THE CHURCH OF ENGLAND

Keeping you up to date with your pension scheme's financial health

Church of England Funded Pensions Scheme June 2015

The Church of England Pensions Board is pleased to provide you with this Summary Funding Statement, to give you an update on the funding position of the Church of England Funded Pensions Scheme.

We use independent advisers to help us to monitor the Scheme's finances. A full actuarial valuation, which is a thorough review of the Scheme's financial position, takes place every three years. The next full valuation is due to take place as at 31 December 2015. We also obtain annual "snapshot" updates in the interim, and this statement includes the "snapshot" of the Scheme as at 31 December 2014.

The actuarial valuation as at 31 December 2012 revealed a funding shortfall of £293m and the snapshot update as at 31 December 2013 showed that the shortfall had reduced to £132m. However, due mainly to sharp falls in long-term interest rates, the shortfall had increased to £299m at 31 December 2014. Further details are given on pages 2 and 3. If you need any further information about your benefits, please let us know.

Yours faithfully

Bernadette J Kenny

Chief Executive of the Church of England Pensions Board
as Trustee of the Church of England Funded Pensions Scheme

Further information

If you have any questions or would like to see a copy of the Scheme's financial accounts, rules, investment policy, most recent actuarial valuation report, or other documents, please contact us.

You can find our contact details on page 4.

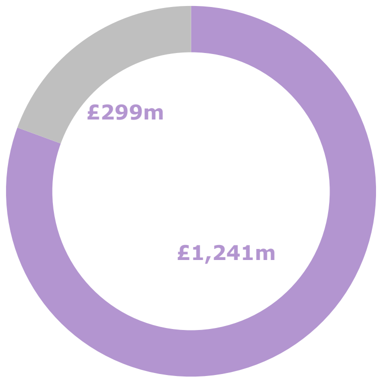
Are your details up to date?

Please let us know if your contact details have changed.

If you would like to change the people you have nominated to receive benefits upon your death, please complete a nomination form.

A snapshot of the Scheme on 31 December 2014

Target level of assets: **£1,540 million**



At 31 December 2014 the target level of assets was £1,540m, but the actual assets were £299m less than this.

The chart shows that the shortfall on 31 December 2014 was £299m.

The Scheme's financial position has therefore deteriorated by £167m since December 2013. This is mainly due to sharp falls in long-term interest rates, which increases the amount of money needed to meet future pension liabilities. This has been offset to some extent by favourable returns on the Scheme's assets and deficit contributions paid by the employers.

In order to fill the gap, the employers pay contributions to the Scheme. The total contribution rate increased from 38.2% of pensionable stipends to 39.9%, from 1 January 2015. This rate includes 14.1% towards the shortfall revealed at December 2012, payable until December 2025. The remaining 25.8% is needed to meet the ongoing cost of pensions being earned each year.

Assumptions

The Board employs an independent expert to provide regular checks on the Scheme's finances. These regular check-ups involve calculating a target level of assets.

The target level of assets is the amount that is expected to be enough to continue to pay out all the pensions that members have already built up in the Scheme.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on the Scheme's investments, amongst other factors.

Assets of the Scheme

The assets of the Scheme come from contributions paid by members and by the employers, together with investment growth.

The assets of the Scheme are held separately from the employers and the Board is responsible for investing this money.

The assets are held in a common fund – they are not held in separate pots for each member.

Pensions are paid to retired members out of this common fund.

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Your questions answered

Q: Have the employers taken any money out of the Scheme?

Regulations require us to confirm to you that the employers have not taken any money out of the Scheme in the last 12 months. We are happy to confirm this.

Q: What if the Scheme has to wind up?

If the Scheme started to wind up, the employers would be required to pay enough money into it to enable your benefits to be provided by an insurance company. Neither the Board nor the employers have any plans to wind up the Scheme.

The Board monitors the cost of securing all members' benefits with an insurance company.

The most recent estimate provided by our independent advisers looked at the position on 31 December 2012. This estimate showed that the employers would have to make an additional final contribution of about £798m to make sure all members' pensions could be paid in full by an insurance company. This is larger than the shortfall shown on page 2, but this is fairly common amongst similar UK pension funds.

If the employers became insolvent and could not afford to pay this, you might not get your full pension benefits.

Q: Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension scheme members with added security should their sponsoring employers become insolvent and unable to pay the final contribution. If the Scheme enters the Pension Protection Fund, the amount members receive may be less than the pension benefits built up for them in the Scheme. The Pension Protection Fund rules are complex. The amount they will pay depends on the rules of the scheme, whether a pension is already being paid, a member's age and the type of pension benefit.

More information and guidance about the Pensions Protection Fund is available at pensionprotectionfund.org.uk

or by contacting:

The Pensions Protection Fund,
Renaissance,
12 Dingwall Road,
Croydon,
Surrey. CR0 2NA

(tel 0845 600 2541).

Where can I get more information?

If you have any questions or would like to see a copy of the Scheme's financial accounts, rules, investment policy or other documents, please contact the Church of England Pensions Board.

pensions@churchofengland.org

020 7898 1802

Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

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Church of England Pensions Board, 29 Great Smith Street, London SW1P 3PS.