagement is important given the advocacy and lobbying undertaken by companies and sectors in the Scheme's portfolio can delay or block effective climate policy in jurisdictions around the world. Such lobbying slows down the transition, makes it more likely that we will fail to meet the temperature goals of the Paris Agreement globally, and is a poorer outcome for the Trustee's portfolio and Scheme Members.

The Trustee over 2023 led significant advocacy within the responsible investment sector on lobbying including speaking at events including RI Europe, the Interfaith Centre on Corporate Responsibility, Institutional Investors Group on Climate Change working groups for the autos, utilities and industrials sectors, and a ChapterZero event. The Trustee also publicly pre-declared its intention to vote against management at three companies on lobbying – National Grid, Toyota and Volkswagen.

In the area of corporate climate lobbying the Trustee saw significant engagements with National Grid over 2023, after they identified the company was yet to publish a public disclosure of their corporate climate lobbying approach, public policy positions and industry associations. In part prompted by the Trustee's own leadership on this issue, these disclosures have become a mainstay of good climate governance. As a key operator of energy infrastructure in the UK and an important electricity and gas retailer on the east coast of the United States, the company will play an important role in the transition to net-zero in both countries.

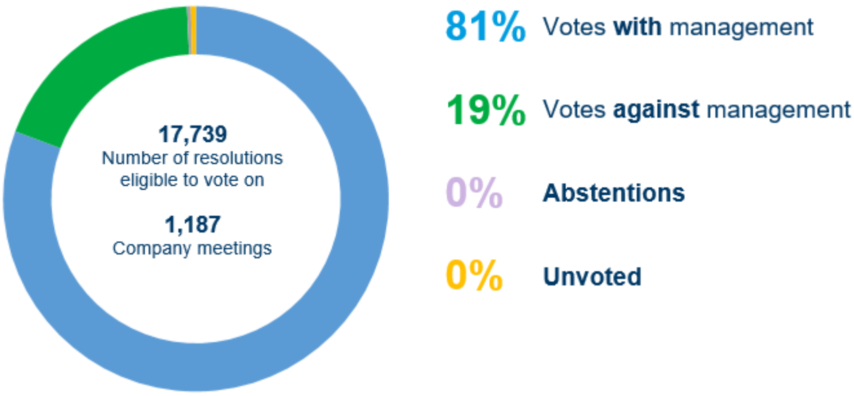
The Trustee engaged intensively with National Grid during the first months of 2023, but were unable to secure a clear commitment from the company in the lead up to their July Annual General Meeting. In late June, two weeks prior to the National Grid AGM, the Trustee pre-declared its intention to vote against the Chair and CEO, based on this lack of commitment. Following some media attention after this public declaration the company agreed to reverse their position, and is due to publish its first lobbying review which is expected to be released in April 2024.

Section 2:

Voting Activity during the Scheme year

DB Section

The Trustee's policy is to fully exercise its responsibilities as an asset owner, so the Trustee maintains full discretion over voting activity (in respect of the relevant voting assets (equities)). This is administered by the in-house team using a platform provided by Institutional Shareholder Services, with input from the Trustee's Ethical Investment Advisory Group. As an active voter the Trustee exercises its voting rights in line with its comprehensive voting policy and according to its stewardship priorities.
Further details are set out in Section 8 ("Ethical and Responsible Investment") of the SIP.
During the Scheme Year 17,623 votes have been cast in regards to the Scheme's holdings, with a full disclosure of this voting information available (along with rationales) on the Trustee's website. Voting was conducted in line with the Scheme's comprehensive voting policy and according to its stewardship priorities.
Set out below is a summary of voting activity for this reporting period relating to the Scheme.



Most significant votes
The Trustee has classified a significant vote for the DB section as any vote against management as a result of one of the Trustee's voting policies. The Trustee is required to report on all votes they believe are the 'most significant', and these are shown below.
Further details including further examples of voting activity over the Scheme Year can be found in the Trustee's Stewardship Report.

DB Section Votes

	Vote 1	Vote 2	Vote 3
Company	Shell Plc	Apple Inc	Danske Bank A/S
Date of Vote	23/05/2023	10/03/2023	16/03/2023
Why was vote considered significant	Escalation following relentless engagement and a lack of progress towards an orderly climate transition	Vote went against one of the Board's voting policies	
Approximate size of holding at date of vote (as a % of portfolio)	0.001%	0.002%	0.001%
Summary of resolution	Re-Elect Board Directors	Report on Median Gender/Racial Pay Gap	Climate Action Plan: Direct lending; and Climate Action Plan: Asset Management
How Trustee voted	Against all reappointments	For report	For climate action plan, For direct lending and asset management policy
If the vote was against	The Trustee have had longstanding engagement		

management, did the Trustee communicate their intent to the company ahead of the vote?	with Shell and had been communicating with them ahead and after the AGM.	No, however, the Trustee votes consistently year on year, and follow up votes against management with engagement for our top 50 equity holdings.	
Rationale for the voting decision	Shell has failed to adequately address its climate risks in the latest report. Since signing the Paris Agreement, Shell has shown a lack of adequate targets, including Scope 3 targets which relate to intensity reduction rather than absolute emission reduction. Furthermore, though Shell has short and medium-term targets, there is concern that these are not completely aligned with the Paris Agreement, which is focused on 1.5d. The absence of adequate targets can only be viewed as an indicator of governance shortcomings.	The Trustee has consistently voted for this type of proposal which has been put forward at some of US largest corporation (American Express, Morgan Stanley, Facebook). Given the CIG effort to bring pay fairness into their voting, the Trustee are normally supportive of this type of proposal.	Revisiting the company's policy for direct lending in its "Climate Action Plan" and "Position Statement on Fossil Fuels" will allow it to examine whether the short-term loans, loans to upstream service companies and ring-fenced loans, mentioned above, are necessary for the bank's business model. It will also strengthen the companies commitment to their progressive Climate Action Plan.
Outcome of the vote	Shareholders supported director re-elections with individual support ranging between 93%-99%	66% of shareholders voted against the resolution	94% of shareholders voted against the direct lending and asset management policy climate action plan
Next Steps	In June 2023, the Church of England Pensions Board announced its disinvestment from Shell plc and other remaining oil and gas holdings. This decision followed more than a decade of engagement with the sector, including a focussed period of engagement from 2019-2023, where companies needed to meet specific hurdles in order to remain investible. The engagement programme aimed to bring companies emissions reduction targets and transition plans in alignment with 1.5C pathways as independently assessed by the Transition Pathway Initiative. In 2023, unfortunately no company met this expectation and the decision was made to divest remaining holdings.	On gender diversity more broadly, the Trustee continues to act to improve standards in the boardroom and industry through the Asset Owner Diversity Charter, of which they were a founding signatory. The charter "is a commitment by firms to work together to build an industry which represents a more balanced and fair representation of diverse societies. "The charter reflects both the Board and other "asset owners' aspirations to see diversity balance at all levels across financial firms". A balanced workforce is good for business, consumers, profitability and culture.	The Trustee has joined the Institutional Investor Group on Climate Change ("IIGCC") banks working group and taking a lead on several of the engagements. The Net Zero Standards for banks, developed by the group in consultation with the Transition Pathway Initiative, works alongside TPI's banking assessment framework to support investor engagement with banks. The trustee will be using the TPI framework as an input when reviewing are votes at banks AGM's this year.

	Vote 4	Vote 5	Vote 6
Company	Nippon Steel Corp.	Amazon.com	Tyson Foods
Date of Vote	23/06/2023	24/05/2023	09/02/2023

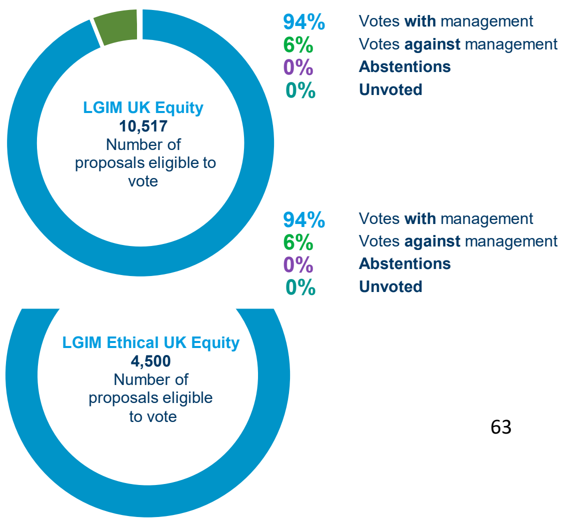
Why was vote considered significant	Escalation of engagement though the investor mining and tailings safety initiative	Vote went against one of the Board’s voting policies	
Approximate size of holding at date of vote (as a % of portfolio)	0.003%	0.002%	0.001%
Summary of resolution	Re-elect Chair	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains
How Trustee voted	Against re-election of Chair of Board	For	For
If the vote was against management, did the Trustee communicate their intent to the company ahead of the vote?	The Church of England Pensions Board have been engaging with mining companies through the Investor Mining and Tailings Safety Initiative.	No, however, the Trustee votes consistently year on year, and follow up votes against management with engagement for their top 50 equity holdings.	
Rationale for the voting decision	The company have not responded to the disclosure request made by the Investor Mining and Tailings Safety Initiative.	The provision of a report on these matters is seen as an enhancement to shareholders understanding of the company's role in these matters.	The provision of a report on these matters is seen as an enhancement to shareholders understanding of the company's role in these matters.
Outcome of the vote	Shareholder support in favour of Chair re-elections was 88%.	65% of shareholders voted against the resolution	95% of shareholders voted against the resolution
Next Steps	In January 2023 the Trustee announced a new Independent Global Tailings Management Institute to continue to drive mining industry safety standard. The Trustee recognises the mining industry’s important role in society and aim to ensure the sector leaves a positive legacy by addressing key systemic risks holistically. They have engaged with all companies to seek commitments to operate to the new Global Industry Standard on Tailings Management and where they have holdings have said they would vote against the Chair. The Trustee has continued to engage with the sector and are now working closely with other investors and are	The Trustee continues to monitor developments at the company.	The Trustee has been participating in an asset owner working group on antimicrobial resistance (“AMR”) since 2023, building on their involvement with the Cambridge Universal Owners Initiative that identified AMR and Biodiversity as two systemic priorities for attention among asset owners. The Trustee continues to work with group chair HESTA (an Australian pension fund), and other investors in order to raise awareness and identify where their efforts might add value to addressing these risks.

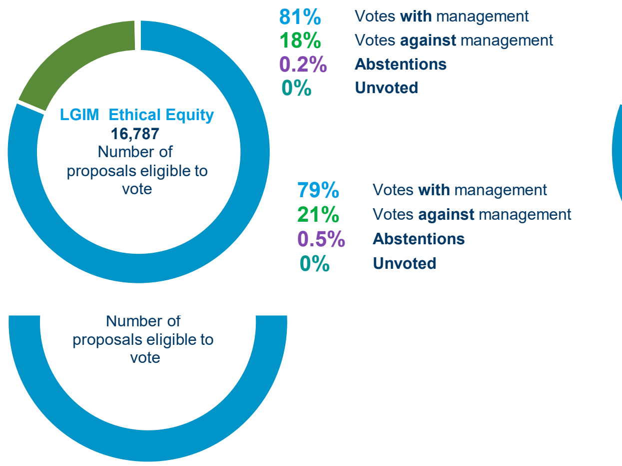
	considering filing a shareholder resolution.		

	Vote 7
Company	National Grid
Date of Vote	10/07/2023
Why was vote considered significant	The Trustee had been engaging with National Grid to secure a commitment to publish a public disclosure of their corporate climate lobbying approach.
Approximate size of holding at date of vote (as a % of portfolio)	0.001%
Summary of resolution	To undertake and publish a review of direct and indirect climate lobbying activity
How Trustee voted	Reappointment of Chair and CEO
If the vote was against management, did the Trustee communicate their intent to the company ahead of the vote?	Regarding the Chair and CEO, the Church of England Pensions Board had been engaging directly with National Grid. Two weeks prior to the National Grid AGM, the Trustee pre-declared its intention to vote against the Chair and CEO, based on a lack of commitment to publish their approach to corporate climate lobbying. This attracted considerable media attention.
Rationale for the voting decision	Within a week of pre-declaring our voting intention the company agreed to reverse their position on producing a lobbying report. As a result we supported the reappointment of the Chair and CEO. The lobbying review is due to be published April 2024
Outcome of the vote	99% of shareholders voted FOR the reappointment of the CEO and 96% For the Chair
Next Steps	We have continued to engage with National Grid on lobbying and its transition plan and maintain a positive, constructive and two-way dialogue with the company. We await publication of the lobbying report in April 2024

DC Section

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC section of the Scheme.





Source: Investment managers, data may not sum due to rounding.

Most significant votes

The following table provides examples of voting issues that arose in respect of the Scheme's funds (those that hold equities with voting rights), that are considered significant by the Trustee. The two largest holdings in each fund that had a vote that relate to one of the Trustee's stewardship priorities have been included; not all of the Trustee's stewardship priorities are represented in the table below.

Please note, if the manager voted against management, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an Annual General Meeting ("AGM") as the company engagement is not limited to shareholder meeting topics. In some cases, LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.

DC Section Votes

	Vote 1,2,3	Vote 4	Vote 5
Fund	UK Equity, Ethical UK Equity, Global Equity	UK Equity	Ethical UK Equity
Company	Shell Plc	Glencore Plc	Experian Plc
Date of Vote	23/05/2023	26/05/2023	19/07/2023
Why was vote considered significant	Relates to climate change, which is one of the Trustee's stewardship priorities.		Relates to Diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.
Approximate size of holding at date of vote (as a % of fund)	6.96%, 9.45%, 2.11%	2.41%	1.58%
Summary of resolution	Approve the Shell Energy Transition Progress	Resolution in Respect of the Next Climate Action	Re-elect Mike Rogers as Director
How Manager voted	Against (against management recommendation)		Against
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.	Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least one female.
Outcome of the vote	Resolution passed	Resolution failed	Resolution passed
	Vote 6	**Vote 7**	**Vote 8**
Fund	Ethical UK Equity	Ethical Global Equity	Overseas Equity
Company	Flutter Entertainment Plc	NVIDIA Corporation	Amazon.com, Inc.
Date of Vote	27/04/2023	22/06/2023	24/05/2023

Why was vote considered significant	Relates to Diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities		
Approximate size of holding at date of vote (as a % of fund)	1.46%	2.60%	1.60%
Summary of resolution	Re-elect Gary McGann as Director	Elect Director Stephen C. Neal	Report on Median and Adjusted Gender / Racial Pay Gaps
How Manager voted	Against (against management recommendation)	Against (against management recommendation)	For (Against Management Recommendation)
Rationale for the voting decision	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least one female.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives.
Outcome of the vote	n/a	n/a	Resolution failed