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

Church of England Funded Pensions Scheme (CEFPS)
December 2018

We are pleased to provide you with this Summary Funding Statement, giving you an update on the funding position of CEFPS.

We use independent advisers to help us to monitor CEFPS's finances. A full actuarial valuation, which is a thorough review of the financial position, takes place every three years.

The last full valuation took place as at 31 December 2015. We also obtain annual "snapshot" updates in the interim, and this statement includes the "snapshot" at 31 December 2017.

The last actuarial valuation as at 31 December 2015 revealed a funding shortfall of £236m, and, owing mainly to sharp falls in long-term interest rates, the shortfall had increased to £341m at 31 December 2016. During 2017, conditions improved such that the estimated funding shortfall was around £255m as at 31 December 2017.

The next full valuation is due to take place as at 31 December 2018.

This shortfall does not affect your pension. We will continue to pay the pension you have already earned.

If you need any further information about your benefits, please let us know.

Jonathan Spencer

Chairman

Further information

If you have any questions or would like to see a copy of CEFPS'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.

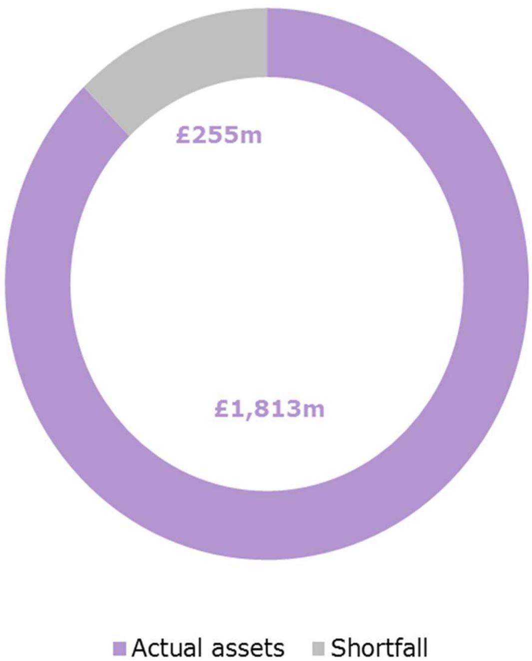
Are your details up to date?

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 at 31 December 2017

Target level of assets:
£2,068 million



At 31 December 2017 the target level of assets was £2,068m, but the actual assets were £255m less than this.

This £255m shortfall does not affect the pensions being paid out – we have always paid members their full pensions.

The financial position showed a shortfall of £341m as at 31 December 2016, which means the shortfall improved by £86m over 2017. This is mainly due to higher than expected returns on assets over the period and deficit contributions paid by the employers. This was offset to some extent by less favourable financial market conditions.

In order to fill the shortfall at the valuation date, the employers have agreed to pay contributions of 11.9% of pensionable stipends until 2025. This is in addition to the contributions needed to meet the ongoing cost of pensions being earned each year, and running expenses.

Assumptions

We employ an independent expert to provide regular checks on CEFPS'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.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on a number of things, including how long members live, inflation, and the returns earned on investments.

CEFPS assets

The assets come from contributions paid by the employers, together with investment growth.

We hold the assets separately from the employers and we are 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.

Your questions answered

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

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

Regulations also require us to confirm whether the Pensions Regulator has used its powers to modify CEFPS, give it directions, or impose a schedule of contributions upon it. We are happy to confirm that it has not needed to do this.

Q: What if CEFPS has to wind up?

If CEFPS 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 us nor the employers have any plans to wind up CEFPS.

We monitor the cost of securing all members' benefits with an insurance company.

The most recent estimate provided by our independent advisers looked at the cost of doing this on 31 December 2015. This estimate showed that the employers would have to make an additional final contribution of about £996m 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 CEFPS were to enter the Pension Protection Fund, the amount you receive may be less than the pension benefits built up for you in CEFPS. The Pension Protection Fund rules are complex. The amount they will pay depends on the rules of the scheme, whether your pension is already being paid, your age and the type of pension benefit.

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

or by contacting the Pensions Protection Fund on 0330 123 2222.

Where can I get more information?

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

pensions@churchofengland.org

www.churchofengland.org/more/pensions

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