LCP INSIGHT CLARITY ADVICE

Church Workers' Pension Fund

Report on actuarial valuation as at 31 December 2019

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As instructed, we have carried out an actuarial valuation of the Church Workers' Pension Fund ("the Fund") as at 31 December 2019. I now present my report which is addressed to the Church of England Pensions Board ("the Board"), as Trustee of the Fund.

This report, required by the Pensions Act 2004, consolidates the results and outcomes from the valuation of the three sections of the Fund: Pension Builder Classic ("PB Classic"), Pension Builder 2014 ("PB 14") and the Defined Benefits Section ("DBS"). It also summarises some of the key risks faced by the Fund, as shown in Appendix 1. Fund members will receive a summary funding statement relating to the valuation in due course.

The Board is responsible for the choice of assumptions for the valuation, and for then setting an appropriate level of future contributions, both in consultation with the sponsoring employers of the Fund ("the Employers"). The main results for the three sections are summarised in Table 1, with further detail (including details of the agreed contributions) in the following sections, appendices and attached key documents.

Table 1: Main valuation results at 31 December 2019

	£m	Surplus/(Deficit) £m
DBS		
Assets (on technical provisions basis)	426.6	
Technical provisions	437.8	(11.3)
Assets (on buy-out basis)	426.4	
Buy-out estimate	565.8	(139.4)
PB Classic		
Assets	147.8	
Technical provisions	152.6	(4.8)
Security basis	157.1	(9.3)
Buy-out estimate	180.1	(32.3)
PB 14		
Assets	26.3	
Technical provisions	20.8	5.5
Security basis	20.1	6.2
Buy-out estimate	23.8	2.5

The surplus/(deficit) figures shown above may not sum due to rounding.

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Appendices

Key documents

1. Benefits, contributions, data and assets

For the valuation we have relied on various sources of information, as shown in Table 2.

Table 2: Sources of information

Item	Source	Summarised
Benefit and contribution structure	Trust Deed and Rules dated 5 February 2014. Individual Employer agreements with the Board	Summarised by Board staff for the valuation. Also see Appendix 2.
Membership data	As provided by the Board staff	Appendix 3
Audited accounts for 3 years to the valuation date	As provided by the Board staff	Assets: Appendix 4

The Fund is divided into three sections:

- The Defined Benefit Scheme (DBS), which covers those members for whom defined benefit scale benefits are being provided. This section is further sub divided into a Life Risk Section (LRS) and separate sub-sections for each Employer with its own defined benefit scale. The Employer sub-sections together make up what is known as the General Fund.
- The Pension Builder Classic section (PB Classic), which covers
  (i) all pensioners and deferred members who left active service before 1992,
  (ii) all other members who are on a benefit structure under which contributions received are converted to pension payable from normal pension age based on conversion terms which are in force from time to time, and
  (iii) additional voluntary benefits of certain DBS members accumulating on the same basis as for (ii).
- The Pension Builder 2014 section (PB 14) is a cash balance arrangement. Member and employer contributions accumulate and provide a cash sum at normal retirement age.

Together, PB Classic and PB 14 are known as the Pension Builder Scheme or PBS.

The Employer sub-sections in the DBS contain active employees and members who have left and retained entitlement to deferred pensions. However, those who have become entitled to an immediate pension whether on retirement or as a dependant of a member who died, have had their benefits transferred to the LRS.

The LRS provides pensions in payment and death in service benefits for all members of the DBS on a pooled basis. It also provides ill-health retirement benefits for those Employers opting to provide such cover and deferred pension benefits for former employees of Employers that have ceased to participate in the Fund.

Since the previous valuation, some Employer sub-sections in the DBS have changed the benefits that they offer, typically reducing accrual rates and increasing the Normal Pension Age from which accruing pensions can be taken. Others have closed their sections to future accrual.

2. Funding objective and actuarial assumptions

The Fund's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions. The Board took advice from me and has determined the method and assumptions to use for the valuation.

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made. The benefit cashflows projected from the valuation date (including discretionary increases in the case of PB Classic), which are primarily linked to price inflation (along with those arising from all of the future service for the existing members of the DBS) are shown in Charts 1, 2 and 3.

Chart 1: DBS projected benefit cashflows

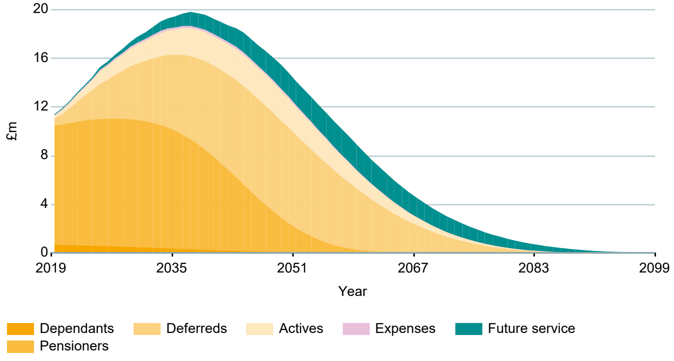


Chart 2: PB Classic projected benefit cashflows

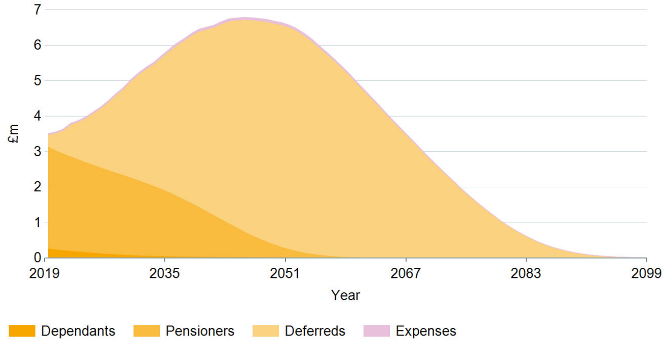
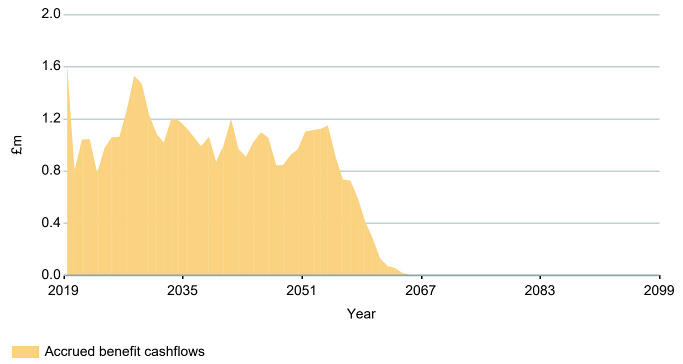


Chart 3: PB 14 projected benefit cashflows



The valuation includes assumptions about future investment strategies. These are described for the DBS and PBS below.

2.1. DBS investment strategy

For the DBS, the assumption is that at any time:

- assets within the LRS are held in a portfolio comprising 75% liability matching assets (corporate bonds, gilts and a buy-in policy) and 25% return-seeking assets at 31 December 2019. The return-seeking assets are gradually transferred into a holding of 30% corporate bonds and 70% in gilts and the buy-in policy over the period to 31 December 2034; and
- assets within the General Fund Employer pools, in respect of benefits not yet in payment, are held in a portfolio of 100% return-seeking assets.

This is broadly consistent with the Board's actual investment strategy as at the valuation date as summarised in Appendix 4. It also reflects the Board's intended strategy in the future, including the planned de-risking over the period to 2034.

2.2. PBS investment strategy

For the PB Classic section:

- Assets backing pensions in payment that accrued after 6 April 1997 (which have guaranteed pension increases in payment) are assumed to be held in a portfolio comprising 100% liability-matching assets; and
- All other assets are assumed to be held in a portfolio of 100% return-seeking assets.

For the PB 14 section:

- Assets are assumed to be held in a portfolio of 100% return-seeking assets.

All of the chosen assumptions (including those relating to investment strategy) are set out in the Board's statement of funding principles, a copy of which is enclosed.

The Fund faces a number of risks, as described in Appendix 1.

In particular, the actual returns on the Fund's assets may prove to be higher or lower than the returns assumed. The higher the assumptions, the greater is the chance that actual returns will be lower, which would lead to:

- the need for additional Employer contributions in the future, within the DBS; or
- lower or no discretionary bonuses granted within the PB Classic and PB 14 sections. There is also a possibility that additional Employer contributions could be required in the

PBS.

Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

Therefore, in determining the assumptions, the Board took account of their assessment of the strength of the employers' overall covenant, and in particular their likely ability to pay additional contributions in the future if future experience proves to be less favourable than the assumptions.

The key differences in the assumptions compared with the previous valuation are as follows:

- The mortality assumption used for this valuation results in a slightly lower assumed life expectancy than the assumption adopted at the previous valuation.
- The assumption for CPI inflation has been increased from 1.0% pa below RPI inflation to 0.8% pa below RPI inflation.
- The assumption regarding salary increases has reduced from 1.2% pa above CPI price inflation to 0.5% pa above CPI price inflation. This only affects Employers still open to future accrual.
- For pensioner members 80% are assumed to be married or have a spouse/civil partner/dependant at retirement or earlier death rather than 80% assumed to have a spouse or civil partner as at the valuation date.
- An allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the technical provisions by 1%.

Full details of the assumptions are set out in the attached Statement of Funding Principles.

3. Technical provisions, contributions and bonus strategy

Table 3 sets out the technical provisions and funding position at the valuation date.

Table 3: Technical provisions at 31 December 2019

	£m	Surplus / (Deficit) £m
DBS		
Assets	426.6	
Technical provisions	437.8	(11.3)
PB Classic		
Assets	147.8	
Technical provisions	152.6	(4.8)
PB 14		
Assets	26.3	
Technical provisions	20.8	5.5

The surplus/(deficit) figures shown above may not sum due to rounding.

3.1. DBS technical provisions and recovery plan

In valuing the DBS, the Board:

- considers the position of the LRS;
- makes a levy on the General Fund Employer pools towards the recovery of any deficit within the LRS, if appropriate; and
- values the Employer pools within the General Fund – putting in place contribution arrangements with each individual Employer to make good any shortfall.

The following table sets out the result of the DBS split between the LRS and General Fund, including details of the levy made.

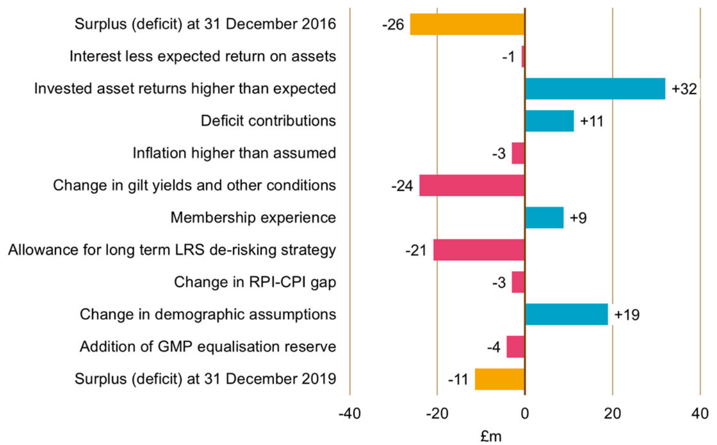
Table 4: LRS and General Fund technical provisions

	LRS £m	General Fund £m
Technical Provisions	235.3	202.5
Assets		
prior to LRS levy	227.6	198.9
LRS levy	7.7	(7.7)
post LRS levy	235.3	191.2
Surplus / (Deficit)	-	(11.3)

The deficit in the DBS as at the previous valuation was £26.2m and the main reasons for the decrease in deficit are shown in Chart 4.

Appendix 5 shows the sensitivity of the valuation to changing some of the key assumptions.

Chart 4: DBS experience over three years



3.2. PB Classic technical provisions and bonus strategy

The only guaranteed increases in PB Classic are to pensions in payment built up after 6 April 1997. Discretionary bonuses are applicable before payment to all benefits and to pensions in payment built up prior to 6 April 1997. As a result, a key purpose of the valuation is to set an appropriate policy for granting future bonuses.

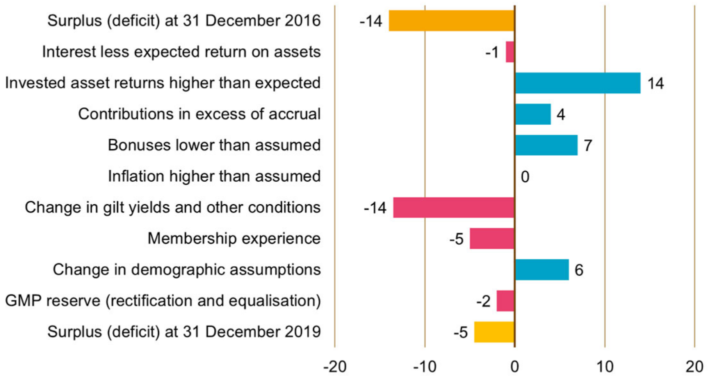
We carry out the valuation in respect of the PB Classic on two bases.

- The technical provisions assume future bonuses are in line with RPI inflation and return-seeking assets deliver 3.5% pa in excess of gilt returns. Given the discretionary nature of the PB Classic pension increases, this assumption is higher than the prudent return assumption used for the DBS. If lower returns are achieved, lower bonuses will be granted, and vice versa. This is known as the “ongoing valuation”.
- We also value the benefits on a “security” basis, making no allowance for future discretionary bonuses and assuming all the assets are switched into gilts. The security valuation is used as a key measure when deciding whether to grant future discretionary bonuses.

The deficit at the previous valuation on an ongoing basis was £14.2m and the main reasons for the decrease in deficit are shown in Chart 5.

Appendix 5 shows the sensitivity of the valuation to changing some of the key assumptions.

Chart 5: PB Classic ongoing experience over three years



On the security basis, there was a deficit of £9.3m. This is set out in more detail in Table 5.

Table 5: PB Classic security basis

	£m
Security target in respect of:	
Non-pensioners (Pool B)	103.1
Pensioners	
- Post ’97 pensions in payment (Pool A)	29.2
- Pre ’97 pensions in payment (Pool B)	23.2
GMP equalisation reserve	1.6
	157.1
Assets	147.8
Deficit	9.3

Based on the above results, the Board chose not to grant a discretionary bonus at 1 January 2021.

Based on our funding projection and conditions at the valuation date, we estimate that the security funding level is expected to reach 100% by the end of 2021. The position should be reviewed at least annually.

3.3. PB 14 technical provisions and bonus strategy

This section was established on 1 January 2014. This is the second valuation to include PB 14 results.

Discretionary bonuses are added to retirement accounts depending on the investment performance of the underlying PB 14 assets. A member's retirement account is guaranteed at normal retirement age to be not less than the total of the contributions paid and bonuses awarded. If a member takes his or her benefit before normal retirement age, a reduction may be applied.

We carry out the valuation in respect of the PB 14 on two bases.

- The technical provisions assume future bonuses are in line with the investment returns, less 1.5% pa, reflecting the bonus policy at the valuation date. The deduction is designed to allow for the cost of the guarantee at age 65 as well as administration expenses. Investments are assumed to deliver 3.5% pa in excess of gilt returns. Given the discretionary nature of the PB 14 bonuses, this assumption is higher than the prudent return assumption used for the DBS. If lower returns are achieved, lower bonuses will be granted, and vice versa. This is known as the "ongoing valuation".
- We also value the benefits on a "security" basis, making no allowance for future discretionary bonuses and assuming all the assets are switched into gilts. The security valuation is used as a key measure when deciding whether to grant future discretionary bonuses. Ideally, the funding level would always be above 100% on this basis.

We have shown these two measures alongside the total accrued benefit i.e. the total account values including bonuses declared in more detail in Table 6.

Table 6: PB 14 valuation results

	Total account value	Security valuation	Ongoing funding valuation
Accrued benefit liability £m	24.0	20.1	20.8
Assets £m	26.3	26.3	26.3
Surplus £m	2.3	6.2	5.5

4. Discontinuance

This section considers the position were the Employers to have ceased sponsoring the Fund on the valuation date. In this situation, the pensionable service of active members would cease and they would become entitled to leaver benefits. The results are shown in Table 7.

Buy-out position

We have considered the discontinuance position of the Fund by estimating the "buy-out" cost as at the valuation date, ie the cost of securing the benefits for all members by the purchase of annuity policies from an insurance company and winding up the Fund.

We have not obtained quotations, but have produced our estimate using the assumptions described in Appendix 6. These assumptions differ from those set out in the statement of funding principles and they result in an estimated buy-out cost that is higher than the technical provisions.

In the case of the PB Classic and PB 14, we have excluded discretionary bonuses or increases prior to or after retirement.

Table 7: Buy-out estimates

	£m
DBS	
Assets	*426.4*
Liabilities	*565.8*
Surplus/(Deficit)	*(139.4)*
PB Classic	
Assets	*147.8*
Liabilities	*180.1*
Surplus/(Deficit)	*(32.3)*
PB 14	
Assets	*26.3*
Liabilities	*23.8*
Surplus/(Deficit)	*2.5*
Total	
Assets	600.5
Liabilities	769.7
Surplus/(Deficit)	(169.2)

In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy-out with an insurer.

The ultimate shortfall on buy-out could be very different from our estimate for various reasons, including:

- additional funding may be available from the Employers;
- market conditions will be different from those applying at the valuation date;
- the insurers will set their terms taking into account their view of the life expectancy of the Fund's members;
- there may have been changes in the level of competition in the insurance market; and
- the actual expenses of winding-up are likely to be different from the allowance made.

The total deficit on buy-out of £169.2m compares with £200.9m at the previous valuation. This movement is the result of similar factors to those described in section 3, together with changes in the insurance market.

PPF funding level

Where a scheme is discontinued because of the insolvency of the employer, the Pension Protection Fund ("PPF") is required to assess whether the Fund is eligible to enter the PPF. This includes assessing whether the Fund is insufficiently funded.

In broad terms, if the PPF is satisfied that the Fund's assets are insufficient to buy out benefits equal to PPF compensation with an insurance company then the assets would be transferred to the PPF which would then pay members' PPF compensation in place of Fund benefits. If the assets are sufficient, the Fund can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, with the balance being applied to secure benefits above that level in accordance with the Fund's rules.

As a proxy for the financial assessment that would be required by the PPF in these circumstances, we have taken the results of the separate statutory "section 179" valuation of the Fund as at the valuation date, as shown in the table below.

	£m
Total s179 liabilities (excluding expenses)	658.9
Estimated expenses of winding up	8.1
Estimated expenses of benefit installation/payment	12.9
Total protected liabilities	679.9
Market value of investments	600.7
Value of buy-in in accounts (DBS)	(96.8)
Value of buy-in for s179 purposes (DBS)	91.2
	595.1
s179 surplus\(deficit)	(84.8)

On this basis, it seems likely that, had the Fund discontinued at the valuation date with no additional funds recovered from the Employers, the Fund would have entered the PPF and members' benefits would have been cut back to PPF compensation levels. Although the PBS benefits were in excess of PPF levels, we understand that the PPF would look at the Fund as a whole.

Further details relating to the section 179 valuation are set out in Appendices 7 and 8, with the full results set out in my formal section 179 certificate which is enclosed.

5. Contribution policy and implications for funding

The Board has determined in consultation with the Employers that the Employers will pay contributions as shown in the recovery plan and schedule of contributions (attached as Appendices 11 and 12).

The projected funding levels three years after the valuation date are shown in Table 8. These projections are on the basis that:

- contributions are paid as set out in the schedule of contributions;
- future experience is in line with the assumptions set out in the statement of funding principles;
- investment returns in each section are in line with the assumptions underlying the technical provisions for that section;
- the PB Classic bonus policy is such that bonuses are not anticipated to be granted at 1 January 2021 and 1 January 2022; and
- there is no change in the annuity market

Table 8: Approximate projected funding levels

Measure	31 December 2019	31 December 2022
Technical provisions		
DBS	97%	100%
PB Classic	97%	102%
PB 14	126%	129%
Combined	98%	100%
Solvency		
DBS	75%	77%
PB Classic	82%	89%
PB 14	111%	114%
Combined	78%	81%

Experience from the valuation date is likely to be different from the assumptions made. Therefore, the time taken to pay off the deficit is likely to be shorter or longer than projected.

6. Experience since the valuation date

The valuation considers the financial position of the Fund as at the valuation date. Since that time there have been significant fluctuations in investment markets which have affected the value of the assets and the technical provisions.

Charts 6 and 7 show an approximate projection of how the deficits of the DBS (against the technical provisions) and PB Classic (against the technical provisions and security basis) have varied since the valuation date.

Chart 6: Projection of DBS ongoing funding surplus/(deficit)

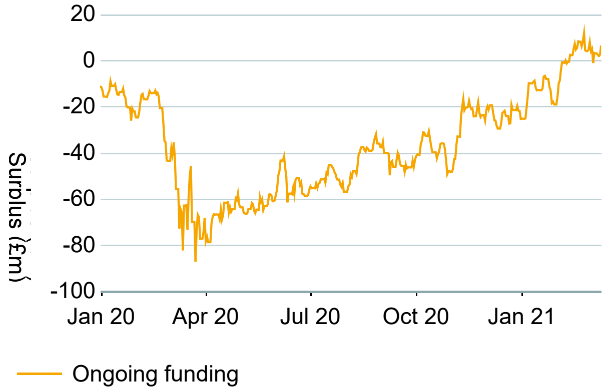
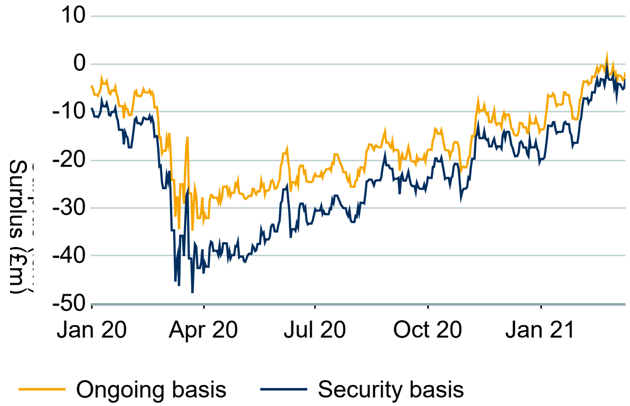


Chart 7: Projection of PB Classic ongoing funding and security basis surplus/(deficit)



It can be seen that the position worsened and then improved during 2020, leading to the following estimated positions against the technical provisions at 11 March 2021 of:

- a surplus of £6m in DBS; and
- a deficit of £2m in PB Classic.

The projections above allow for the following changes from 31 December 2020 onwards:

- RPI-CPI assumptions updated to reflect RPI reform, with the gap between CPI and RPI assumed to reduce in 2030 from the current assumption of 0.8% pa to 0.1% pa; and

- For PB Classic, updated the position to allow for no discretionary bonus being granted on 1 January 2021.

We recommend that the position continues to be monitored.

7. Certification

Under the Pensions Act 2004, I am required to certify that the technical provisions have been calculated in accordance with the legislation. My certificate is enclosed.

I am also required to certify, in relation to the schedule of contributions, that payment of contributions at the agreed rates can be expected to lead to the Fund having sufficient assets to cover its technical provisions by the end of the recovery period, based on the assumptions in the statement of funding principles.

I understand that the Board intends to continue to issue quarterly Schedules of Contributions going forwards, eg as new employers participate in Pension Builder 2014. It is possible that future falls in markets or changes in gilt yields since the valuation date may mean that the agreed contributions would not then be sufficient to meet the objective by the end of the period and I would be unable to provide an appropriate certification.

There is provision under the legislation for me to have regard to the position as at the valuation date when providing this certificate, and I have adopted this approach to facilitate certifying future schedules.

My certificate forms part of the schedule of contributions, a copy of which is attached.

Aaron Punwani FIA
Partner
Appointed Scheme Actuary

31 March 2021

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If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please also make it clear that we accept no liability towards them.

Professional Standards

Our work in preparing this and the associated documents described above complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.

Appendices

Some risks faced by the Fund

Risk	Comments
Employers	A number of Employer are not able to make the required contributions, and in particular are not able to pay increased contributions if experience is unfavourable. If this happened, then it is unlikely that the Fund would be able to pay the benefits in full.
Investment strategy	Changes in asset values are not matched by changes in the technical provisions. The technical provisions are linked to gilt yields, but the Fund assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the deficit would increase.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the technical provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved.
Gilt yields	Asset values and the technical provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Fund's holding in gilts and its technical provisions in terms of their nature (ie fixed or inflation-linked) and/or their duration.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated.
Mortality	Fund members live longer, and so benefits are paid longer, than anticipated. In particular, no allowance is made for specific risks, such as climate change, so members may live for a different length of time than assumed.
Regulatory	In future the Fund may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may well be different to any allowance made.
Climate	Climate-related risks and opportunities are likely to have widespread social and economic effects during the Fund's lifetime. They include physical risks from the climate itself and transition risks from actions which reduce greenhouse gas emissions. They could potentially affect the Fund's investment returns, the financial strength of the employers and mortality rates.
PB Classic and PB 14	Although the PB Classic and PB 14 sections are DC-like in many ways, they are not DC schemes and there is a risk that the benefits (with no further discretionary increases) may not be able to be provided without further contributions from the Employers.

Benefits and contributions - DBS

We have taken the benefits provided by the Fund and the contributions required from members to be those set out in the Trust Deed and Rules which were adopted with effect from 5 February 2014. Each Employer in the DBS enters into a participation agreement with the Board, which sets out details of the benefits to be provided to their employees, selected from options for:

1. whether or not Employees' Pensionable Service will be contracted-out by reference to the Fund;
2. a Normal Pension Age, on or after the Member's 60th birthday;
3. Member's Contribution Rate to be either nil or at a specified percentage;
4. the Annual Review Date for the purpose of calculating Member's contributions;
5. an Accrual Rate of 1/100, 1/80, or 1/60, or such other rate agreed with the Board;
6. provisions for survivor's pensions chosen from:
   - 6.1 a Survivor's Pension Fraction to apply when the Member dies before his or her pension has started. This will be 1/2 or 2/3;
   - 6.2 a Survivor's Pension Fraction to apply when the Member dies after his or her pension has started. This will be 1/2 or 2/3 except that for Members in contracted-in Service the Survivor's Pension Fraction may be nil.
   - 6.3 whether the death in service pension is to be related to the Member's accrued pension or prospective pension; and
   - 6.4 any provision for children's pensions;
7. a "State Pension Deduction" from Pensionable Salary of nil or up to 1.5 times the lower earnings limit for National Insurance Contributions;
8. a Lump Sum Death Benefit of two, three or four times the Member's Final Pensionable Salary at the date of death;
9. whether or not pensions for Members who leave Service before Normal Pension Age because of Incapacity will be reduced for early payment and, if there is to be no reduction, whether or not it will be calculated based on notional service to Normal Pension Age.

We have relied on a summary of these agreements provided by the Board. We are not aware of any other governing documentation.

It is possible that the technical provisions may prove to be too low on account of any back-dated adjustment to benefits arising from equalisation or discrimination issues or from future legislation or court judgments.

Membership details

DBS membership details as at 31 December 2019 (31 December 2016 figures in brackets)

	Number		Average age		Pensionable Salaries / Pensions £'000 pa	
Active members	238	(491)	54	(54)	8,261	(15,667)
Deferred members	1,603	(1,657)	54	(51)	4,064	(3,797)
Pensioners and dependants	2,317	(2,087)	73	(71)	10,544	(8,705)
Total	4,158	(4,235)				

Notes:

- The average annual increase in pensionable salary (as used for our valuation) for those who were members on 31 December 2016 and 31 December 2019 was 3.4% pa over the three years.
- The deferred pension figures have been obtained by totalling members' deferred pensions as at the date of leaving.
- The pension figures have been obtained by totalling members' pensions in payment at the valuation date.
- The data includes increases granted at 1 January 2020. Pensions in payment increased on 1 January 2018 by 3.9%, on 1 January 2019 by 3.3% and on 1 January 2020 by 2.4% (or 2.5% at the relevant date, if capped at 2.5%).
- No discretionary increases were awarded.

PB Classic membership details as at 31 December 2019 (31 December 2016 figures in brackets)

	Number		Average age		Pensions Purchased £'000 pa	
Active members	2,281	(2,244)	52	(48)	1,695	(1,770)
Deferred members	2,511	(2,024)	51	(48)	2,402	(1,902)
Pensioners and dependants	2,084	(1,902)	76	(73)	3,240	(3,102)
Total	6,876	(6,170)				

Notes:

- The active pension figures are the pensions purchased at the valuation date, payable from normal retirement date.
- The deferred pension figures are the pensions purchased at the valuation date, payable from normal retirement date.
- The pension figures have been obtained by totalling members' pensions in payment at the valuation date.
- Pensions in payment were increased as follows:

Period in which contributions were paid	1 January 2020	1 January 2019	1 January 2018
Prior to April 1997	0.0%	0.0%	0.0%
Between April 1997 and March 2006	2.4%	3.3%	3.9%
From April 2006 onwards	2.4%	2.5%	2.5%

- No discretionary increases were awarded.

PB 14 membership details as at 31 December 2019 (31 December 2016 figures in brackets)

	Number		Average age		Account Value £'000s	
Active members	2,402	(1,646)	50	(45)	18,401	(7,912)
Deferred members	935	(209)	48	(42)	5,634	(650)
Total	3,337	(1,855)			24,035	(8,562)

Investment strategy and composition of assets

The table below sets out the asset allocations as at the valuation date, allowing for the revised value placed on the DBS buy-in (on a technical provisions basis).

	DBS Market value at 31 December 2019		PBS Market value at 31 December 2019	
Asset type	**£'000**	**%**	**£m**	**%**
Buy-In	96.8	23	-	-
Public equity pool	173.6	41	91.1	52
Diversified growth pool	26.7	6	14.9	9
Diversified income pool	57.9	14	32.4	19
Liquidity pool	1.7	0	0.9	1
Listed credit pool	15.1	4	7.5	4
Index-linked gilts	53.2	12	27.2	16
Cash and net current assets	1.5	0	0.2	0
Total assets	**426.6**	**100**	**174.1**	**100**

The figures shown above may not sum due to rounding

Sensitivity to assumptions

The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.

The results are particularly sensitive to the advance credit for future investment returns. By way of illustration, the effect of changing this assumption is shown in the table opposite.

The results are also sensitive to the pensioner mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future. To the extent that the mortality assumption under-estimates life expectancies, the technical provisions will be too low, all other things being equal.

As an illustration, if it were assumed that life expectancies were one year longer than implied by the mortality assumption adopted, the technical provisions would be broadly 3-4% higher.

Assumed returns above gilts on return-seeking assets

	DBS		PB Classic*	
	% pa	Surplus/ (Deficit) £m	% pa	Surplus/ (Deficit) £m
Actual rate used	2.5	(11.3)	3.5	(4.8)
Higher rate	3.0	(2.3)	4.0	2.1
Lower rate	2.0	(21.7)	3.0	(12.4)
No credit	0.0	(67.9)	0.0	(79.0)

*Ongoing basis

Key assumptions used for assessing solvency

We have based our estimate of the solvency position on our understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for other schemes.

We have not obtained an actual quotation for the Fund, and there is considerable volatility in prices. Therefore, were the benefits actually to be bought out, the position could be very different from that illustrated. The basis used has no relevance beyond this estimate of the buy-out cost and my statutory estimate of solvency.

The demographic assumptions we have used are generally the same as those used for the basis used to calculate the technical provisions (where relevant) except as shown opposite.

Additionally, we have included the following provisions for the costs that would be incurred by the Board in winding up the Fund:

- £10.1m in respect of the DBS
- £9.4m in respect of PB Classic
- £3.3m in respect of PB 14

In practice, the actual winding-up expenses could be very different. This basis has no relevance beyond establishing an estimate of the hypothetical buy-out cost and my statutory estimate of solvency as at the valuation date.

Financial assumptions

Assumption	DBS % pa	PBS % pa
Discount rate	1.0	0.9
Rate of price inflation (RPI)	3.2	3.1
Rate of price inflation (CPI)	RPI - 0.75%	
Revaluation in deferment	CPI	RPI
Pension increases in payment	Set consistent with market-based pricing for the relevant minimums and maximums	

Main demographic assumptions

Assumption	
Retirement age	Age 65 for all members
Commutation	None
Proportion married	85% at retirement or earlier death
Mortality assumption	As for technical provisions but using CMI_2017 improvements with a long term rate of 1.5% pa for males and females

PPF section 179 valuation

Scope

A "section 179 valuation" is carried out in accordance with section 179 of the Pensions Act 2004. The sole purpose of a section 179 valuation is to enable the Trustees to fulfil their statutory duty to provide the required information to the Pensions Regulator.

Once submitted, the Board of the PPF will use the valuation results to calculate the Fund's future Pension Protection Levy until a new section 179 valuation is provided.

Additionally, were the Fund to enter a Pension Protection Fund ("PPF") assessment period, the results of a section 179 valuation might be used in assessing whether the Fund's funding position was such that it was eligible to enter the PPF.

Valuation of section 179 liabilities

The benefits to be valued are the Fund's benefits adjusted to reflect, broadly, the compensation that members would currently receive if the Fund were to enter the PPF.

I have placed a value on the projected adjusted benefits, using the PPF's prescribed assumptions as at the effective date (version A9). I have taken into account the PPF's valuation guidance (version G8) and responses to Frequently Asked Questions (FAQs) relating to section 179 valuations published on the PPF website up to the close of business yesterday.

In certain respects the membership data provided for the valuation was not sufficiently complete to enable us to value PPF compensation precisely without incurring disproportionate costs. As permitted by the PPF, I have made approximations where appropriate, as set out in Appendix 8.

Owing to these approximations, the Fund's Pension Protection Levy is likely to be slightly higher than if no approximations had been made. However, there will be savings due to the reduced costs incurred through not having carried out more detailed, accurate calculations.

Asset value

The asset value for the section 179 valuation differs to that shown in the Fund's accounts, because of the section 179 treatment of the DBS buy-in policy. Further details are in the table below.

Reconciliation

The previous section 179 valuation, carried out with an effective date of 31 December 2016, showed a deficit of £115,659,000. The current valuation shows an improvement, and this is due to similar factors to those described in section 3 of this report, together with:

- changes in the prescribed assumptions;

- pension increases provided by the Fund since the last valuation having been higher than those that would be provided by the PPF; and
- an increase in the level of PPF compensation that would now be payable due to the ageing of the Fund's membership.

Approximations in PPF section 179 valuation

This appendix sets out the approximations I have made for the purposes of my calculations where the relevant data to enable me to value the prescribed benefits precisely was not available.

Benefit type	Approximations
Active members' benefits	Adjustment required for valuation: Active members are assumed to have become deferred pensioners immediately prior to the effective date Approximation: For active members who have completed less than two years' service, I have taken the value of the liability to be 90% of the value of the deferred pension calculated on the section 179 prescribed assumptions.
Guaranteed Minimum Pensions (GMPs)	The PPF has announced its expectation on schemes' treatment of the Lloyds court case concerning equalisation because of GMPs within Section 179 valuations. It is also currently considering how to incorporate the verdict of another court case, Hampshire, concerning the value of PPF compensation being a minimum of 50% of the member's scheme pension. Following the Lloyds judgment, the PPF issued an information note in December 2019 stating its expectation that "valuations with an effective date after the Lloyds judgment will include an interim allowance for GMP equalisation, commensurate with the legal requirement", and that such allowances in isolation should be calculated on a best estimate basis Approximation: A "best estimate" allowance for the cost of adjusting benefits to remove inequalities arising from GMPs has been made by increasing the total protected liabilities for the DBS and PB Classic schemes by 1% and distributing this increase across the pre-6 April 1997 liabilities.
Normal Pension Age ("NPA")	Adjustment required for valuation: Non-pensioners are assumed to retire at NPA (unless they die

	beforehand). This is the earliest age at which a pension or lump sum becomes payable without reduction for early payment (ignoring any special provisions on the grounds of ill health). Members can have different parts of their benefits payable from different NPAs. Members of the Fund have NPAs of 60, 62, 65 or 68 for section 179 purposes. Approximation: I have assumed that the current pensioners under Normal Pension Age did not arise from ill-health retirements.
Pension amount	Adjustment required for valuation: for members below NPA (including those in receipt of a pension, but excluding ill-health pensioners and dependants): • A 10% reduction is applied to all benefits • Pensions are restricted by a service-related cap. The cap at age 65 at the valuation date is £40,020.34 pa (before the 10% reduction), increasing by 3% for each complete year of service beyond 20 in line with the PPF's guidance. Approximation: Pensions are restricted by the cap. No allowance has been made for the "Hampshire" judgment, in which the Court of Justice of the European Union ruled that pension scheme members should receive at least 50% of the value of their accrued old age benefits if their employer became insolvent; the "Hughes" judgment, in which the imposition of the compensation cap is deemed unlawful; or the "Bauer" judgment, in which the CJEU stated that a member's benefits should not be reduced to below the poverty line.
Pension increases in payment	Adjustment required for valuation: Pensions in respect of pre-6 April 1997 accrued benefits do not increase in payment. Pensions in respect of post-5 April 1997 accrued benefits increase in line with the CPI capped at 2.5% pa Approximation: In certain respects the membership data was not sufficiently complete to enable us to value the benefits precisely. For pensioners in the Defined Benefits Scheme, pensions are not recorded in the data split between the

	period during which they accrued and we have only been provided with detailed service history for members who were also pensioners at 31 December 2010. For retirements since that date, we have only been provided with dates of retirement. As a result, we have estimated the proportion of benefits that accrued prior to 6 April 1997 where service information is available and have assumed the entirety of the benefit to be in respect of service from 6 April 1997 otherwise. For all members of the Pension Builder Classic section, benefits are not split in records in respect of service before and after 5 April 2009. As a result, we have assumed that all benefits accrued after 6 April 1997 are in respect of service prior to 6 April 2009.
Money purchase benefits	Adjustment required for valuation: Pensions in payment derived from money purchase funds are treated in the same way as other scheme benefits
Buy-in valuation	Adjustment required for valuation: The value placed on the buy-in policy for the s179 is different to the value place on the ongoing valuation due to the assumptions used. Approximation: The benefits secured under the buy-in policy have been valued using assumptions consistent with s179 assumptions. The benefits secured increase by RPI subject to an annual cap of 5% or 2.5%, however we have valued the buy-in asset for s179 purposes as providing pension increases in line with CPI subject to an annual cap of 5% or 2.5%, which places a lower value on the buy-in asset and so is prudent.
Revaluation in deferment for PB 14 benefits	Adjustment required for valuation: PPF guidance stresses that revaluation is only not applied to PPF compensation if the admissible rules do not provide for any revaluation of the benefits payable to or in respect of any member. As revaluation is applied within the PB Classic and DBS sections, we believe that benefits within the PB 14 section would also receive revaluation should members transfer to the PPF. We have therefore allowed for revaluation of the PB 14 section benefits also.

Key documents

Actuary's certification of the calculation of technical provisions

Church Workers Pension Fund

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Church Workers Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 25 March 2021.

Signature: ……………………………...

Date: 30 March 2021

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street, London
W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Statement of Funding Principles

The Church Workers Pension Fund ("the Fund")

The Church of England Pensions Board, the Trustee of the Church Workers Pension Fund, has produced this statement of funding principles and it is designed to comply with Section 223 of the Pensions Act 2004.

It sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Fund should aim to hold from time to time in order to make provision for the Fund's liabilities; and
- how we intend to achieve the objective of holding this amount of money in the Fund (this is known as meeting the "statutory funding objective").

This statement has been prepared as part of the Fund's actuarial valuation as at 31 December 2019. We have taken advice from the scheme actuary, Mr Aaron Punwani FIA, when drawing up this statement and have consulted with the employers who sponsor the Fund.

1. Technical provisions

We have decided that the technical provisions should be calculated using the method and assumptions set out in Appendix 1 to this document.

We chose this method and these assumptions in consultation with the employers, as required by law. In arriving at them, we took advice from the scheme actuary and took account of various relevant factors (in particular the ability of the employers to support the Fund).

2. Recovery plan

If the value of the Fund's assets is less than the technical provisions, we are required to set a recovery plan, in consultation with the employers, which is designed to eliminate the difference by the payment of additional "deficit" contributions.

Deficit contributions have been set for individual employers, reflecting the deficit within their individual pool. For most employers, contributions are set with the objective of eliminating the deficit within no more than seven years from 1 April 2021; however for some employers a longer period is set, but in no cases is the period more than eleven years and 6 months from 1 April 2021. The periods have been set after considering the financial strength of the employers and their ability to pay the resulting contributions.

The assumptions underlying the recovery plan are the same as those underlying the technical provisions.

3. Discretionary benefits

In the Pension Builder Scheme, increases to benefits are granted through bonus declarations on a discretionary basis.

In setting the technical provisions we allow for:

- future bonuses in line with RPI price inflation, in the case of Pension Builder Classic section benefits; and
- future bonuses in line with assumed investment returns less 1.5% pa, in the case of Pension Builder 2014 section benefits.

Under Rule 10 of the Fund's rules the Trustee may at their discretion increase, or provide additional, benefits from the Defined Benefit Scheme. In setting the technical provisions we make no allowance for such discretionary awards. To the extent that any were to be granted in future, appropriate arrangements would need to be made at that time to meet the cost of doing so.

4. Payments to the employer

The Trustee does not currently anticipate making any payments to the employers even if this were permitted under the terms of the Pensions Act 2004 unless the actuary were to advise that, without any further contributions, the assets were likely to be more than sufficient to meet all of the targeted benefits.

5. Contributions other than from the Employer who sponsors the Fund or the members

There are no arrangements in place for any contributions to be paid to the Fund other than from the employers and members.

6. Cash equivalent transfer values

Under current legislation, the trustees may reduce transfer values to take account of the funding level of the Fund.

If all members of the Fund (covering all three sections) had requested transfer values at the last valuation date, the assets of the Fund would have been sufficient to pay everyone.

Accordingly we offer full, unreduced transfer values, as required by legislation although we will keep the matter under review.

7. Reviewing the valuation position and this statement

We will normally commission a full actuarial valuation every three years. Under Rule 12.8 we can request full valuations more frequently than every three years and we may do so, for example if, having considered advice from the scheme actuary, we are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions.

This statement replaces the previous statement, which was dated 28 March 2018.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

This statement of funding principles was prepared on 25 March 2021

Signed on behalf of the Trustee

Signature: ………………………………………………...

Name: John Ball

Position: Chief Executive

Date: 25 March 2021

The Church Workers Pension Fund
Statement of Funding Principles
Actuarial method and assumptions

The method and assumptions for calculating the technical provisions and the recovery plan are set out below.

1. Defined Benefits Scheme

Actuarial method

Projected unit method.

Assumptions

The technical provisions are calculated on the following key assumptions.

Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

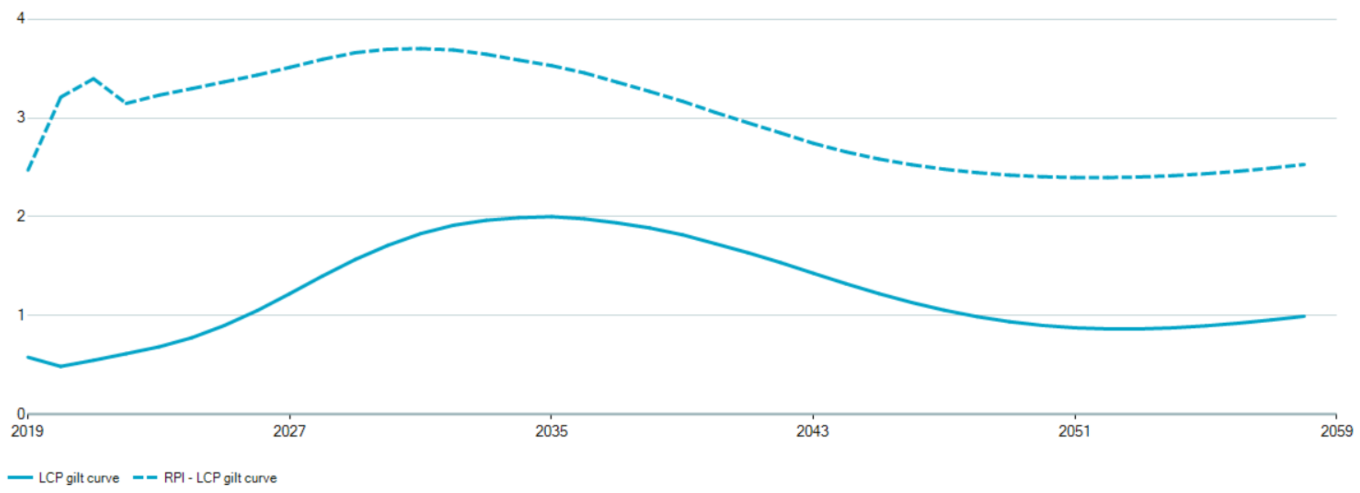
? The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.

? Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as derived from the LCP breakeven RPI curve.

? Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less 0.8% pa as at 31 December 2019, to be reviewed at subsequent dates in the light of RPI reform.

For illustration, as at 31 December 2019, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 31 December 2019



For illustration, as at 31 December 2019 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.20% pa*
RPI inflation	*3.20% pa*
CPI inflation	*2.40% pa*

Investment returns

Projected future benefit payments (as described below) are discounted on rates derived as described below:

- For investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Advance credit is taken for an additional return on the return seeking portfolio over the return from gilts of 2.5% pa (net of investment management expenses) in each future year.
- For investments backing liabilities for pensions in payment (from time to time), an allocation to bonds (corporate bonds, gilts and the buy-in) of 75%, with the balance invested in return-seeking assets at 31 December 2019 and linearly de-risking into an allocation of 30% to corporate bonds and 70% to gilts and the buy-in over the period to 31 December 2034.

For illustration, as at 31 December 2019 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) are summarised below:

	Discount rate
Employer pools – ie pre-retirement (2.5% pa above gilts)	*3.70% pa*
Life Risk Section – ie post-retirement (0.65% pa above gilts linearly reducing to 0.2% pa above gilts over the period from 31 December 2019 to 31 December 2034)	*1.85% pa linearly reducing to 1.4% pa*

Other financial assumptions

Future benefit payments are projected using the assumptions set out below.

Pension increases to pensions in payment

Increase	Assumption
Fixed	At the rate specified in the rules
Inflation-linked	Over each future year at a rate reflecting the provision of the rules, the assumption for RPI inflation in that year and the volatility of RPI inflation of 1.8% pa, to be reviewed at subsequent dates in the light of RPI reform.

For illustration, as at 31 December 2019 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	*Assumption*
RPI subject to a minimum of 0% pa and a maximum of 5% pa	*3.10% pa*
RPI subject to a minimum of 0% pa and a maximum of 2.5% pa	*2.10% pa*

- No allowance for discretionary pension increases.

Revaluation of deferred pensions as follows:

Revaluation rate	Assumption
Guaranteed minimum pensions (GMPs)	At the required statutory rate
Pensions in excess of GMP	In line with CPI over the period to retirement subject to a cap of 5% pa or 2.5% pa, as per the benefits offered by each individual employer.

Increases to pensionable salaries

- General increases each year in pensionable salaries at CPI plus 0.5% pa.

Demographic assumptions

- No allowance for the withdrawal of active members.
- All retirements of deferred pensioners to take place at the earliest age at which the pension is payable unreduced.
- Non-pensioners do not choose to commute any of their pension on retirement.
- The mortality assumptions will be based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity. The mortality tables used for the valuation at 31 December 2019 are as follows.
- For pre-retirement mortality:
    - Nil
- For post-retirement mortality:

Mortality	Assumption
Base table	100% of S3NMA tables for males, 100% of S3NFA tables for females;
Future improvements	Projected from 2013 in line with the CMI 2019 extended model with a long-term annual rate of improvement of 1.5%, a smoothing factor of 7 and an addition to the initial rates of 0.5% pa.

- 80% of members are assumed to be married or have a spouse/civil partner/dependant at retirement or earlier death.
- Spouses/civil partners are assumed to be three years younger (male members) or three years older (female members) than the member.
- Expenses and Pension Protection Fund levies are paid from the assets of the Fund.
- An allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the technical provisions by 1%.

2. Pension Builder Classic

Actuarial method

Projected unit method.

Assumptions

The technical provisions are calculated on the following key assumptions.

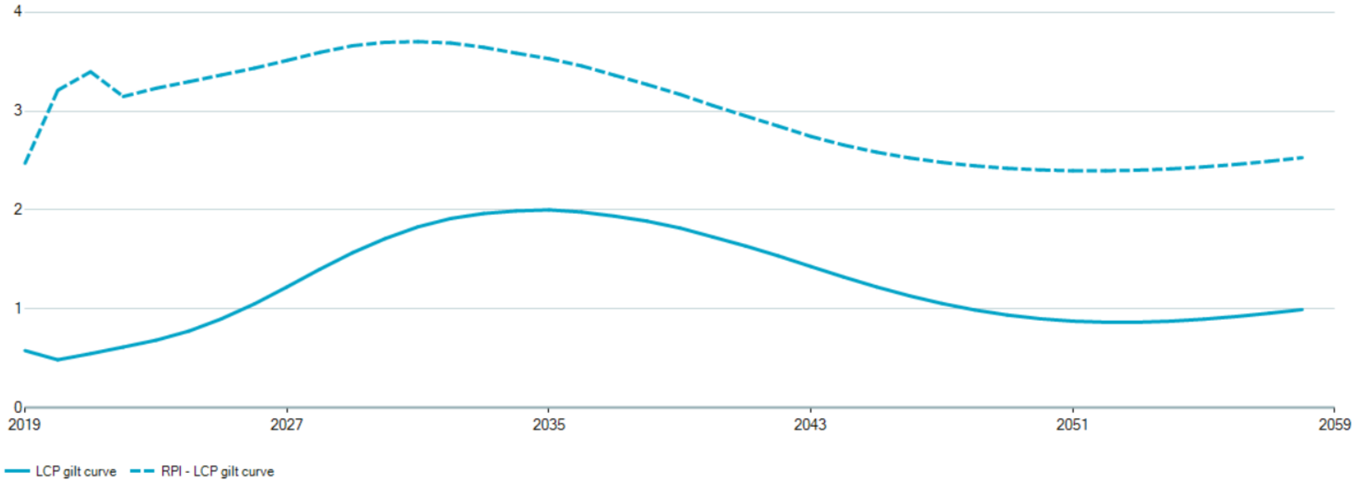
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- ? The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.
- ? Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as derived from the LCP breakeven RPI curve.

For illustration, as at 31 December 2019, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 31 December 2019



For illustration, as at 31 December 2019 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.20% pa*
RPI inflation	*3.20% pa*

Investment returns

Future benefit payments are discounted on rates derived from the following assumptions:

- the future investment strategy will be at any time to hold a portfolio of gilts to back pensions in payment with guaranteed pension increases (ie those benefits accruing post 5 April 1997). All other benefit payments are backed by a portfolio of return seeking assets; and
- advance credit is taken for an additional return on the return seeking portfolio over the return from gilts of 3.5% pa (net of investment management expenses) in each future year.

For illustration, as at 31 December 2019 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) are summarised below:

	Discount rate
Pre-retirement	*4.70% pa*
Post-retirement for pre 1997 pensions	*4.70% pa*
Post-retirement for post 1997 pensions	*1.20% pa*

Benefit increase assumptions

Future benefit payments are projected using the assumptions set out below:

- future bonuses applicable to non-pensioner benefits and to pensions in payment in respect of contributions before 6 April 1997 will be granted in line with RPI in the Pension Builder Classic section;
- increases to pensions in payment in respect of contributions paid between 6 April 1997 and 6 April 2006 in the Pension Builder Classic section will be RPI subject to a maximum of 5% pa and in respect of contributions paid after 6 April 2006 will be RPI subject to a maximum of 2.5% pa; and
- Inflation-linked increases are modelled over each future year at a rate reflecting the provision of the rules, the assumption for RPI inflation in that year and the volatility of RPI inflation of 1.8% pa.

For illustration, as at 31 December 2019 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	*Assumption*
Bonuses granted prior to retirement	*3.2% pa*
Bonuses granted post retirement for pre 1997 pensions	*3.2% pa*
RPI subject to a minimum of 0% pa and a maximum of 2.5% pa	*2.1% pa*
RPI subject to a minimum of 0% pa and a maximum of 5% pa	*3.1% pa*

Demographic assumptions

- All retirements of deferred pensioners to take place at the earliest age at which the pension is payable unreduced.
- Non-pensioners do not choose to commute any of their pension on retirement.
- The mortality assumptions will be based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity. The mortality tables used for the valuation at 31 December 2019 are as follows.
- For pre-retirement mortality:
  - Nil
- For post-retirement mortality:

Mortality	Assumption
Base table	100% of S3NMA tables for males, 100% of S3NFA tables for females;
Future improvements	Projected from 2013 in line with the CMI 2019 extended model with a long-term annual rate of improvement of 1.5%, a smoothing factor of 7 and an addition to the initial rates of 0.5% pa.

- 80% of members are assumed to be married or have a spouse/civil partner/dependant at retirement or earlier death.
- Spouses/civil partners are assumed to be three years younger (male members) or three years older (female members) than the member.
- An expense loading of 2.5% of the technical provisions in respect of non-pensioners and 0.5% in respect of pensioners, in the Pension Builder Classic section.
- An allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the technical provisions by 1%.

3. Pension Builder 2014

Actuarial method

Projected unit method.

Assumptions

The technical provisions are calculated on the following key assumptions.

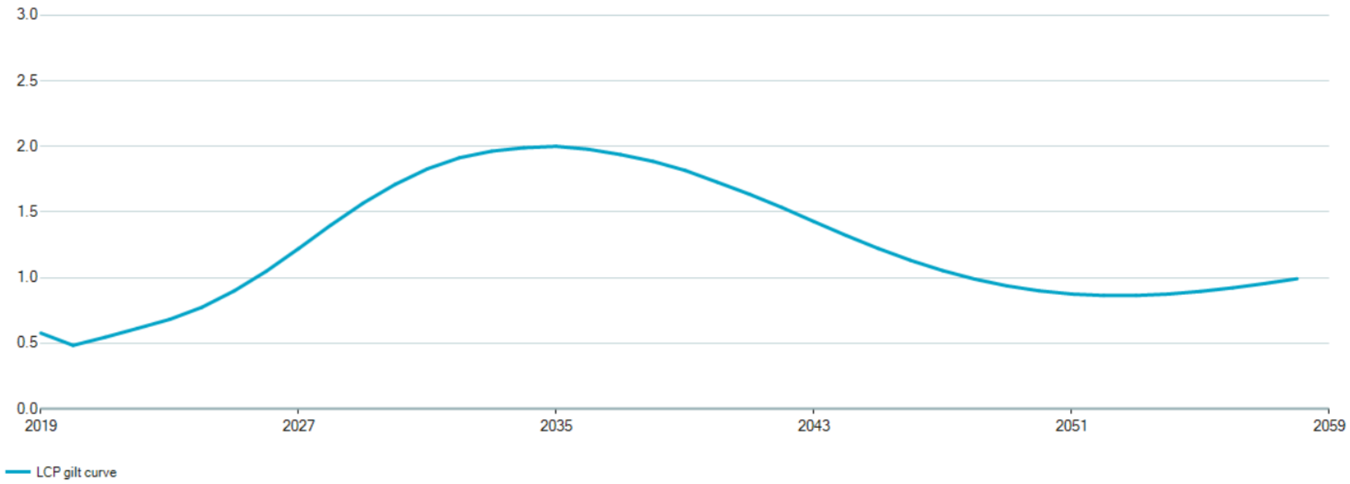
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.

For illustration, as at 31 December 2019, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns as at 31 December 2019



For illustration, as at 31 December 2019 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.20% pa*

Investment returns

Future benefit payments are discounted on rates derived from the following assumptions:

x the future investment strategy will be at any time to hold a portfolio of return seeking assets; and

x advance credit is taken for an additional return on the return seeking portfolio over the return from gilts of 3.5% pa (net of investment management expenses) in each future year.

As at 31 December 2019, the resulting discount rate based on the single equivalent average gilt returns was 4.7% pa.

Benefit increase assumptions

Future benefit payments are projected using the assumptions set out below:

x future bonuses will be granted in line with investment returns less 1.5% pa, reflecting the Board's policy at the valuation date, to be reviewed at subsequent dates in the light of any changes in the policy.

Demographic assumptions

x Members assumed to retire at normal retirement age (age 65).

x No allowance for pre-retirement mortality.

x An allowance for expenses of 0.5% pa of invested assets, in line with the current policy.

The Church Workers Pension Fund
Statement of Funding Principles
Glossary of terms

Appendix 2

Actuary

The actuary is a professionally qualified person who helps the trustees to manage the financing of the Scheme. He does this by providing advice on a range of issues, in particular on the method and assumptions that we adopt to calculate the Scheme's technical provisions.

Actuarial valuation

Once every three years, the actuary calculates the technical provisions and provides advice to the trustees to enable us to establish a funding plan with the employer. This process is called an actuarial valuation.

Contingent security

Rather than paying cash into the Scheme, the employer may provide contingent security. This can take a variety of forms but it usually means that, on certain events (eg the employer fails to pay contributions due or becomes insolvent), the trustees are able to access certain assets that belong to the employer. These might include: fixed assets (such as a property); a guarantee from the parent company or a third party; or funds put aside in a bank account set aside for this purpose.

Discontinuance

Cessation of contributions and future accrual of benefits. Discontinuance may, in due course, lead to wind-up of the Scheme.

Mortality tables

The published results of actuarial research into life expectancy.

Pension Protection Fund ("PPF")

The PPF provides limited compensation to defined benefit scheme members whose employers become insolvent with insufficient assets in their pension schemes.

The PPF is funded by a levy on all eligible defined benefit schemes.

Transfer value

Instead of having a pension paid from the Scheme when they reach retirement age, a member who has left pensionable service may currently request the trustees to pay a cash sum in lieu. This sum is called a transfer value. It must be paid to another suitable pension arrangement.

Winding up

A pension scheme winds up when, following discontinuance, the assets are realised and applied to secure benefits for members as described in the rules, usually by purchasing annuities and deferred annuities from an insurance company.

Recovery Plan

Church Workers Pension Fund

The actuarial valuation of the Scheme as at 31 December 2019 revealed the following:

- a deficit of £11.3m in the Defined Benefits Scheme ("DBS")
- a deficit of £4.8m in the Pension Builder Classic ("PB Classic")
- a surplus of £5.5m in the Pension Builder 2014 ("PB 14").

In accordance with Section 226 of the Pensions Act 2004, the trustees of the Fund have prepared this recovery plan, after obtaining the advice of Aaron Punwani, the scheme actuary.

Steps to be taken to ensure that the statutory funding objective is met

Of those in deficit, many DBS employers are paying additional deficit contributions calculated to eliminate the deficit in their pool within seven years from 1 April 2021. For other employers, deficit contributions are calculated to eliminate the deficit by no later than 1 October 2032. Some DBS employers are paying no deficit contributions because their pools were in surplus at 31 December 2019. The individual amounts to be paid are summarised in the Schedule of Contributions dated 25 March 2021

The deficit in the PB Classic will be recovered through holding back discretionary bonuses until such time as the deficit is removed – expected to be within five years.

Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 1 October 2032. This is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Fund's Statement of Funding Principles dated 25 March 2021
- The return on existing assets and new contributions during the period are as adopted for the calculation of the technical provisions.

Agreement by the trustees and the employer

This recovery plan was prepared on 25 March .

2021

Signed on behalf of the Trustee

Signature: …………………………… authorised signatory

Name: John Ball

Position: Chief Executive

Date: 25 March 2021

The Church Workers Pension Fund

Schedule of Contributions

This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It sets out the contributions, other than the members' additional voluntary contributions, payable to the Church Workers Pension Fund ("the Fund") over the period from 1st April 2021 to 1 October 2032.

All employers with active members in the Fund have nominated the Church of England Pensions Board ("the Pensions Board") to agree this Schedule of Contributions on their behalf. This agreement is indicated below by the authorised signatory.

The following contributions are payable to the two sections of the Fund:

1. The Church of England Pension Builder Scheme

The contributions that will be paid by the employers participating in the Pension Builder Classic and the Pension Builder 2014 sections are shown in Appendix 1. The Appendix also shows the contributions that will be paid by members.

Contributions are only payable for as long as an employer remains a Participating Employer. For new employers, the contribution rates will be at such a rate as agreed with the Pensions Board.

2. The Church of England Defined Benefits Scheme

The contributions that will be paid by the employers participating in this section are at least those shown in Appendix 2.

The contribution rates that will be paid by employers are expressed as a percentage of pensionable salaries.

Appendix 2 also shows the contributions that will be paid by members.

Contributions are only payable for as long as an employer remains a Participating Employer. For new employers, the contribution rates will be at such a rate as the Pensions Board determines after considering the Actuary's advice.

3. Payment of contributions

Contributions are based on Pensionable Salaries as defined in the Fund's Rules, except for employers' contributions in respect of expenses and the shortfall in funding in accordance with the recovery plan dated 25 March 2021

Contributions from employers (including expenses and shortfall contributions, except where indicated otherwise) are payable monthly and are due within one month of the period to which they relate.

Contributions from Scheme members are payable monthly and are due within 19 days of the end of each calendar month.

The employers will pay any additional contributions as decided by the Pensions Board, on the advice of the Actuary, and in accordance with the Fund Rules, to meet benefit augmentations. Such contributions will be paid within 28 days of the due date notified by the Pensions Board.

This Schedule of Contributions replaces the Schedule of Contributions dated 14 January 2021.

This Schedule of Contributions is agreed:

on behalf of the Pensions Board

Name : Mr John Ball.................................... authorised signatory

Position: Chief Executive ....

Date: ...25 March 2021...................................

Actuary's certification of schedule of contributions

Church Workers Pension Fund

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Church Workers Pension Fund**

Adequacy of rates of contributions

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 2019 to be met by the end of the period specified in the recovery plan dated 25 March 2021.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 25 March 2021.

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: 30 March 2021

Name: Aaron Punwani Qualification: FIA

Address: 95 Wigmore Street, London Name of employer: Lane Clark & Peacock LLP

W1U 1DQ

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 25 March 2021 and their Recovery Plan dated 25 March 2021 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions dated 23 December 2019, 6 April 2020, 15 July 2020 and 12 October 2020 and 14 January 2021.

Section 179 Valuation Certificate

Scheme details:

Full name of scheme:	Church Workers Pension Fund
Pension Scheme Registration Number:	10006269
Address of scheme:	Church of England Pension Board 29 Great Smith Street London SW1P 3PS

s179 valuation	
Effective date of this valuation (dd/mm/yyyy)	31/12/2019
Guidance and assumptions	
s179 guidance used for this valuation	G8
s179 assumptions used for this valuation	A9

Assets	
Total assets (this figure should <u>not</u> be reduced by the amount of any external liabilities and should <u>include</u> the insurance policies referred to below)	£595,135,000
Date of relevant accounts (dd/mm/yyyy)	31/12/2019
Percentage of the assets shown above held in the form of a contract of insurance where this is <u>not</u> included in the asset value recorded in the relevant scheme accounts	-1.9%

Liabilities	
Please show liabilities for:	
Active members (excluding expenses)	£140,434,000
Deferred members (excluding expenses)	£270,548,000
Pensioner members (excluding expenses)	£247,951,000
Estimated expenses of winding up	£8,089,000
Estimated expenses of benefit installation/payment	£12,860,000
External liabilities	£0
Total protected liabilities	£679,882,000
Please provide the percentage of the liabilities shown above that are fully matched by insured annuity contracts for:	
Active members	0%
Deferred members	0%
Pensioner members	37%

Proportion of liabilities			
Please show the percentage of liabilities which relate to each period of service for:			
	Before 6 April 1997	6 April 1997 to 5 April 2009 (inclusive)	After 5 April 2009
Active members	3%	61%	36%
Deferred members	14%	67%	19%
	Before 6 April 1997	After 5 April 1997	
Pensioner members	31%	69%	

Number of members and average ages		
For each member type, please show the number of members and the average age (weighted by protected liabilities) as at the effective date of this valuation. Average ages should be rounded to the nearest whole year.		
	Number	Average age
Active members	4,921	52
Deferred members	5,049	51
Pensioner members	4,401	71

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signature:........................ Date: 30 March 2021

Name: Aaron Punwani

Qualification: FIA Employer: Lane Clark & Peacock LLP

As required, under Part 6 of the Guidance on undertaking an s179 valuation, the s179 certificate should form part of the scheme actuary's s179 valuation report. The details contained in this certificate should be separately submitted to the PPF as part of the annual scheme return via the Pension Regulator's system "Exchange".

This certificate should not be sent directly to the Pension Protection Fund