The Church of England Funded Pensions Scheme

Annual Report and Financial Statements
31 December 2021

Contents

Trustee's report

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

Scheme constitution and relationship to the Church of England Pensions Scheme

The Scheme was established in accordance with the Pensions Measure 1997 and commenced on 1 January 1998 to provide defined benefit pensions for clergy and others in the stipendiary ministry.

Benefits arising from service prior to 1998 are the liability of The Church of England Pensions Scheme ("CEPS"), which is wholly funded by the Church Commissioners. The Board administers the CEPS on behalf of the Church Commissioners and, from the members' perspective, runs the CEFPS and the CEPS seamlessly. 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 CEFPS makes these payments on behalf of the Church Commissioners and is fully reimbursed by them for the pre-1998 element they are responsible for funding. These amounts are not included in the financial statements of the CEFPS.

Scheme management

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

Board Members (1 January 2021 to 14 July 2022)

Trustee's report (continued)

Scheme advisors

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

Actuary	Aaron Punwani, Lane Clark and Peacock LLP	
Independent auditors	Crowe U.K. LLP	
Bankers	Lloyds Bank plc	
Investment Advisors	Mercer Ltd	
Investment Custodians	Northern Trust Company Ltd	
Investment Managers (Scheme)	BlackRock Investment Management (UK) Limited	
Investment Managers (Common Investment Fund)	Acadian Asset Management (until April 2021) Antin Infrastructure Partners Arrowstreet Capital (until May 2022) Audax Group Basalt Infrastructure Partners Blackstone Cambridge Associates CBRE Global Investors Colchester Global Investors DBL Partners DIF Management	EQT Infrastructure Partners Igneo (formerly First Sentier) Generation Investment Management LLP GW&K H.I.G. Capital Insight Investment Management I Squared Global Capital KKR & Co. LP Legal & General Northern Trust Global Investors T Rowe Price International Ltd

Investments

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 1998. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, to which the smaller schemes would not have access on their own. The CEIFP's annual report and financial statements are attached at Appendix 2.

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

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

Members can make additional voluntary contributions to secure additional benefits. These are invested in a segregated pool of investments and managed separately.

Rule changes

There were no changes to the Scheme's rules during 2021. A full copy of the Scheme's rules is available on request.

Financial developments

There were no significant financial developments within the Scheme during the year. Information about the CEIFP's own financial developments in the year are set out in its Trustee's Report in Appendix 2.

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41(1) and (6) of that Act. In accordance with the amendment to the Audited Accounts Regulations effective from 1 April 2016, an auditor's statement about contributions is not required for the Scheme as it is a multi-employer scheme with more than 20 participating employers

Going Concern

There has been no significant impact on contributions received from employers, as a result of the impact of the COVID-19 pandemic, and benefits have continued to be paid when due.

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

Trustee's report (continued)

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

	Active	Deferred	Pensioners	Beneficiaries	**Total**
At 1 January	8,134	2,541	10,567	3,780	25,022
Prior period adjustment	1	-	6	(1)	6
New members joining	445	-	-	-	445
Members retiring	(332)	(128)	460	-	-
Members leaving prior to pension age	(289)	289	-	-	-
Deaths	(11)	(5)	(414)	(252)	(682)
Re-entrants (*)	72	(71)	(1)	-	-
New spouse and dependant pensions	-	-	-	239	239
Ceased (e.g. dependant children turning 18/23)	-	-	-	(5)	(5)
Transfers out	-	(7)	-	-	(7)
Other	(1)	(3)	(1)	-	(5)
Total at 31 December	**8,019**	**2,616**	**10,617**	**3,761**	**25,013**

Note: Total number of pensioners receiving pensions and deferred members in the table above include both the CEFPS and the CEPS.

(*) Re-entrants are those members who have re-entered the scheme, having previously ceased to be a member of the scheme.

Pension Increases
The CEFPS rules state that increases will be at the rate of the change in the Retail Prices Index ("RPI") up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS from 1 April in the following year.

The increase in RPI in the year to 30 September 2021 was 4.9% (2020: 1.1%). Pensions in payment were increased on 1 April 2022. Pensions earned before 1 January 2008 were increased by 4.9%, pensions earned after 1 January 2008 are subject to a maximum increase of 3.5%, so were increased by 3.5% (2021: 1.1%). There were no discretionary increases.

Member benefit augmentation
At the point of retirement, the benefits payable to certain pensioners are enhanced on grounds of ill-health or financial need. The cost of the augmented benefits is met by the Church Commissioners and the General Purposes Fund of the Board as part of their charitable activities.

Transfers
As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's Actuary. No discretionary benefits are included.

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 following actuarial advice and having consulted with the responsible bodies (see note 1), and 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 a full 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 2018. This showed that on that date:

- the value of the Technical Provisions was £1,868 million; and
- the value of the net assets (excluding AVCs) was £1,818 million; and
- the deficit was £50 million.

The next valuation is due to be carried as at 31 December 2021.

Trustee's report (continued)

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

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

Significant actuarial assumptions

Discount rate	3.2% p.a.
RPI	3.4% p.a.
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.2% p.a.
Increasing in line with RPI (capped at 3.5%)	2.7% p.a.
Rate of increase of pensionable stipends	3.4% p.a.
Post-retirement mortality	95% of the S3NA_LV tables projected from 2013 in line with the CMI 2018 extended model with a long-term annual rate of improvement of 1.5% for both males and females

As a result of this last actuarial valuation, as at 31 December 2018, the Trustee set the recovery period (the period over which the actuarial deficit is targeted to be eliminated) at 4 years from 1 January 2018. The contribution rates of pensionable stipend were set as shown in the table below:

	Until 31 March 2022 %	From 1 April 2022 to 31 December 2023 %	From 1 January 2024 %
Normal contributions	26.5	31.3	31.3
Deficit contributions	11.9	3.2	-
Contributions towards administration expenses	*1.5	*1.5	*1.5
Total contribution	39.9	36.0	32.8

* The allowance for expenses is 1.2% for the Church Commissioners and the Dioceses, with additional contributions of 0.3% of pensionable stipends paid to the Board towards the expenses of administering the Church of England Pensions Measures scheme. For the other Responsible Bodies, the allowance for expenses is 1.5% of pensionable stipends less an annual rebate calculated as £70 p.a. per full-time member in active service each 31 December.

Investment management
At the end of 2021, the investments of the Scheme were as set out below. Detailed information on the performance, management and investment risks of the CEIFP is set out in Appendix 2.

	2021 £'000	**2020 £'000**	Nature of investment
Return seeking investments			
CEIFP – Public Equity Pool	**1,184,759**	1,206,419	Public equities
CEIFP – Diversified Growth Pool	**296,980**	206,748	Property unit trusts, private equity and emerging markets sovereign debt
CEIFP – Diversified Income Pool	**546,499**	492,825	Private infrastructure equity, private debt
CEIFP – Liquidity Pool	**83,618**	47,455	Cash
Liability matching investments			
CEIFP – Listed Credit Pool (formerly known as Liability Matching Pool)	**47,799**	49,607	High quality corporate bonds
Liability Driven Investments ("LDI")	**561,647**	372,101	Gilts and cash held for reinvestment into gilts
AVCs			
Additional Voluntary Contributions	**37,976**	33,212	Unit trusts, see below
Other			
Other investment balances	**(59)**	7	
Total at 31 December	**2,759,219**	**2,408,374**	

Investment strategy and principles
The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

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

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. Copies of the SIP may be obtained from the contact details shown at the end of this report. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Trustee's report (continued)

Investment strategy and principles (continued)
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 sponsors regularly, including on material non-financial matters. 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.

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.

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 a portfolio of Gilts outside the CEIFP in its LDI account. The gross value of the LDI assets is £477.1m (2020: £451.8m), with net repurchase agreements of £73.3m (2020: £86.5m). An additional £11.3m is held within the LDI account as cash for reinvestment. The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Scheme's investments, other than pooled investment vehicles ("PIV"), where the manager makes its own arrangements for the custody of underlying investments.

Investment performance
Index-linked Gilts posted gains over the year, with the FTSE Over 5-Year Index-linked Gilt index increasing by 4.2% in 2021. The Scheme's LDI gains were 3.13% in 2021 and 17.41% for the three years ended 31 December 2021.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and 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 are invested separately in vehicles chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the provider.

Since 1 April 2011, Legal and General Investment Management ("Legal and General") have been the sole AVC provider for contributions received after this date.

Members are provided a wider range of investment choices with Legal and General:

- a core lifestyle arrangement with two options including ethically invested funds; and

- a menu consisting of a more comprehensive range of UK and global passively managed funds including both UK and global ethically invested funds, balanced equity funds, corporate bond funds, gilts funds, and a cash fund.

At the end of 2021 1,725 members (2020: 1,780) had contributions invested under the voluntary arrangements of whom 1,272 (2020: 1,150) were current contributors.

Employer related investments
Details of employer related investments are given in note 15 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 Statement of Trustee's Responsibilities set out on page 8 were approved by the Trustee on 14 July 2022 and signed on its behalf by:

Clive Mather
Chairman

Statement of Trustee's Responsibilities

The Church of England Pensions Board is Trustee of The Church of England Funded Pensions Scheme.

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.

Independent Auditors' report to the Trustee of The Church of England Funded Pensions Scheme

Opinion

We have audited the financial statements of The Church of England Funded Pension Scheme ('the Scheme') for the year ended 31 December 2021 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

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

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

Independent Auditors’ report to the Trustee of The Church of England Funded Pensions Scheme (continued)

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Use of our report

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

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 14/07/2022

Fund Account for the year ended 31 December 2021

	Notes	2021	2020
		£000	£000
Contributions and other income			
Employer contributions	4	76,515	75,394
Employee contributions	4	3,693	3,291
Transfers in	4	1,472	988
Other income	4	2,374	2,352
Total contributions and other income		84,054	82,025
Benefits			
Benefits paid or payable	5	(55,772)	(50,629)
Transfers out		(1,284)	(1,242)
Administrative expenses	6	(2,442)	(2,898)
Total benefits and other expenses paid		(59,498)	(54,769)
Net additions from dealings with members		24,556	27,256
Returns on investments			
Investment income	7	(265)	(1,244)
Change in market value of investments	8	325,756	211,339
Investment management expenses		(448)	(440)
Net returns on investments		325,043	209,655
Net increase in fund		349,599	236,911
Opening net assets		2,411,659	2,174,748
Closing net assets		2,761,258	2,411,659

Notes 1 to 17 form part of these financial statements.

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

	Notes	2021 £000	2020 £000
Investment assets			
Pooled investment vehicles	8	2,170,912	2,009,866
Bonds	8	477,100	451,833
AVC investments	8	37,976	33,212
Cash	8	(59)	7
Amounts receivable under reverse repurchase agreements	8	98,871	358,055
Total investment assets		2,784,800	2,852,973
Investment liabilities			
Amounts payable on repurchase agreements	8	(25,581)	(444,599)
Total investment liabilities		(25,581)	(444,599)
Total net investments		2,759,219	2,408,374
Current assets	9	5,255	5,462
Current liabilities	10	(3,216)	(2,177)
Net current assets		2,039	3,285
Total net assets available for benefits		2,761,258	2,411,659

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 Scheme, which does take into account such obligations, is described in the report on actuarial liabilities on page 4, and these financial statements should be read in conjunction with this report.

Notes 1 to 17 form part of these financial statements.

These financial statements were approved by the Trustee on 14 July 2022 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status
The Church of England Funded Pensions Scheme (the "Scheme") is an occupational pension scheme established under trust. The Scheme was established in accordance with the Pensions Measure 1997 to provide retirement benefits to the clergy and others in the stipendiary ministry.

Many clergy (e.g. parish priests) are office holders rather than employees so those organisations responsible for paying their stipends and pension contributions are known as 'responsible bodies'. For consistency with the Pensions SORP and comparability with the financial statements of other pension schemes, these financial statements use the term 'employer' for both actual employers as well as for the 'responsible bodies'. Likewise, the term 'employee' in these financial statements means actual employees as well as office holders and other stipendiary clergy who are members of the Scheme.

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.

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 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, and administration costs 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 for AVCs are accounted for on the accruals basis in the payroll month to which they relate.

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 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 AVC investments are also in accumulation funds, which do not pay out investment income.

Investment income
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.

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 AVC investments are valued based on prices reported by the AVC providers.

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.

Bonds
Bonds are included at the 'clean' price i.e. excluding any accrued income. Any accrued income is included in other investment balances

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) Repurchase agreements
Under repurchase (repo) agreements - the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are not included as scheme assets.

h) Foreign currencies
The Scheme's functional currency and presentational currency is pounds sterling.

4. Contributions and other income

	2021 £000	2020 £000
Employer contributions		
Normal	61,909	51,981
Deficit	14,091	23,322
For supplementary pensions and augmentation grants	479	74
Other	36	17
Total employer contributions	76,515	75,394
Employee contributions		
AVC	3,693	3,291
Total employee contributions	3,693	3,291
Transfers in		
Individual transfers in from other schemes	1,472	988
	1,472	988
Other income		
Contribution for administration costs	2,374	2,352
	2,374	2,352

The Board, from its General Purposes Fund, and the Church Commissioners reimburse the CEFPS the cost of paying supplementary pensions and augmentation grants paid to certain pensioners and surviving spouses/civil partners of deceased members who are in particular need, in addition to standard benefits payable (see note 5).

Notes to the financial statements (continued)

4. Contributions and other income (continued)

At 31 December 2018, the Trustee set the recovery period (the period over which the actuarial deficit is targeted to be eliminated) at 4 years from 1 January 2018. Future contribution rates will be reviewed as part of the actuarial valuation currently in progress. The current contribution rates of pensionable stipend were set as shown in the table below:

	Until 31 March 2022 %	From 1 April 2022 to 31 December 2023 %	From 1 January 2024 %
Normal contributions	26.5	31.3	31.3
Deficit contributions	11.9	3.2	-
Contributions towards administration expenses	*1.5	*1.5	*1.5
Total contribution	39.9	36.0	32.8

* The allowance for expenses is 1.2% for the Church Commissioners and the Dioceses, with additional contributions of 0.3% of pensionable stipends paid to the Board towards the expenses of administering the Church of England Pensions Measures scheme. For the other Responsible Bodies, the allowance for expenses is 1.5% of pensionable stipends less an annual rebate calculated as £70 p.a. per full-time member in active service each 31 December.

5. Benefits paid or payable

	2021 **£000**	**2020** **£000**
Benefits		
Pensions (including supplementary pensions and augmentation grants)	39,109	36,721
Retirement lump sums	15,621	13,279
Lump sum death benefits	992	605
Commutations	50	24
Total benefits	55,772	50,629

6. Administrative expenses

All costs relating to the administration of the Scheme are paid by the Board in the first instance and recovered from the Scheme by way of an administration charge. This covers professional fees, staff costs and shared service costs. A breakdown of the costs is shown below:

	2021 **£000**	**2020** **£000**
Actuarial fees	444	401
Audit fees	43	41
Pension levy	128	120
Investment services	1,534	1,646
Legal advice	195	88
Administration costs	1,384	1,427
VAT rebate	(1,286)	(825)
Total administrative expenses	2,442	2,898

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.

7. Investment income

	2021 **£000**	**2020** **£000**
Bonds	558	3,348
Deposit interest	2	7
Amounts payable on repurchase agreements	(825)	(4,599)
Total net investment income	(265)	(1,244)

Notes to the financial statements (continued)

8. Investments

Repurchase agreements

At the year-end, amounts payable under repurchase agreements amounted to £25.6m (2020: £444.6m) and amounts receivable under reverse repurchase agreements amounted to £98.9m (2020: £358.0m). Within Bonds reported in Scheme assets, £26.02m (2020: £238.8m) are held by counterparties as collateral under repurchase agreements. Bonds with value of £96.8m (2020: £337.0m) are held as collateral under reverse repurchase agreements.

Transaction expenses

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.

The Scheme incurred £426,000 (2020: £407,000) in fees from Blackrock and £1,476,000 (2020: £1,219,000) in relation to specific repurchase activity. Custody charges are negligible.

The Scheme's directly held investments are registered in the UK. 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.

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

	At 1 January £000	**Purchases at cost £000**	**Sales proceeds £000**	**Change in market value £000**	**At 31 December £000**
Pooled investment vehicles (CEIFP)					
Public equity pool	1,206,419	12,000	(235,392)	201,732	**1,184,759**
Diversified growth pool	206,748	46,783	-	43,449	**296,980**
Diversified income pool	492,825	14,620	(6,609)	45,663	**546,499**
Listed credit pool	49,607	20,060	(20,896)	(972)	**47,799**
Liquidity pool	47,455	264,829	(228,618)	(48)	**83,618**
Total pooled investment vehicles (CEIFP)	2,003,054	358,292	(491,515)	289,824	**2,159,655**
Pooled investment vehicles (cash)	6,812	201,322	(196,877)	-	**11,257**
Bonds	451,833	18,515	(25,500)	32,252	**477,100**
AVC investments					
Legal & General Group AVC scheme	27,050	5,902	(3,649)	3,705	**33,008**
Re-assure Company sponsored	4,084	-	(785)	(101)	**3,198**
Prudential	2,078	-	(384)	76	**1,770**
Total AVC investments	33,212	5,902	(4,818)	3,680	**37,976**
Cash	7				**(59)**
Amounts receivable on reverse repurchase agreements	358,055				**98,871**
Amounts payable on repurchase agreements	(444,599)				**(25,581)**
Total net investments	**2,408,374**			**325,756**	**2,759,219**

9. Current assets

	2021 £000	**2020 £000**
Debtors		
Employer contributions	26	10
Trustee	214	318
Other debtors	333	111
Total debtors	573	439
Cash	4,682	5,023
Total current assets	5,255	5,462

Amounts owed from the Trustee represent money paid in advance to the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

Notes to the financial statements (continued)

10. Current liabilities

	2021	2020
	£000	£000
Unpaid benefits	913	119
Tax payable – PAYE and NI	1,737	1,694
Other creditors	566	364
Total current liabilities	3,216	2,177

11. Fair value of investments

The fair value of investments has been determined using the following fair value 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 31 December at fair value within these levels as follows. The CEIFP's fair value hierarchy is that of the underlying assets held by the Scheme.

	1	2	3	Total
	£000	£000	£000	£000
At 31 December 2021				
Pooled investment vehicles	1,313,756	115,328	741,828	**2,170,912**
Bonds	-	477,100	-	**477,100**
AVC investments	-	36,282	1,694	**37,976**
Cash and cash equivalents	(59)	-	-	**(59)**
Amounts receivable on reverse repurchase agreements	-	98,871	-	**98,871**
Amounts payable on repurchase agreements	-	(25,581)	-	**(25,581)**
Total investments	1,313,697	702,000	743,522	**2,759,219**

	1	2	3	Total
	£000	£000	£000	£000
At 31 December 2020				
Pooled investment vehicles	1,295,083	120,786	593,997	**2,009,866**
Bonds	-	451,833	-	**451,833**
AVC investments	-	31,134	2,078	**33,212**
Cash and cash equivalents	7	-	-	**7**
Amounts receivable on reverse repurchase agreements	-	358,055	-	**358,055**
Amounts payable on repurchase agreements	-	(444,599)	-	**(444,599)**
Total investments	1,295,090	517,209	596,075	**2,408,374**

Pooled investment vehicles includes the fair value levels of the underlying investments in the Church of England Investment Fund for Pensions. For more details, see Appendix 2, Note 9.

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	**2021**	**2020**
					£000	**£000**
Pooled investment vehicles (CEIFP)	(see Investment Risks for the CEIFP in Appendix 2)				**2,159,655**	2,003,054
Pooled investment vehicles (cash)	●	○	●	●	**11,257**	6,812
Bonds	◑	○	◑	◑	**477,100**	451,833
Total LDI investment					**488,357**	458,645
AVCs	(not considered significant in relation to overall Scheme risks)				**37,976**	33,212
Cash and cash equivalents	◑	○	◑	○	**(59)**	7
Amounts receivable on reverse repurchase agreements	◑	○	●	●	**98,871**	358,055
Amounts repayable on repurchase agreements	◑	○	●	●	**(25,581)**	(444,599)
Total investments					**2,759.219**	2,408,374

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 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.

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.

Investment strategy

The split between return seeking and liability matching assets is determined by the characteristics of the Scheme, in particular its demographic profile, the spread of time over which its liabilities fall due, its funding level and the appetite for risk of the Trustee and the Scheme's sponsors. The allocation to inflation matching assets is calculated as a percentage of pensioner liabilities, moving from 33% to 70% by December 2030.

Most of the liability matching investments are held in a separate LDI account, which is constructed to reflect the profile of 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.

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 Scheme is subject to credit risk through its investments in bonds, repurchase agreements, short term borrowings and cash balances. The Scheme 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.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's. There are currently no investments held below investment grade.

Notes to the financial statements (continued)

12. Investment risk disclosures (continued)

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

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

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

	2021	**2020**
	£000	**£000**
UCITS	11,257	6,812
Common Investment Fund	2,159,655	2,003,054
Total pooled investment vehicles	2,170,912	2,009,866

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Scheme is not subject to currency risk as its assets are denominated in sterling.

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 Scheme is subject to interest rate risk due to its bonds holdings and because the discount rate used to measure the Scheme's actuarial liabilities are derived from prevailing interest rates.

To mitigate this risk, the Scheme invests in a portfolio of assets that generate predictable long term cash flows that will tend to rise in value if interest rates fall. If interest rates fall, the value of the bond portfolio will rise, while the value of the actuarial liabilities also increase as the discount rate falls. Similarly if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Other price risk

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

The Scheme's investments are subject to price risk which principally relates to bonds. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Investment risk in relation to AVC investments

Investment risk relating to the AVC investments is not considered to be significant in relation to the overall investment risks of the Scheme.

Notes to the financial statements (continued)

13. Concentration of investments

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

	2021 £000	%	2020 £000	%
CEIFP public equity pool	1,184,759	42.9	1,206,419	50.0
CEIFP diversified growth pool	296,980	10.8	206,748	8.6
CEIFP diversified income pool	546,499	19.8	492,825	20.4
UK Treasury 0.125% 2029 Index Linked	156,338	5.7	150,095	6.2
UK Treasury 0.125% 2058 Index Linked	162,687	5.9	176,815	7.3

14. AVC investments

AVCs are invested separately from the main defined benefit investments to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Most AVCs are invested in a Group AVC Scheme with Legal and General Investment Management which provides wide investment choice and a single administration platform. The value of this AVC arrangement is £33,008,000 (2020: £27,050,000). Prior to this, AVC contributions were invested with Prudential and another Legal & General fund in with-profits investments totalling £4,968,000 at 31 December 2021 (2020: £6,162,000).

15. Employer related investments

There were no employer-related investments at the year end except for £26,000 (2020: £10,000) of late employer contributions, which represent 0.0009% (2020: 0.0004%) of total net assets.

16. Related party transactions

No Board members (2020: none) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

As disclosed in note 9, £214,000 is owed by the Trustee to the Scheme (2020: £318,000 owed by the Scheme to the Trustee), representing money charged by the Board in advance towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

17. Guaranteed Minimum Pension equalisation

In October 2018, the High Court determined that Guaranteed Minimum Pension benefits provided to members who had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Additionally, in November 2020, the High Court determined that Guaranteed Minimum Pension shortfalls also apply to past transfers. The Trustee is reviewing, with their advisors, the implication of these rulings on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. When this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee. The Trustee estimates that the total cost of equalisation will be immaterial to the Scheme, and so no liability has been included in the financial statements.

Actuary's certification of schedule of contributions

Actuary's certification of schedule of contributions

Church of England Funded Pensions Scheme

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 of England Funded Pensions Scheme**

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 2018 to be met by the end of the period specified in the recovery plan dated 28 March 2022.

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 28 March 2022.

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 March 2022
Name:	*Aaron Punwani* *Appointed Scheme Actuary* *Fellow of the Institute and Faculty of Actuaries*	Address:	Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ

Appendix 1

Ethical Investment Approach of the Church of England Pensions Board

The Church of England has three National Investing Bodies (NIBs): the Church of England Pensions Board, the Church Commissioners for England and the CBF Church of England Funds. The NIBs are asset owners who invest on behalf of many beneficiaries. The way in which they invest forms part of the Church of England's witness and mission.

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

The EIAG consists of a representative of each NIB, and six independent members appointed by the Nominations Committee of the EIAG (which itself includes representatives of General Synod, the Archbishops' Council, the Mission and Public Affairs Council, the Church Investors Group and the NIBs).

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

Stewardship
The NIBs operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which the NIBs invest, and informs the manner in which these duties are performed. The Pensions Board has published a Stewardship Report 2021, which has been submitted to the FRC, in accordance with the FRC Stewardship Code 2020. In 2021 the FRC accepted the Board's 2020 Stewardship Report, and the Board became a signatory to the Stewardship Code. The Code encourages institutional investors to act as good stewards of their investments through active ownership (monitoring, engagement and voting).

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

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

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

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

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

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

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

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

Ethical Investment Approach of the National Church Institutions

Ethical Investment

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

When investing, and based on the advice of the EIAG, the Board applies exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, and high interest rate lending. Details of all of the policies are available on the EIAG's webpages. As a result of the Climate Change Policy a screen has been introduced that excludes companies that derive more than 10% of their total revenue from mining thermal coal and the production of oil from tar sands.

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

• Take a long-term view.
• Select investment managers who are able to analyse and act on the environmental, social and governance issues relevant to their strategies.
• Act as good stewards of its investments including through voting at company general meetings and engaging actively with companies in which the Board invests.
• Promote ethical behaviour, corporate responsibility and sustainability in interactions with investment managers, companies and government.

Implementation of ethical investment policies

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

2021 highlights

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

The Board has prioritised Climate Change and stewardship with the mining industry. Together with the Environment Agency's pension scheme, the London School of Economics and FTSE Russell, the Board established the Transition Pathway Initiative (TPI) in 2017, and the Board continues to act as Chair of TPI. The TPI provides a tool that allows asset owners and investors to monitor the public disclosures made by companies and to assess how they are aligned with the goals of the Paris climate agreement. The extraordinary success of the TPI continues. It has grown to be supported by 120 funds with over $40trn in assets under management (AUM). 2021 marked a "coming of age" for TPI, with the announcement of a TPI Global Climate Transition Centre, which will significantly scale the depth and breadth of TPI's coverage to over 10,000 companies, as well as assess Government Sovereign Bonds. The Centre will be based at the London School of Economics' Grantham Research Institute, with multimillion-pound funding secured to support it. We were delighted that the world's largest fund manager, BlackRock, also announced it would join TPI as a supporter

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

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

In January 2019, in response to the tragic failure of a tailings storage facility at Brumadinho, Brazil, that claimed the lives of 270 people, the Pensions Board issued a call for there to be a global standard and classification system for tailings facilities. Since 2019, the Board and the Council on Ethics of the Swedish Public Pension Funds have acted on behalf of the Principles for Responsible Investment (PRI) as co-convenors of a Global Tailings Review. In this, we have worked alongside the International Council on Mining and Metals (ICMM) and the UN Environment Programme. This Review commissioned the development of a Global Industry Standard on Tailings Management under an independent chair and expert panel. August 2020 saw the launch of a Global Industry Standard on Tailings Management at an online event attended by 2,000 participants. In 2021 and via corporate engagement, we secured commitments from 78 mining companies to adopt or scope the adoption of the GISTM. We plan in 2022 to announce our intention to vote against the Chairs of any mining company that has not committed to adopting the GISTM. In relation to institutional support for the GISTM, in 2021 we partnered with the UN Environment Programme to recruit a senior consultant and convene a multistakeholder advisory council to develop the Global Tailings Management Institute. During 2021, this group met to discuss and agree terms of reference, organisational objectives, operating models/plans, and funding. We intend to announce the launch of the Global Institute later in 2022.

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

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

For further details please see the Stewardship Report 2021 on the Board's website.

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

Appendix 2
The Church of England Investment Fund for Pensions

Annual Report and Financial Statements
31 December 2021

Contents

Trustee's report

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

Scheme constitution and management

The Fund was originally established in 1985 as a common investment fund for pension schemes administered by the Trustee. It is not a pension scheme nor a corporate body in its own right, but is a vehicle to pool the investments of the Board's three pension schemes (the "schemes") in order to diversify the schemes' investments, particularly for the smaller schemes which would not be able to benefit from the breadth of investments available when the assets are pooled. It is a bare trust that operates under a Trust Deed between the member schemes:

- The Church of England Funded Pensions Scheme ("CEFPS");
- Church Workers Pension Fund ("CWPF"); and
- Church Administrators Pension Fund ("CAPF").

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

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

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

Unitisation

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

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

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

Financial developments

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

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

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

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

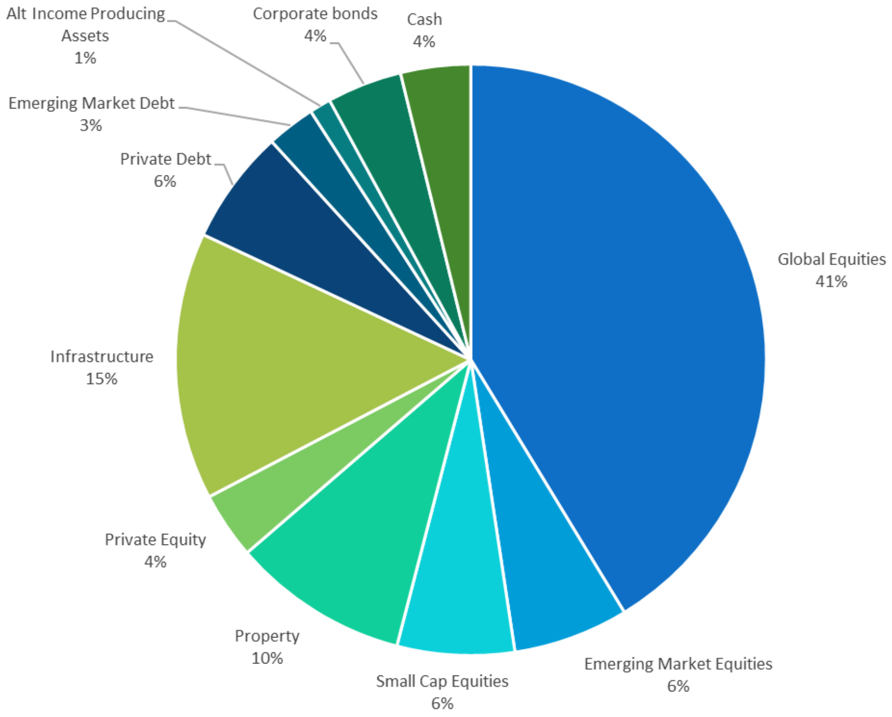
We pool most of the individual pension scheme assets for investment purposes in the CEIFP. This allows our smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise.

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

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

Total Assets in the CEIFP (excluding-LDI holdings)

The chart below shows how our assets were invested in the CEIFP at the end of 2021.



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

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

This is also likely to lead to a further evolution in the type and number of investment managers used within the scheme. At the end of 2021, the Fund's assets within the CEIFP were managed by 20 managers.

Fund manager	Description
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital (Until May 2022)	Small company equities
Audax Group	Portfolio of private loans in the US
Basalt Infrastructure Partners	Pooled infrastructure fund
Blackstone	Alternative income
Cambridge Associates	Private Equity
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
DBL Partners	Venture Capital
DIF Management	Pooled infrastructure fund
EQT Infrastructure Partners	Pooled infrastructure fund
Igneo (formerly First Sentier)	Pooled infrastructure fund
Generation Investment Management LLP	Global equities
GW&K	Emerging market equities
H.I.G Capital LLC	Portfolio of private loans in the US
I Squared Global Capital	Pooled infrastructure fund
Insight	High quality corporate bonds
KKR & Co. L.P.	Pooled infrastructure fund
Legal & General Investment Management	Global equities passively tracking the FTSE TPI Climate Transition Index
T Rowe Price	Emerging market equities

Trustee's report (continued)

Investment Performance

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

Total assets of the three schemes for which the Church of England Pension Board (CEPB) is trustee returned 13.0% over 2021 while the assets within the CEIFP (which excludes the Liability Driven Investment portfolio) returned 14.9%.

The longer-term returns to 31 December 2021 for each of the broad asset classes are set out below. All figures are net of fund management fees and asset class returns are shown in Sterling terms.

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

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

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

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

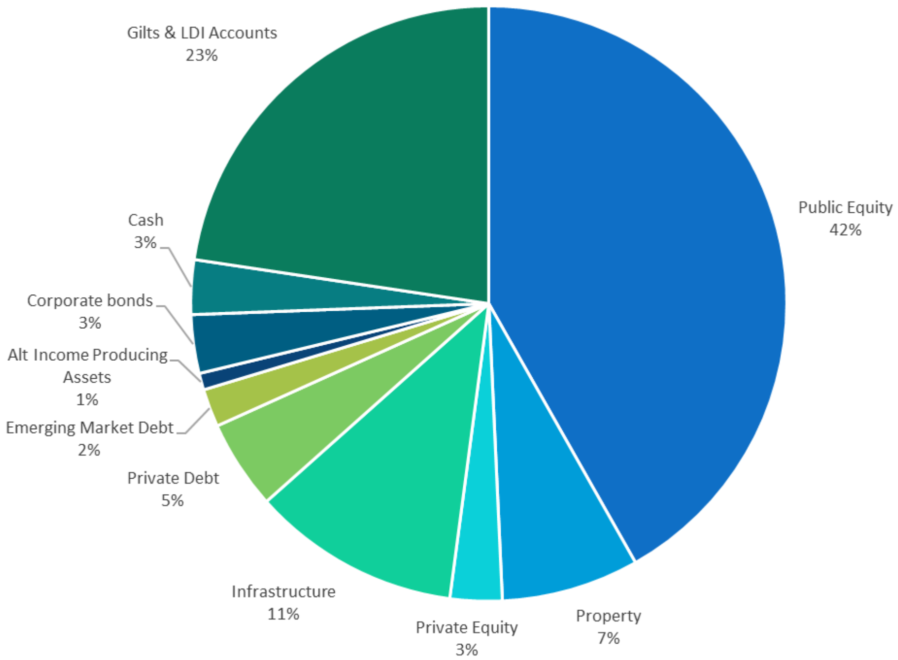
Diversifying and more stable assets also posted reasonable returns. Our diversified income pool of infrastructure and private debt recorded returns of 8.8%. While our listed credit pool suffered modest losses of -2.8%, our Liability Driven Investment portfolio, which sits outside the CEIFP, generated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

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

Further development of our asset allocation will continue throughout 2022, supported by ongoing risk analysis.

Trustee's report (continued)

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



Investment management
The Trustee has delegated the responsibility for the management of investments to an Investment Committee, which is supported by professional in-house staff and external investment managers and advisors. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's Investment Advisor. The Trustee has put in place investment mandates with its investment managers which implement this strategy.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared for each of the schemes participating in the CEIFP by the Trustee. These incorporate the investment strategy for each scheme and are supported by documents that set out how the investment strategy is implemented. Copies of the SIPs may be obtained from the contact details listed in Appendix 1. The investment risks and the strategies in place to mitigate them are described in the notes to the financial statements.

Management and custody of investments
The Trustee has appointed The Northern Trust Company Limited ("Northern Trust") to keep custody of the Fund's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments.

Management charges
Each manager charges fees based on the value of the funds it is managing. In 2021 these fees (including those charged by Northern Trust as custodian) were £6.9m (2020: £6.7m). This equated to 0.25% (2020: 0.28%) of the average value of the funds under management. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

Approval
The Trustee's Report and Statement of Trustee's Responsibilities set out on page 6 were approved by the Trustee on 14 July 2022 and signed on its behalf by:

Clive Mather
Chairman

Statement of Trustee's Responsibilities

In respect of the financial statements

The Church of England Pensions Board is Trustee of The Church of England Investment Fund for Pensions.

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

- give a true and fair view of the financial transactions of the Fund during the year and of the amount and disposition at the end of the year of its assets and liabilities;

- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and

- comply with the requirements of the Trust Deed dated 18 September 1985 (as amended).

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

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

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

Opinion

We have audited the financial statements of The Church of England Investment Fund for Pensions ("the Fund") for the year ended 31 December 2021 which comprise the statement of total return, the statement of changes in net assets attributable to unit holders, the statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2021 and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

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

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

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, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Fund. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.

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

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

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

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

Use of our report

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

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

14/07/2022

Statement of total return for the year ended 31 December 2021

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

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

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

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

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

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

These financial statements were approved by the Trustee on 14 July 2022 and signed on its behalf by:

Clive Mather
Chairman

Notes to the financial statements

1. Legal status

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

2. Basis of preparation

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

3. Accounting policies

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

a) Income and expenditure

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

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

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

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

b) Investment valuation

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

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

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

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

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

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

c) Foreign currencies

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

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

d) Unitisation

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

Notes to the financial statements (continued)

4 Income

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

5 Expenses

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

The Fund bears investment management expenses charged by the investment managers and custodians. Administration costs (including external audit fees) incurred by the Church of England Pensions Board in relation to the CEIFP are borne by the member schemes and are included in the administration expenses in the schemes' own financial statements. The investment managers' fees that we pay are a combination of the amount of assets under management and, for a few managers, the performance fee that they can earn on the funds they manage. The rise in investment management fees reflects both a modest increase in assets under management and more notably the very strong performance of a few managers relative to the market related benchmarks that they have been set.

6 Investments

	At 1 January £000	Purchases and derivative payments £000	Disposals and derivative receipts £000	Change in market value £000	At 31 December £000
Equities	1,439,739	760,261	(1,012,931)	230,237	1,417,306
Bonds	159,196	52,732	(21,780)	(15,328)	174,820
Pooled investment vehicles	763,801	205,772	(129,705)	88,168	928,036
Other investments	59	5,861	(5,738)	(10)	172
Net derivative contracts (note 8)	20,028	111,227	(121,840)	7,704	17,119
	2,382,823	1,135,853	(1,291,994)	310,771	2,537,453
Investment cash	150,233			-	182,607
Other investment balances	7,001			(13)	8,983
Total investments	2,540,057			310,758	2,729,043

Analysed between:

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

Other investment balances include the following balances

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

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

a) Transaction costs

Transaction costs are included in the costs of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred attributable to key asset classes are analysed as follows:

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

Indirect transaction costs are also borne by the Fund through the bid-offer spread on pooled investment vehicles and charges made within these vehicles. It is not possible for the Trustee to quantify such indirect transaction costs.

Notes to the financial statements (continued)

6 Investments (continued)

b) Pooled investment vehicles

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

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

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

7 Investment analysis

Investments of over 5% of net assets

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

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

Employer related investments

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

8 Derivatives

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

Objectives and policies for holding derivatives

The Trustee has authorised its investment managers to use derivative financial instruments in line with the investment strategy as outlined in the Trustee's report: *Futures are used where the Fund has high cash reserves and are measured against the strategic asset allocation. Futures are used to take short term exposures in markets or asset classes where it is more efficient than transacting in the underlying physical assets. Investment managers may take short or long positions to achieve their objectives*. Forwards are used to mitigate currency risk by hedging 50% of equities assets denominated in US Dollar, Japanese Yen and Euro. They are also used actively in the emerging market sovereign debt portfolio to enhance returns.

a) Futures

The Fund had open futures contracts at year end, as summarised below:

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

All contracts have expiry dates between 8 March 2022 and 31 March 2022. Included within other investment balances is an asset of £791,000 (2020: £548,000) in respect of initial and variation margins arising on futures contract open at the year end.

Notes to the financial statements (continued)

8 Derivatives (continued)

b) Forwards foreign currency contracts

The Fund holds investments in a number of foreign currencies and its policy is to hedge within agreed limits, to offset the impact of foreign currency fluctuations.

At the end of the year, the Fund had the following open forward contracts in place:

Contract	Nominal value	Assets at 31 December 2021	Liabilities at 31 December 2021
		£000	£000
US Dollar			
Forward to buy US Dollars	$12,067,482/$66,694,198	373	(868)
Forward to sell US Dollars	$1,154,738/$7,919,000	13,608	(90)
Euros			
Forward to buy Euros	€9,621,693	-	(135)
Forward to sell Euros	€218,903,961	2,256	-
Japanese Yen			
Forward to buy Japanese Yen	¥584,005,480	-	(127)
Forward to sell Japanese Yen	¥8,676,731	1,822	-
Other currencies			
Forward to buy other currencies		29	(441)
Forward to sell other currencies		654	-
		18,742	(1,661)

All contracts had maturity dates falling between 3 January 2021 and 16 March 2021.

9 Fair value hierarchy

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

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

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2021:

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

Analysed by pool:

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

Notes to the financial statements (continued)

9 Fair value hierarchy (continued)

The Fund's investment assets and liabilities have been included at fair value within these levels as follows as at 31 December 2020:

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

Analysed by pool:

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

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

10 Investment risk disclosures

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

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

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

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

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

	Credit risk	Market risk			**Total**	**Total**
		Currency	Interest rate	Other price	**2021**	**2020**
					£000	**£000**
Equities	○	◑	○	●	1,417,306	1,439,739
Bonds	●	◑	●	●	174,820	159,196
Pooled investment vehicles	◑	◑	◑	◑	928,036	763,801
Other investments (net)	●	◑	○	○	172	59
Derivatives contracts (net)	●	◑	◑	◑	17,119	20,028
Investment cash	●	◑	○	○	182,607	150,233
Other investment balances	●	◑	○	○	8,983	7,001
Total investments					2,729,043	2,540,057

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

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

Credit Risk

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

The Fund is subject to credit risk through its investments in bonds, forward currency contracts, and cash balances. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

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

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's. There are currently no investments held below investment grade.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade. Cash is held with financial institutions which are at least investment grade credit rated.

The Trustee manages the associated risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by one issuer. Credit risk is mitigated on other investments by engaging with counterparties which are at least investment grade.

Credit risk arises on over the counter derivatives as they are not guaranteed by a regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. All counterparties must be at least investment grade.

The Fund's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the manager annually.

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

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

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

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

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

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee has decided to partly mitigate this risk by using a currency hedging strategy over half the exposure to the USD, Japanese Yen and Euro equities, and all the US Dollar exposure of private debt, using forward currency contracts.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. The Fund is subject to interest rate risk due to its bond investments in the Public equity pool and, primarily, Listed credit pool. If interest rates fall, the value of the bonds will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly, if interest rates rise the values of the bonds will fall, as will the actuarial liabilities because of an increase in discount rate.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund's return seeking portfolio is subject to price risk which principally relates to direct and indirect equity holdings, bonds, equity futures and investment properties. The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Property and infrastructure pooled investment vehicles are illiquid and that is reflected in the structures and liquidity of funds that invest in them. Some of the funds held by the Fund are open-ended, where the manager will redeem within shorter pre-agreed timeframes, but most are closed-end and redemption will normally only happen when the funds are wound up at the end of their pre-agreed lives. The Fund's closed-end funds have a range of maturities. Units in both types of fund can be traded between investors privately, but this is rare and managers generally have veto over such transactions.

Private debt is illiquid, with funds becoming available when the underlying debt instruments mature. The instruments vary in maturity date, but usually mature within the next five years, giving access to the funds within a reasonable timeframe. There is unlikely to be a liquid secondary market for these debt instruments.

11. Member schemes' participation

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

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

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

Listed credit pool:

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

Notes to the financial statements (continued)

11. Member schemes' participation (continued)

Public equity pool:

	At 1 January 2021 £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December 2021 £000
The Church of England Funded Pensions Scheme	1,206,419	12,000	(235,392)	201,732	**1,184,759**
The Church Workers Pension Fund					
Pension Builder 2014	20,929	1,853	(1,152)	4,020	**25,650**
Pension Builder Classic	75,458	458	(8,460)	13,713	**81,169**
Defined Benefit Scheme – Employer section	128,329	8,038	(33,629)	21,646	**124,384**
Defined Benefit Scheme – Life Risk section	42,080	370	(7,760)	7,215	**41,905**
The Church Workers Pension Fund	266,796	10,719	(51,001)	46,594	**273,108**
The Church Administrators Pension Fund	42,309	-	(23,553)	4,160	**22,916**
Total public equity pool	1,515,524	22,719	(309.946)	252,486	**1,480,783**

Diversified growth pool:

	At 1 January 2021 £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December 2021 £000
The Church of England Funded Pensions Scheme	206,748	46,783	-	43,449	**296,980**
The Church Workers Pension Fund					
Pension Builder 2014	3,579	1,761	-	870	**6,210**
Pension Builder Classic	12,905	3,846	(58)	2,776	**19,469**
Defined Benefit Scheme – Employer section	21,945	10,567	(7,224)	4,474	**29,762**
Defined Benefit Scheme – Life Risk section	7,186	322	(2,151)	906	**6,263**
The Church Workers Pension Fund	45,615	16,496	(9,433)	9,026	**61,704**
The Church Administrators Pension Fund	6,808	-	(6,847)	39	**-**
Total diversified growth pool	259,171	63,279	(16,280)	52,514	**358,684**

Diversified income pool:

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

Liquidity pool:

	At 1 January 2021 £000	Amounts receivable on issue of units £000	Amounts payable on cancellation of units £000	Change in net assets from investment activities £000	At 31 December 2021 £000
The Church of England Funded Pensions Scheme	47,455	264,829	(228,618)	(48)	**83,618**
The Church Workers Pension Fund					
Pension Builder 2014	827	6,333	(5,348)	(2)	**1,810**
Pension Builder Classic	3,150	17,817	(15,215)	(3)	**5,749**
Defined Benefit Scheme – Employer section	5,074	25,456	(21,855)	(7)	**8,668**
Defined Benefit Scheme – Life Risk section	1,802	16,941	(18,685)	(2)	**56**
The Church Workers Pension Fund	10,853	66,547	(61,103)	(14)	**16,283**
The Church Administrators Pension Fund	1,541	18,968	(17,710)	(2)	**2,797**
Total liquidity pool	59,849	350,344	(307,431)	(64)	**102,698**

Notes to the financial statements (continued)

12. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2021 (2020: nil).

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

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

13. Related party transactions

Two Board members (2020: two) who have retired from the schemes under normal service are in receipt of pensions from the schemes.

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

14. Post balance sheet event

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

Appendix 3 2021 Engagement Policy Implementation Statement

Church of England Funded Pensions Scheme

1. Introduction

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

This statement:

- sets out how, and the extent to which, in the Trustee's opinion, the Scheme's engagement policy has been followed during the year to 31 December 2021 (the "**Scheme Year**");
- describes any voting behavior by, or on behalf of, the Trustee in respect of the Scheme during the Scheme Year.

The Statement of Investment Principles ("SIP") is prepared by the Trustee with advice from its investment consultant, Mercer. A full copy of the SIP is available on the Trustee's website here.

2. Investment Objectives of the Scheme

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 therefore has a long-term objective for the Scheme to be fully funded on a basis that reflects the actual asset holdings that the Scheme is expected to hold in the long term. Following the 31 December 2018 actuarial valuation, the Trustee set a target to reach full funding on a Technical Provisions basis by the end of 2022.

3. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change, under section 8 entitled Ethical and Responsible Investment. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The SIP was last reviewed and updated in October 2021. The Trustee keeps the policies under regular review with the SIP reviewed at least triennially. 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.

The following two sections summarise the work undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

4. Assessment of how the engagement policy in the SIP has been followed for Scheme Year

Engagement activity is carried out and monitored by the in-house investment team on behalf of the Trustee. During the Scheme Year there were a significant number of engagement activities, particularly in respect of the Board's priority areas of climate change, extractives and other initiatives for a just and sustainable world. The Board continued its involvement with various collective engagement initiatives, including the Transition Pathway Initiative, Climate Action 100+ and the Mining and Tailings Safety Initiative. At a company level, key engagements included Shell, Johnson & Johnson, Alphabet and Amazon. Full details of the engagement activity is set-out in the Trustee's 2021 Stewardship Report.

- The Trustee maintains a list of excluded companies which derive a certain level of revenue from business activities which are incompatible with the Church of England's values. As at 31 December 2021, the list comprised 467 companies on ethical/responsible investment grounds covering a range of themes including gambling, alcohol, defence, climate change and tobacco (including 28 new exclusions related to climate change). The revenue screen is monitored by the in-house team and refreshed every 3 months.

- 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, it was AGREED to terminate the following three investment mandates:

    - Terminate the low volatility equity mandates with Acadian and Robeco, with proceeds being moved to the FTSE TPI mandate managed by LGIM.
    - Terminate the emerging market equity mandate with GW&K with proceeds to be transferred to T. Rowe Price.

- The Investment Committee implemented these changes for a variety of reasons including reducing the complexity and fees of the investment arrangements and managing the risks relating to climate change.

- During the Scheme Year, the in-house team expanded its proprietary responsible investment assessment to cover 70% of the Board's appointed investment managers. The Board's assessment complements Mercer's ESG assessment of managers (which covers 90% of the managers).

  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.

- The Trustee considered a recommendation paper from Mercer that examined the interest rate and inflation hedge ratios for the Liability Driven Investment (LDI) portfolio of the Church of England Funded Pension Scheme and AGREED that the interest rate and inflation hedge ratios in the LDI portfolios for the CEFPS be maintained at 50%.

5. Voting Activity over the Scheme Year

- In respect of the relevant voting assets (equities) held within the Scheme, the Trustee maintains full discretion over voting activity. This is administered by the in-house team using a platform provided by Institutional Shareholder Services ("ISS"), with input from the Board's Ethical Investment Advisory Group ("EIAG"), and a responsible proxy voting template developed in collaboration with other members of the Church Investors Group.

- In 2021, 26,520 votes were cast, 17.2% of which were cast against management's recommendation (or support was withheld). Full details of the votes, along with the rationales, can be found here.

- Particularly notable votes over the year are summarised in the table below:

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

Further details, including the voting template and examples of significant votes can be found in the Trustee's Stewardship Report 2021 here.

CEFPS Annual Report and Accounts 2021

Final Audit Report 2022-07-14

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