The Church of England Pensions Board’s
Pension schemes and common investment fund:

- *The Church of England Funded Pensions Scheme*
- *Clergy (Widows and Dependants) Pension Fund*
- *The Church Workers Pension Fund*
- *The Church Administrators Pension Fund*
- *The Church of England Investment Fund for Pensions*

Annual report and financial statements 2015

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Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependents, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependents. In 1964 the Board became a registered charity. Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pension Fund;
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund,

The financial statements of the four pension schemes are included in this report. The Board's own annual report and accounts are produced in a separate document, which is prepared under the Charities Statement of Recommended Practice. New accounting standards came into effective in 2015. The Board has taken advantage of this to review how information for the schemes is presented and as a result the annual reports and financial statements of the schemes are now presented separately, rather than sharing common notes to the financial statements as was the practice in previous years. Each of the pension schemes also have their own audit report.

The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions ("CEIFP"), which is not a pension scheme nor a corporate body in its own right. For the purposes of the annual report, the Board is referred to as the Trustee of the CEIFP.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Management

There are 20 members of the Board. In summary, eleven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and three are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote.

For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 5.

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies - the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies. In additional the Secretariat supports the Church Commissioners and the Church of England Pensions Board directly to:

- engage with companies on ethical issues; and
- oversee proxy voting at company general meetings.

Trustee and advisors

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

Board Members

(1 January 2015 to 14 July 2016)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York
Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York
Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses
Canon David Froude ACIB

Appointed by the Church Commissioners
Jeremy Clack FIA

Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund
Clive Hawkins (Deputy Vice Chairman) *(to December 2015)*
Richard Hubbard *(from January 2016)*
Canon Sandra Newton (Vice Chairman)

Elected by the House of Bishops of the General Synod
The Rt Revd Richard Blackburn, Bishop of Warrington (to February 2015)
The Rt Revd Alan Wilson, Bishop of Buckingham (from June 2015)

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield
The Revd Paul Boughton ACA
The Revd Nigel Bourne
The Revd Canon Ian Gooding *(to December 2015)*
The Revd Canon David Stanton *(from January 2016)*

Elected by the House of Laity of the General Synod
Simon Baynes *(to December 2015)*
Jane Bisson
Roger Boulton *(from January 2016)*
Dr Graham Campbell FCA *(to December 2015)*
Canon Nicolete Fisher
Alan Fletcher FCII
Emma Osborne *(from January 2016)*
Brian Wilson FIA

Elected by the members of the Church Workers Pension Fund
Ian Boothroyd
Ian Clark

Elected by the members of the Church Administrators Pension Fund
John Ferguson *(to December 2015)*
Maggie Rodger *(from January 2016)*

Committee Members

Audit and Risk Committee

Canon David Froude ACIB (Chair)
James Archer ACA *(to December 2015)*
Jane Bisson
Ian Boothroyd *(from January 2016)*
Ian Clark *(to December 2015)*
David Hunt FCA (co-opted)
The Revd Paul Boughton ACA

Board Development Committee

Canon Nicolete Fisher (Chair)
Roger Boulton *(from January 2016)*
Alan Fletcher FCII (Chairman)
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee

Roger Mountford (Chair)
The Revd Fr Paul Benfield
Ian Boothroyd
Ian Clark *(to December 2015)*
John Ferguson *(to December 2015)*
Canon Sandra Newton
Ben Preece-Smith (co-opted)
Maggie Rodger *(from January 2016)*
Brian Wilson FIA

Housing Committee

Alan Fletcher FCII (Chair) *(to December 2015)*
James Berrington (co-opted)
The Revd Nigel Bourne
Ian Clark *(from January 2016)*
Canon Nicolete Fisher
Jeremy Gray (co-opted)
Canon Ian Gooding *(to December 2015)*
Jon Head (co-opted)
Canon Sandra Newton (Chair) *(from January 2016)*
Henrietta Podd (co-opted)
The Rt Revd Alan Wilson, Bishop of Buckingham *(from January 2016)*

Investment Committee

Clive Hawkins (Chair) *(to December 2015)*
Alan Fletcher FCII (Chair from January 2016)
Simon Baynes
Matthew Beesley (co-opted) *(from January 2016)*
The Revd Paul Boughton ACA
Roger Boulton *(from January 2016)*
Jeremy Clack FIA
Richard Hubbard *(from January 2016)*
Roger Mountford
Emma Osborne *(from January 2016)*
Peter Parker TD DIA (co-opted)
Jonathan Rodgers (co-opted) *(from June 2015)*

Professional Advisers

Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	PricewaterhouseCoopers LLP
Bankers	National Westminster Bank plc
Investment Advisers	Mercer Ltd
Investment Custodians	Northern Trust Company Ltd
Investment Managers	Antin Infrastructure Partners Arrowstreet Capital LP Audax Senior Loans BlackRock, Inc Bridgewater Associates LP Ltd CBRE Global Investors Colchester Global Investors Ltd Copper Rock Capital Partners LLC Edinburgh Partners Ltd First State Investments Fund Management S.à.r.l. Insight Investment Management (Global) Ltd Legal & General Assurance (Pensions Management) Ltd Longview Partners LLP Northern Trust Global Investors Trilogy Global Advisors LP T Rowe Price International Ltd Winton Capital Management Ltd

Enquiries

Enquiries about the schemes generally or about an individual's entitlement to benefit 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 1802.

Statement of Trustee's Responsibilities

In respect of the financial statements

The Church of England Pensions Board is Trustee of the following pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pension Scheme;
- The Church Workers Pension Fund; and
- The Church Administrators Pension Fund.

The financial statements of these schemes, which are prepared in accordance with UK 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 the Trustee to make available to the scheme's members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- 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
- 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
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, and making any estimates and judgements on a prudent and reasonable basis.

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

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

The Trustee is also jointly responsible for the maintenance and integrity of the www.churchofengland.org website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In respect of the Schedule of Contributions

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Schemes by or on behalf of the Employers and the active members of the Schemes and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Schemes and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Schemes in accordance with the Schedule of Contributions.

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

The Church of England Funded Pensions Scheme

Annual report and Financial Statements 2015

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 2015.

Scheme constitution and management

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, so that those with pension benefits earned from both schemes have a single point of contact and on retirement receive a single lump sum and consequently a single pension payment each month. The CEFPS makes these payments and is fully reimbursed by the Church Commissioners for the pre-1998 element they are responsible for funding and these amounts are not included in the financial statements of the CEFPS.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown on page 3.

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, which the smaller schemes would not have access to on their own. The CEIFP's financial statements are appended from page 60.

The CEIFP has two pools with differing risk and return characteristics that the Schemes can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures on page 66 for more information.

Members are able to 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 rules during 2015. A full copy of the scheme rules is available on request.

Financial developments

There have been no significant developments in the Scheme during the year. The financial statements included in this annual report are the accounts 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.

Information about the CEIFP's own financial developments in the year are set out in its Trustee's Report on page 56.

Membership

The change in membership during the year is as follows:

	Active	Deferred	Pensioners	Beneficiaries	**Total**
At 1 January	8,410	2,682	10,222	3,859	25,173
New members joining	404	-	-	233	637
Members retiring	(321)	(134)	455	-	-
Members leaving prior to pension age	(201)	201	-	-	-
Deaths	(18)	(6)	(359)	(255)	(638)
Re-entrants	103	(103)	-	-	-
Ceased (eg dependent children turning 18/23)	-	-	-	(13)	(13)
Other	-	(2)	1	-	(1)
Total at 31 December	**8,377**	**2,638**	**10,319**	**3,824**	**25,158**

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

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 for the year to 30 September 2015 was 0.8% (2014: to 30 September: 2.3%). Pensions in payment on 1 April 2015 increased therefore by 0.8% (2014: 2.3%).

Supplementary pensions

Supplementary pensions are payments made to certain pensioners in particular need, in addition to standard benefits payable. The Board, Church Commissioners and dioceses fund these payments as part of their charitable activities. At 31 December 2015 there were 178 (2014: 179) supplementary pensions in payment. The total amount paid in the year was £404,000 (2014: £402,000).

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the Scheme's actuary.

Actuarial liabilities
As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of future retirement benefits.

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 agreed between the Trustee and the responsible bodies 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 most recent full actuarial valuation of the Scheme was carried out as at 31 December 2012. This showed that on that date:

- the value of the Technical Provisions was £1,189 million; and
- the value of the net assets at that date was £896 million; and
- the deficit was £293 million.

A valuation as at 31 December 2015 is currently in progress.

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	5.2%
RPI	3.3%
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.1%
Increasing in line with RPI (capped at 3.5%)	2.7%
Rate of increase of pensionable stipends	3.2%
Post-retirement mortality	80% of the S1NMA and S1NFA mortality tables projected from 2003 in line with the CMI 2012 core projections with a long term annual rate of improvement of 1.5% pa for both males and females

As a result of the last actuarial valuation as at 31 December 2012, the Trustee set the recovery period (the period over which the identified deficit is targeted to be eliminated) at 11 years from 1 January 2015.

The contribution rate was set at 39.9% of the pensionable stipend from 1 January 2015 with 14.1% attributable to reducing the deficit and 1.2% towards administration costs; prior to the valuation, the rate had been 38.2% of the pensionable stipend with 14.7% used to fund the deficit and 0.9% for administration costs.

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

- the modifications to the benefit structure of the scheme implemented on 1 January 2011;
- increasing life expectancy, with the retention of the mortality tables used at the last valuation, and additional provision for some continuing improvement in the future; and
- an assumption that, over the long term, stipends will increase by the increase in the RPI.

In view of the Scheme's increasing maturity, the investment strategy is to continue the de-risking of the Scheme's investments, moving the fund from being invested 100% in return-seeking assets to a 60:40 split between liability matching assets and return-seeking assets by the end of 2029.

Investment management
The Trustee has delegated the day-to-day management to an Investment Committee, which in turn has professional in-house staff, external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which describes the investment strategy and is supplemented by the Investment Policy Implementation Document ("IPID"), copies of which may be obtained on request. See page 16 where the investment risks and the strategies in place to mitigate these risks are described in the context of the financial statements and Scheme's risks.

A reserve of cash is held to meet the monthly pension commitments of the Scheme. All other assets, except for AVCs, are pooled with the other pension schemes' assets in the CEIFP.

At the end of 2015, the Scheme held 82.7% (2014: 81.5%) of its net assets in the CEIFP Return Seeking Pool, which comprises equities, property unit trusts, active currency, corporate bonds and cash; and 15.5% (2014: 16.4%) in the CEIFP's Liability Matching Pool. Detailed information on the performance and management of the CEIFP is set out from page 57.

The investment risk disclosures in the CEIFP on page 66 contain details of the Trustee's approach to managing investments, investment risk and the strategies in place to mitigate these risks.

Custody of investments
The CEIFP's custody arrangements are described in the CEIFP's Trustee Report on page 58. Other investments are held by the relevant fund manager.

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 Assurance Society Limited ("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 2015 2,123 members (2014: 2,033) had contributions invested under the voluntary arrangements of whom 1,313 (2014: 1,329) were current contributors.

Further Information
Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 5.

Approval
The Trustee's Report was approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary and Chief Executive

Independent auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion

In our opinion the Church of England Funded Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, 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 3 and 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.

What we have audited

The Church of England Funded Pensions Scheme's financial statements comprise:

- the statements of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of the Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

July 2016

Fund Account
for the year ended 31 December 2015

	Notes	2015	2014
		£000	£000
Contributions			
Employer contributions	4	75,156	70,974
Employee contributions	4	3,816	2,549
Transfers in		-	466
Other income		-	283
Total contributions and other income		78,972	74,272
Benefits			
Benefits paid	5	(33,532)	(30,170)
Payments to and on account of leavers		(781)	(976)
Administrative expenses	6	(2,536)	(2,635)
Total benefits and other expenses paid		(36,849)	(33,781)
Net additions from dealing with members		42,123	40,491
Return on investments			
Deposit interest		17	25
Change in market value of investments	9	27,028	106,862
Net return on investments		27,045	106,887
Net increase in funds in the year		69,168	147,378
Net assets brought forward		1,260,869	1,113,491
Net assets carried forward		1,330,037	1,260,869

Notes 1 to 15 form part of these financial statements.

Statement of Net Assets available for benefits
as at 31 December 2015

	Notes	2015	2014
		£000	£000
Investments			
Pooled investment vehicles	9	1,305,903	1,233,847
AVC investments	9	22,254	19,552
Total investments		1,328,157	1,253,399
Current assets	7	2,423	9,578
Current liabilities	8	(543)	(2,108)
Net current assets		1,880	7,470
Total net assets available for benefits		1,330,037	1,260,869

The financial statements of the Church of England Funded Pensions Scheme 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 9.

Notes 1 to 15 form part of these financial statements.

These financial statements were approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

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 (eg 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 accounts 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 accounts 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 the 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 financial statements of the Scheme have been prepared 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" (Revised November 2014) ("the SORP").

In accordance with section 34.38(b) of FRS 102, the actuarial liability to pay future retirement benefits is not included in the financial statements. The actuarial position does take account of this liability and is described in the report on actuarial liabilities on page 9.

3. Accounting policies
This is the first year FRS 102 and the revised SORP have applied to the Scheme's financial statements. Implementation of FRS 102 did not result in any changes to the Scheme's accounting policies and consequently no restatement of any figures at the transition date of 1 January 2014 was necessary.

FRS 102 and the Pensions SORP require additional information to be disclosed, particularly around investment risks. The Trustee has taken advantage of the change in accounting framework to restructure the format of the 2015 annual report, which presents the Scheme's Trustee's Report and financial statements together in one section. Information about the Trustee's structure and history, the Scheme's management, administrative detail and Trustee's responsibilities are contained in pages 3-6 and forms part of the Scheme's annual report.

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

a) Contributions
Employer contributions, which consist of both normal and deficit contributions, are accounted for on the accruals basis in the payroll month to which they relate.

Employer contributions towards supplementary pension payments are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Employee contributions 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 an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an 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 an 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
The Scheme's pooled investments are units in the 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 of 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.

f) Investment valuation
The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, 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.

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

Notes to the financial statements (continued)

4. Contributions

Employer contributions consist of the following elements:

	From 1 January 2015	From 1 January 2012
	%	%
Normal contributions	24.6	22.6
Deficit contributions	14.1	14.7
Administration costs	1.2	0.9
Total contributions	39.9	38.2

The Board and some of the employers make contributions to fund supplementary pensions paid to certain pensioners in particular need, in addition to standard benefits payable (see note 5).

	2015	2014
	£000	£000
Employer contributions		
Normal	48,440	43,615
Deficit	26,468	27,290
For supplemental pensions	248	69
Total employer contributions	75,156	70,974
Employee contributions		
AVC	3,816	2,549
Total employee contributions	3,816	2,549

5. Benefits paid

	2015	2014
	£000	£000
Benefits		
Pensions (including supplemental pensions)	22,431	20,148
Retirement lump sums	9,946	9,416
Lump sum death benefits	1,149	606
Commutations	6	-
Total benefits	33,532	30,170

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:

	2015	2014
	£000	£000
Actuarial fees	294	179
Audit fees	32	36
Pension levy	89	113
Investment services	201	182
Legal advice	53	106
Administration costs	1,867	2,019
Total administrative costs	2,536	2,635

Notes to the financial statements (continued)

7. Current assets

	2015	2014
	£000	£000
Debtors		
Employer contributions	392	144
Trustee	144	626
National Church Institutions	148	373
Accrued income	11	-
Other debtors	199	4
Total debtors	894	1,147
Cash	1,529	8,431
Total current assets	2,423	9,578

8. Current liabilities

	2015	2014
	£000	£000
Unpaid benefits	454	506
Tax payable – PAYE and NI	-	1,594
Other creditors	89	8
Total current liabilities	543	2,108

9. Investments

The table below shows the movement in CEIFP units and other investments in the year:

	At 1 January	Additions	Disposals	Transfers	Change in market value	At 31 December
	£000	£000	£000		£000	£000
Pooled investment vehicles						
CEIFP return seeking pool	1,027,548	46,478	-	-	26,223	1,100,249
CEIFP liability matching pool	206,299	5	-	-	(650)	205,654
Total pooled investment vehicles	1,233,847	46,483	-	-	25,573	1,305,903
AVC investments						
Legal & General Group AVC	9,773	3,809	(1,540)	76	57	12,175
Legal & General Company	5,440	-	(366)	(38)	322	5358
Prudential	2,932	-	(478)	(37)	1,015	3,432
Equitable Life	1,407	-	(178)	(1)	61	1,289
Total AVC investments	19,552	3,809	(2,562)	-	1,455	22,254
Total investments	1,253,399	50,292	(2,562)	-	27,028	1,328,157

Transaction expenses
The Scheme has no direct transaction costs, though transaction costs are incurred indirectly by the CEIFP.

All investments are registered in the UK.

10. Fair value of investments
In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown on page 65.

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

Category	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, ie for which market data is unavailable

Notes to the financial statements (continued)

10. Fair value of investments (continued)

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at 31 December 2015 at fair value within these categories as follows:

	1 £000	2 £000	3 £000	Total £000
At 31 December 2015				
AVC investments	-	-	22,254	22,254
Total (excluding CEIFP) at 31 December	-	-	22,254	22,254
At 31 December 2014				
AVC investments	-	-	19,522	19,522
Total (excluding CEIFP) at 31 December	-	-	19,522	19,522

11. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 and comprise:

- credit risk;
- interest rate risk;
- currency risk; and
- other price risk.

These risks are principally borne through the Scheme's holdings of CEIFP units. Risks incurred by the CEIFP are explained in more detail on page 66.

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

Investment strategy

The Scheme's investments are mainly held in the two pools of the CEIFP: the Return Seeking Pool and the Liability Matching Pool. The Return Seeking Pool seeks to maximise long term growth of its assets and includes equities, property unit trusts, infrastructure funds, sovereign debt and cash. The Liability Matching Pool seeks to hold assets that are lower risk to match the investing schemes' liabilities and consists of government and corporate bonds.

As the Scheme matures, the investment strategy is enable the Scheme to manage its future cash flow requirements as the membership begin to draw down on their pensions, and to de-risk the Scheme's investments, by moving the fund from being invested 100% in return-seeking assets to a 60:40 split between liability matching assets and return-seeking assets by the end of 2029.

The investment strategies of the CEIFP's Return Seeking Pool and Liability Matching Pool are described on page 56.

12. Concentration of investments

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

	2015		2014	
	£000	%	£000	%
CEIFP return seeking pool	1,100,249	82.7%	1,027,548	81.5
CEIFP liability matching pool	205,654	15.5%	206,299	16.4%

14. AVC investments

With effect from April 2011, all AVCs have been invested in a new Group AVC Scheme with Legal and General Assurance Society Limited which provides wider investment choice and a single administration platform. Prior to this, AVC contributions were invested with Prudential, Equitable Life Assurance Society and another Legal & General fund and investments continue to be held in these AVC schemes.

15. Related party transactions

One Board member (2014: one) who has retired from service under the Scheme is in a receipt of a pension on normal terms.

16. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustee will keep the situation under review over the coming months, including implications for investment strategy and risk management.

Clergy (Widows and Dependants) Pension Fund

Annual report and Financial Statements 2015

Trustee's report

The Church of England Pensions Board ("the Board"), as Trustee of The Clergy (Widows and Dependants) Pension Fund ("CWDPF" or "the Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2015.

Scheme constitution and management
The Scheme was established in 1954 by section 13 of the Clergy Pensions Measure 1954 to provide benefits to the widows and dependents of the clergy. It is currently governed by the Clergy Pensions Measure 1961. The Scheme was closed to new entrants in 1967 and no contributions have been received since 1988.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown on page 3.

Until 2015, the Scheme's investments were principally held in the Church of England Investment Fund for Pensions ("CEIFP").

The CEIFP was established in 1985 as a common investment fund for the Board's pension schemes. The Scheme has been a member of the CEIFP since 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification, which the smaller schemes would not have access to on their own. The CEIFP's financial statements are appended from page 60.

The CEIFP has two pools with differing risk and return characteristics that the Schemes can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures on page 66 for more information

Rule changes
There were no changes to the scheme rules during 2015. A full copy of the scheme rules is available on request.

Financial developments
The financial statements included in this annual report are the accounts 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.

During 2015, the Scheme sold its investments in the CEIFP in two tranches: £13.3m in February and £12.9m in October. These funds were transferred to a bond and cash portfolio managed by Insight Investment Management (Global) Limited. This was done to reduce investment risk by aligning the Scheme's investments to the Scheme's future cash flows to ensure the Scheme has sufficient cash to pay pensions.

Membership and benefits
As at 31 December 2015, there were 1,130 pensions in payment (2014: 1,139).

Pension increase
As a result of the actuarial valuation as at 31 December 2012 it was possible to increase pensions and prospective benefits by 4.4% with effect from 1 January 2014. The latest valuation showed that the fund continued to be in a good financial position and as a result, members of the Scheme received a one-off increase of 10% in April 2015. The maximum pension payable under the fund to the widow of a member ordained after 1947 is now £1,614 per annum (2014: £1,468 per annum).

Actuarial liabilities
As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of future retirement benefits.

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. However, the terms of the CWDPF are such that the Pensions Act 2004 does not apply to it. The Board's practice has been to operate this Scheme in the same way as the other pension schemes for which it is trustee.

The most recent actuarial valuation of the Scheme was carried out as at 31 December 2012 on a solvency basis. This showed that on that date:

- the value of the funding target was £20.4 million; and
- the value of the assets at that date was £23.7 million

A valuation as at 31 December 2015 is currently in progress.

The method and significant actuarial assumptions used to determine the solvency basis are as follows:

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

Significant actuarial assumptions

Discount interest rate: 2.5%

Mortality: 90% of S1NMA and S1NFA tables

Investment management

The Trustee has delegated the day-to-day management to an Investment Committee, which in turn has 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.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which describes the investment strategy and is supplemented by the Investment Policy Implementation Document ("IPID"), copies of which may be obtained on request. See page 24 where the investment risks and the strategies in place to mitigate these risks are described in the context of the financial statements and Scheme's risks.

Until 2015, most of the scheme's assets were pooled with the other pension schemes' assets in the CEIFP. Detailed information on the performance and management of the CEIFP is set out on page 58.

During 2015, the Trustee implemented its strategy to de-risk the Scheme and withdrew all of its assets from the CEIFP and moved them to a portfolio of index-linked gilts and cash, held outside the CEIFP. This portfolio was constructed specifically to match the expected beneficiary payments of the scheme, as an entirely de-risked portfolio. From the date of the inception of the portfolio on 7th October 2015 to the end of the year, the portfolio returned -2.2%.

Custody of investments

The Board has appointed Northern Trust Company Limited ("Northern Trust") to keep custody of the CEIFP's investments, other than pooled investment vehicles, where the manager makes its own arrangements for the custody of underlying investments. Northern Trust is also the custodian for the Scheme's direct investments.

Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 5.

Approval

The Trustee's Report was approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary & Chief Executive

Independent auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion

In our opinion the Clergy (Widows and Dependants) Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, and of the amount and disposition at that date of their 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 3 and 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.

What we have audited

The Clergy (Widows and Dependants) Pension Fund's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of the Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

July 2016

Fund Account
for the year ended 31 December 2015

	Notes	2015	2014
		£000	**£000**
Benefits			
Benefits paid	4	(1,414)	(1,366)
Administrative expenses	5	-	-
Total benefits and other expenses paid		(1,414)	(1,366)
Net additions from dealing with members		(1,414)	(1,366)
Return on investments			
Investment income		84	7
Change in market value: investments	6	183	2,905
Change in market value: cash and cash equivalents		(338)	-
Investment manager's fees		(2)	(3)
Net return on investments		(74)	2,909
Net (decrease)/increase in funds in the year		(1,488)	1,543
Net assets brought forward		26,381	24,838
Net assets carried forward		24,893	26,381

Notes 1 to 13 form part of these Accounts.

Statement of Net Assets available for benefits
as at 31 December 2015

	Notes	2015	2014
		£000	**£000**
Investments			
Pooled investment vehicles (CEIFP)	6	-	25,536
Pooled investment vehicles (other)	6	3,138	-
Fixed income	6	21,679	-
Total investments		24,817	25,536
Current assets	7	182	902
Current liabilities	8	(106)	(57)
Net current assets		76	845
Total net assets		24,893	26,381

The financial statements of the Clergy (Widows and Dependants) Pension Fund 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 on page 18.

Notes 1 to 13 form part of these financial statements.

These financial statements were approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

Notes to the financial statements

1. Legal status

Clergy (Widows and Dependants) Pension Fund (the "Scheme") was established in 1954 by section 13 of the Clergy Pensions Measure 1954 to provide benefits to the widows and dependents of the clergy. It is currently governed by the Clergy Pensions Measure 1961. Subsequent Clergy Pension Measures provided for the similar benefits to be paid from the clergy pension scheme, and as a result this Scheme closed and is applicable to widows and dependents of clergy who were serving in 1967. No contributions have been received since 1988.

2. Basis of preparation of financial statements

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

In accordance with section 34.38(b) of FRS 102, the actuarial liability to pay future retirement benefits is not included in the financial statements. The actuarial position does take account of this liability and is described in the report on actuarial liabilities on page 18.

3. Summary of significant accounting policies

This is the first year FRS 102 and the revised SORP have applied to the Scheme's financial statements. Implementation of FRS 102 did not result in any changes to the Scheme's accounting policies and consequently no restatement of any figures at the transition date of 1 January 2014 was necessary.

FRS 102 and the Pensions SORP require additional information to be disclosed, particularly around investment risks. The Trustee has taken advantage of the change in accounting framework to restructure the format of the 2015 annual report, which presents the Scheme's Trustee's Report and financial statements together in one section. Information about the Trustee's structure and history, the Scheme's management, administrative detail and Trustee's responsibilities are contained in pages 3-6 and forms part of the Scheme's annual report.

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.

Benefits

Pension benefits and lump sum payments are accounted for on an accruals basis on the date of death.

Investment income and expenditure

The change in market value of investments 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.

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

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 adopt valuation techniques appropriate to the class of investments. The methods for determining fair value for the principal classes of investments are:

a) **Pooled investment vehicles**

1. Unitised investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before year end.
2. 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 is normally considered a suitable approximation.

Foreign currencies

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

4. Benefits paid

	2015	**2014**
	£000	**£000**
Pensions paid	1,364	1,342
Section 14 payments upon death	50	24
Total benefits paid	1,414	1,366

Notes to the financial statements (continued)

5. Administrative expenses

All costs relating to the administration of the Scheme are paid by the Board in the first instance. Following agreement with the responsible bodies in 2002, the administration costs incurred in respect of the Scheme are borne by the responsible bodies, as part of their contribution rate to the CEFPS.

6. Investments

The table below shows the movement in CEIFP units and other investments in the year:

	At 1 January £000	Additions £000	Disposals £000	Change in market value £000	At 31 December £000
Pooled investment vehicles					
CEIFP return seeking pool	12,914	-	(13,124)	210	-
CEIFP liability matching pool	12,622	-	(12,889)	267	-
Total pooled investment vehicles	25,536	-	(26,013)	477	-
Fixed income	-	29,209	(7,236)	(294)	21,679
Other pooled investment vehicles	-	15,733	(12,595)	-	3,138
Total investments	25,536	44,942	(45,844)	183	24,817

Because the Scheme is closed to new contributions, is 'super mature', and fully funded, it does not require its assets to grow in the same way as a less mature scheme would. As a result, it has been following a programme to de-risk its assets. In 2015 it sold its investments in the two CEIFP pools and invested fully in bonds and cash either directly or through pooled investment vehicles. In October 2015, the Trustee implemented its strategy to de-risk the Scheme and withdrew all of its assets to a portfolio of index-linked gilts and cash, held outside the CEIFP. This portfolio was constructed specifically to match the expected beneficiary payments of the scheme, as an entirely de-risked portfolio.

Transaction expenses

Indirect transaction costs were borne by the Scheme during the year through the charges made within the CEIFP units it held. Since 7th October 2015 the Scheme has incurred a direct management charge of 0.04% p.a. of the value of the gilts in the portfolio, 0.06% p.a. of the value of its investment in the Insight Sterling Liquidity Fund. Custody charges are negligible. Transactions in the gilt portfolio will only take place in order for the Fund to better match its liabilities.

All the Fund's investments are registered in the UK apart from its holding of the Insight Sterling Liquidity Fund, a diversified cash liquidity fund, which is listed on the Irish Stock Exchange.

7. Current assets

	2015 £000	2014 £000
Debtors		
Accrued income	21	-
Other debtors	-	4
Total debtors	21	4
Cash equivalents	-	496
Cash	161	402
Total cash and cash equivalents	161	898
Total current assets	182	902

8. Current liabilities

	2015 £000	2014 £000
Creditors		
Benefits payable	15	57
Other creditors	4	-
Total creditors	19	57
Cash equivalents	87	-
Total cash and cash equivalents	87	-
Total current liabilities	106	57

9. Fair Value of Investments

In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP at 31 December 2014 is shown on page 65.

Notes to financial statements (continued)

9. Fair Value of Investments (continued)

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

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

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at 31 December 2015 at fair value within these categories as follows:

	1 £000	2 £000	3 £000	Total £000
At 31 December 2015				
Pooled investment vehicles (other)	3,138	-		3,138
Fixed income	-	21,679	-	21,679
Total investment at 31 December	3,138	21,679	-	24,817
At 31 December 2014				
Total (excluding CEIFP) at 31 December	-	-	-	-

10. Investment risk disclosures

Prior to 2015, the Scheme's investments were mainly held in the CEIFP, and these risks were principally borne through the Scheme's holdings of CEIFP units. Risks incurred by the CEIFP are explained in more detail on page 66. The description of investment risks below relate to the Scheme's own investments held outside the CEIFP.

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 as follows:

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.

Market risk: this comprises currency risk, interest rate risk and other price 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.
- **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.
- **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 has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee Report 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. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers.

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 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	2015 £000	2014 £000
Fixed income	●	◑	●	●	21,679	-
Pooled investment vehicles	◑	○	◑	◑	3,138	-
					24,817	-

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

Notes to financial statements (continued)

10. Investment risk disclosures (continued)

Credit Risk

The Scheme is subject to credit risk through its investments in bonds 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.

	2015	2014
	£000	£000
Fixed income	21,679	-
Pooled investment vehicles	3,138	-
Total investments exposed to credit risk	24,817	-

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 government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

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 Scheme is subject to risk of failure of the counterparty. There are collateral arrangements for these contracts but all counterparties must be 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.

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

Currency Risk

The Scheme is not subject to currency risk because all of its investments are held in sterling.

Interest rate risk

The Scheme is subject to interest rate risk due to its bond. 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 because of an increase in the discount rate.

Other price risk

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.

11. Concentration of investments

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

	2015		2014	
	£000	**%**	**£000**	**%**
Insight: index linked government bonds	21,679	87.2%	-	-
Insight: liquidity fund	3,138	12.6%	-	-
CEIFP Return Seeking Pool	-	-	12,914	49.0
CEIFP Liability Matching Pool	-	-	12,622	47.8

12. Related party transactions

None of the Board members (2014: none) who have retired from service under the Pension Schemes are in a receipt of a pension on normal terms.

13. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.

The Church Workers Pension Fund

Annual report and Financial Statements 2015

Trustee's report

The Church of England Pensions Board ("the Board"), as Trustee of the Church Workers Pension Fund ("CWPF", or "the Scheme") is pleased to present the Scheme's annual report for the year ended 31 December 2015.

Scheme constitution and management

The scheme was established in 1953 in accordance with the Church of England Pensions Board (Powers) Measure 1952 and operates as a centralised occupational pension scheme.

The CWPF has two distinct sections:

- the Defined Benefit Scheme; and
- Pension Builder Scheme.

The Pension Builder Scheme is further sub-divided into two sections:

- Pension Builder Classic; and
- Pension Builder 2014.

The two Pension Builder sections are hybrid: part defined benefit, due to guaranteed pension benefits; but also has defined contribution elements, due to the amount of benefit being dependent on accumulated pension contributions.

Some employers participate in more than one section. Employers include diocesan boards of finance, cathedral chapters, mission agencies and other bodies connected with the ministry and mission of the Church of England.

The Board as Trustee is responsible for setting the overall strategy and managing the Scheme. The Board's structure and management is shown on page 3.

With the exception of the investments relating to the defined benefit insurance policy (see below), the Schemes' investments are principally held in a common investment fund, 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 it was established in 1985. The CEIFP pools assets to take advantage of economies of scale and reduce risk through diversification. The CEIFP's financial statements are appended from page 60.

The CEIFP has two pools with differing risk and return characteristics that the Schemes can invest in: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures on page 66 for more information.

<u>Defined Benefit Scheme</u>

The Defined Benefit Scheme currently has 79 participating employers. Employers have some flexibility as to the benefit structure they provide. The Scheme provides a guarantee that pensions will increase in line with limited price indexation (LPI).

The assets are managed into two sections: general and a life risk, each section with an investment strategy that reflects its purpose. The general section receives contributions and invest in return seeking assets. The life risk section pays pensions and is funded by transfers from the general section and its own investment returns from return seeking and liability matching assets. The transfers from the general section are dependent on the employers' participation in respect of members who have retired.

<u>Pension Builder Classic</u>

The Classic is a hybrid scheme which guarantees pension benefits for its members. There are 154 employers participating in this section. The Scheme provides guaranteed increases to pensions in line with LPI in respect of contributions paid after 5 April 1997. Discretionary bonuses are applied to all benefits and to all pensions in payment relating to contributions paid before 6 April 1997. Bonuses may be declared by the Trustee, but are dependent on the funding level of the section each year.

<u>Pension Builder 2014</u>

Pension Builder 2014 was set up with effect from February 2014. There are 103 participating employers. It was set up as a sub-section of the Pension Builder Scheme and its main aim was to help small employers comply with auto-enrolment legislation. The 2014 section guarantees to pay out at least the value of the contributions paid in plus any bonuses, which are dependent on the investment returns. It's this guarantee that gives Pension Builder 2014 a feature of a defined benefit scheme, although Pension Builder 2014 mostly satisfies the definition of money purchase in respect of tax legislation.

Rule changes

There were no changes to the scheme rules during 2015. A full copy of the scheme rules is available on request.

Financial developments

There have been no significant developments in the Schemes during the year. The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that act.

For information about the CEIFP's own financial developments in the year, see its Trustee's Report on page 56.

Membership and benefits

The change in membership during the year for each part of the Scheme is as follows:

Defined Benefit Scheme	**Active**	**Deferred**	**Pensions in payment**	**Total**
At 1 January	**626**	**1,725**	**1,772**	**4,123**
New members joining	26	-	-	-
Members retiring	(43)	(68)	111	-
Members leaving with refunds	(1)	-	-	(1)
Members leaving prior to pension age	(52)	52	-	-
Transfers Out	(1)	(5)	-	(6)
Deaths	(1)	(7)	(25)	(33)
Other	(1)	-	-	(1)
Total at 31 December	**553**	**1,697**	**1,858**	**4,108**

Pension Builder Classic	**Active**	**Deferred**	**Pensions in payment**	**Total**
At 1 January	**1,307**	**1,534**	**1,176**	**4,017**
New members joining	353	-	-	353
Members retiring	(21)	(42)	63	-
Members leaving with refunds	(22)	-	-	(22)
Members leaving prior to pension age	(120)	120	-	-
Transfers Out	(13)	(6)	-	(19)
Deaths	(2)	(2)	(45)	(49)
Other	(9)	(12)	(1)	(22)
Total at 31 December	**1,473**	**1,592**	**1,193**	**4,258**

Pension Builder 2014	**Active**	**Deferred**	**Pensions in payment**	**Total**
At 1 January	**995**	**12**	**3**	**1,010**
New members joining	493	-	-	493
Members retiring	(8)	(1)	9	-
Members leaving with refunds	(64)	-	-	(64)
Members leaving prior to pension age	(100)	100	-	-
Transfers Out	(11)	-	-	(11)
Deaths	(1)	-	-	(1)
Other	(5)	-	-	(5)
Total at 31 December	**1,299**	**111**	**12**	**1,422**

Pension Increases

Increases to pensions in payment in the CWPF are made in line with the Retail Prices Index (“RPI”) up to a limit of 2.5% or 5.0%. The increase in RPI in the year to 30 September 2015 was 0.8%.

No discretionary bonuses were paid in respect of Pension Builder Classic.

Transfers

As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the scheme’s actuary. The Scheme does not accept transfers.

Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (“FRS 102”), Section 34, the financial statements do not include liabilities in respect of future retirement benefits.

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 agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme 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 most recent full actuarial valuation of the Scheme was carried out as at 31 December 2013. This showed that on that date:

	Defined Benefit Scheme £m	Pension Builder Scheme £m
Technical provision	310.4	86.6
Value of assets	297.5	87.1
Surplus/(deficit)	(12.9)	0.5

Actuarial liabilities (continued)
The method and significant actuarial assumptions used to determine the technical provisions for the Defined Benefit Scheme and the Pension Builder Scheme are as follows (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	
for employer pools (pre-retirement)	5.6%
for life risk section (post-retirement)	4.1%
RPI	0.7%
Pay increases	CPI + 1.2%
Pension increases:	
Increasing in line with CPI (capped at 3.0%)	2.4%
Increasing in line with RPI (capped at 2.5%)	2.3%
Increasing in line with RPI (capped at 5.0%)	3.4%
Post-retirement mortality	95% of S2NMA and S2NFA mortality tables in line with the CMI 2013 core projections with long-term annual rate of improvement of 1.5% for both males and females

As a result of the actuarial valuation the Trustee agreed future contribution rates and "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating Defined Benefit Scheme employer. Whilst the majority of employers agreed a recovery period of 5 years or less, a 10 to 13 year period was agreed with six employers and a 17 year period with one employer, each case being considered on its merits. Contribution rates were revised and implemented from 1 April 2015.

The next full actuarial valuation of the scheme is due to be carried out as at 31 December 2016.

Investment management
The Trustee has delegated the day to day management to an Investment Committee, which in turn has professional in-house staff, external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which incorporates the investment strategy and is supplemented by the Investment Policy Implementation Document ("IPID"), copies of which may be obtained on request. See page 37 where the investment risks and the strategies in place to mitigate these risks are described in the context of the financial statements and Scheme's risks.

In 2014 the Trustee decided to reduce the defined benefit liability risk by redeeming CEIFP Liability Matching Pool assets and purchasing an insurance contract ("buy in") from Prudential. The contract transfers 70% of the pension risk from the employers to the insurer. It removes significant investment risk from the assets backing that part of the payments and the risk associated with longevity too.

The CEIFP's Return Seeking Pool comprises equities, property unit trusts, active currency, corporate bonds and cash; with the Liability Matching Pool investing in government bonds and corporate bonds.

The investment risk disclosures in the CEIFP on page 66 contain details of the Trustee's approach to managing investments, investment risk and the strategies in place to mitigate these risks.

Detailed information on the performance and management of the CEIFP is set out on page 57.

At the end of 2015, the proportion of each Schemes' net assets which is invested in the CEIFP Return Seeking Pool and Liability Matching Pool was:

	Return Seeking Pool		Liability Matching Pool	
Scheme	**2015**	2014	**2015**	2014
	%	%	%	%
Defined benefit	67.7	65.7	1.1	1.2
Pension Builder Classic	73.4	73.7	25.9	26.5
Pension Builder 2014	97.8	86.4	-	-

Custody of investments
The CEIFP's custody arrangements are described in the CEIFP's Trustee Report. Other investments are held by the relevant fund manager.

Further Information
Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 5.

Approval
The Trustee's Report was approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary & Chief Executive

Independent auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion

In our opinion the Church Workers Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, 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 3 and 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.

What we have audited

The Church Workers Pension Fund's financial statements comprise:

- the statements of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of the Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

July 2016

Fund Account
for the year ended 31 December 2015

	Notes	Pensions Builder 2014	Pensions Builder Classic	Defined benefit scheme	**2015 Total**	Pensions Builder 2014	Pensions Builder Classic	Defined benefit scheme	**2014 Total**
		£000	£000	£000	**£000**				**£000**
Contributions									
Employer contributions	4	2,522	3,590	7,951	**14,063**	1,239	4,006	9,879	**15,124**
Employee contributions	4	658	1,108	279	**2,045**	267	1,052	269	**1,588**
Other income		139	192	307	**638**	28	102	95	**225**
Total contributions and other income		3,319	4,890	8,537	**16,746**	1,534	5,160	10,243	**16,937**
Benefits									
Benefits paid	5	(99)	(3,615)	(10,283)	**(13,997)**	(2)	(4,089)	(9,295)	**(13,386)**
Payments to and on account of leavers		(92)	(368)	(139)	**(599)**	(1)	(276)	(257)	**(534)**
Administrative expenses	6	(239)	(705)	(471)	**(1,415)**	-	(814)	(865)	**(1,679)**
Total benefits and other expenses paid		(430)	(4,688)	(10,893)	**(16,011)**	(3)	(5,179)	(10,417)	**(15,599)**
Net additions from dealing with		2,889	202	(2,356)	**735**	1,531	(19)	(174)	**1,338**
Return on investments									
Deposit interest		-	-	3	**3**	-	-	7	**7**
Annuity income		-	-	4,954	**4,954**	-	-	4,914	**4,914**
Change in market value of investments	9	4	1,766	(1,103)	**667**	39	9,387	25,010	**34,436**
Net return on investments		4	1,766	3,854	**5,624**	39	9,387	29,931	**39,357**
Net increase in funds in the year		2,893	1,968	1,498	**6,359**	1,570	9,368	29,757	**40,695**
Net assets brought forward		1,570	96,504	327,257	**425,331**	-	87,136	297,500	**384,636**
Net assets carried forward		4,463	98,472	328,755	**431,690**	1,570	96,504	327,257	**425,331**

Notes 1 to 14 form part of these Accounts.

Statement of Net Assets available for benefits
as at 31 December 2015

	Notes	Pensions Builder 2014	Pensions Builder Classic	Defined benefit scheme	**2015 Total**	Pensions Builder 2014	Pensions Builder Classic	Defined benefit scheme	**2014 Total**
		£000	£000	£000	**£000**				**£000**
Investments									
Pooled investment vehicles	9	4,366	97,837	226,346	**328,549**	1,356	96,740	218,818	**316,914**
Insurance policies	9	-	-	101,190	**101,190**	-	-	107,790	**107,790**
Total investments		4,366	97,837	327,536	**429,739**	1,356	96,740	326,608	**424,704**
Current assets	7	337	657	1,291	**2,285**	225	339	744	**1,308**
Current liabilities	8	(240)	(22)	(72)	**(334)**	(11)	(575)	(95)	**(681)**
Net current assets		97	635	1,219	**1,951**	214	(236)	649	**627**
Total net assets available for benefits		4,463	98,472	328,755	**431,690**	1,570	96,504	327,257	**425,331**

The financial statements of Church Workers Pension Fund summarise the transactions of the schemes 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 scheme year. The actuarial position, which does take account of such obligations, is dealt with in the statements by the actuary on page 27.

Notes 1 to 14 form part of these financial statements.

These financial statements were approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

Notes to the financial statements

1. General information

The Church Workers Pension Fund (the "Scheme") is an occupational pension scheme established under trust. The scheme was established in 1953 in accordance with the Church of England Pensions Board (Powers) Measure 1952.

The Scheme is a registered pension scheme under the 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 of financial statements

The financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

In accordance with section 34.38(b) of FRS 102, the actuarial liability to pay future retirement benefits is not included in the financial statements. The actuarial position does take account of this liability and is described in the report on actuarial liabilities on page 27.

3. Accounting policies

This is the first year FRS 102 and the revised SORP have applied to the Scheme's financial statements. Implementation of FRS 102 did not result in any changes to the Scheme's accounting policies and consequently no restatement of any figures at the transition date of 1 January 2014 was necessary.

FRS 102 and the Pensions SORP require additional information to be disclosed, particularly around investment risks. The Trustee has taken advantage of the change in accounting framework to restructure the format of the 2015 annual report, which presents the Scheme's Trustee's Report and financial statements together in one section. Information about the Trustee's structure and history, the Scheme's management, administrative detail and Trustee's responsibilities are contained in pages 3-6 and forms part of the Scheme's annual report.

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

a) Contributions

Employer contributions, which consist of both normal and deficit contributions are accounted for on an accruals basis in the payroll month to which they relate.

Employer contributions towards supplemental pension payments are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Employee contributions are accounted for on an accruals basis in the month deducted from payroll.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from payroll.

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 an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Pension Schemes, as appropriate.

c) Transfers to and 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 Pension Schemes. They are accounted for on an 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 an accruals basis. The costs are split between each section of the Scheme according to each section's use of management and administration time.

e) Annuity income, investment income and expenditure

Income arising from annuity policies is shown separately in the Fund Account.

The Scheme's pooled investments are units in the 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 of all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

f) Investment valuation

The Scheme values its units in the CEIFP at the unit prices for the Return Seeking Pool and the Liability Matching Pool, 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.

Insurance policies are valued by the Scheme's Actuary, Lane Clark and Peacock LLP, at the amount of the related obligation using the actuarial method. This is determined by the most recent scheme funding valuation assumptions updated for market conditions at the reporting date.

g) Foreign currencies

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

Notes to the financial statements (continued)

4. Contributions

Pensions Builder 2014:

	2015	2014
	£000	£000
Employer contributions		
Normal	2,522	1,239
Total employer contributions	2,522	1,239
Employee contributions		
Normal	401	179
AVC	257	88
Total employee contributions	658	267

Pensions Builder Classic:

	2015	2014
	£000	£000
Employer contributions		
Normal	3,589	3,985
Deficit	-	6
For supplemental pensions	1	15
Total employer contributions	3,590	4,006
Employee contributions		
Normal	503	503
AVC	605	549
Total employee contributions	1,108	1,052

Defined Benefit Scheme:

	2015	2014
	£000	£000
Employer contributions		
Normal	4,540	5,216
Deficit	3,399	4,654
For supplemental pensions	12	9
Total employer contributions	7,951	9,879
Employee contributions		
Normal	259	269
AVC	20	-
Total employee contributions	279	269

Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 April 2015 up to a maximum of 17 years.

Supplemental contributions by employers relate to payments supplement the benefits for Pension Builder Classic members of £1,000 (2014: £15,000) and by defined benefit members of £12,000 (2014: £9,000).

Notes to the financial statements (continued)

5. Benefits

Pensions Builder 2014:

	2015	2014
	£000	£000
Lump sums on retirement	19	2
Lump sums on death	80	-
Total benefits	99	2

Pensions Builder Classic:

	2015	2014
	£000	£000
Pensions	3,125	3,192
Lump sums on retirement	342	709
Lump sums on death	73	188
Commutations	75	-
Total benefits	3,615	4,089

Defined Benefit Scheme:

	2015	2014
	£000	£000
Pensions	7,913	7,352
Lump sums on retirement	2,296	1,940
Lump sums on death	74	3
Total benefits	10,283	9,295

6. Administrative expenses

The administrative expenses comprise a recharge from the Pension Board for costs it bears on the Scheme's behalf. A breakdown of the costs which make up this recharge is listed below:

	2015	2014
	£000	£000
Actuarial fees	244	739
Audit fees	23	22
Pension levy	47	45
Legal advice	148	113
Investment services	37	144
Administration costs	916	616
Total administration costs	1,415	1,679

Administration costs are split between each section of the Scheme as follows:

	2015	2014
	£000	£000
Defined Benefit Scheme	471	865
Pensions Builder Classic	705	814
Pensions Builder 2014	239	-
Total administration costs	1,415	1,679

Notes to the financial statements (continued)

7. Current assets

Pension Builder 2014:	2015	2014
	£000	£000
Debtors		
Employer contributions	292	225
Total debtors	292	225
Cash	45	-
Total current assets	337	225

Pension Builder Classic:	2015	2014
	£000	£000
Debtors		
Employer contributions	390	334
Trustee	211	-
Other	8	5
Total debtors	609	339
Cash	48	-
Total current assets	657	339

Defined Benefit Scheme:	2015	2014
	£000	£000
Debtors		
Employer contributions	607	743
Trustee	453	-
Other debtors	3	-
Total debtors	1,063	743
Cash	228	1
Total current assets	1,291	744

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

8. Current liabilities

Pension Builder 2014:	2015	2014
	£000	£000
Creditors		
Tax payable	239	-
Other	1	-
Total creditors	240	-
Cash	-	11
Total current liabilities	240	11

Pension Builder Classic:	2015	2014
	£000	£000
Creditors		
Unpaid benefits	-	161
Trustee	-	225
Other	22	-
Total creditors	22	386
Cash	-	189
Total current liabilities	22	575

Defined Benefit Scheme:	2015	2014
	£000	£000
Creditors		
Unpaid benefits	41	51
Other	31	44
Total creditors	72	95
Total current liabilities	72	95

Amounts owed to the Trustee represent money charged by the Board towards the administrative expenses the Board incurs on the Scheme's behalf (see note 6).

Notes to the financial statements (continued)

9. Investments

The tables below shows the movement in CEIFP units and other investments in the year:

Pension Builder 2014:

	At 1 January £000	Additions £000	Disposals £000	Change in market value £000	At 31 December £000
Pooled investment vehicles					
CEIFP return seeking pool	1,356	3,006	-	4	4,366
CEIFP liability matching pool	-	-	-	-	-
Total pooled investment vehicles	1,356	3,006	-	4	4,366
Total investments	1,356	3,006	-	4	4,366

Pension Builder Classic:

	At 1 January £000	Additions £000	Disposals £000	Change in market value £000	At 31 December £000
Pooled investment vehicles					
CEIFP return seeking pool	71,120	-	(669)	1,847	72,298
CEIFP liability matching pool	25,620	-	-	(81)	25,539
Total pooled investment vehicles	96,740	-	(669)	1,766	97,837
Total investments	96,740	-	(669)	1,766	97,837

Defined benefit scheme:

	At 1 January £000	Additions £000	Disposals £000	Change in market value £000	At 31 December £000
Pooled investment vehicles					
CEIFP return seeking pool	215,033	2,031	-	5,509	222,573
CEIFP liability matching pool	3,785	-	-	(12)	3,773
Total pooled investment vehicles	218,818	2,031	-	5,497	226,346
Insurance policies					
Prudential buy-in	107,790	-	-	(6,600)	101,190
Total insurance policies	107,790	-	-	(6,600)	101,190
Total investments	326,608	2,031	-	(1,103)	327,536

Transaction expenses

Indirect transaction costs are also borne by the Scheme through the charges made within the CEIFP units. No direct transaction costs are borne by the Scheme.

All investments are registered in the UK.

10. Fair Value of Investments

In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown on page 65.

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

Category	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, ie for which market data is unavailable

Notes to the financial statements (continued)

10. Fair Value of Investments (continued)

The Scheme's investment assets and liabilities, other than its investment in CEIFP units, have been included at fair value within these categories as follows:

At 31 December 2015	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined benefit scheme				
Insurance policies	-	-	101,190	101,190
Total investments (excluding CEIFP)	-	-	101,190	101,190

At 31 December 2014	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined benefit scheme				
Insurance policies	-	-	107,790	107,790
Total investments (excluding CEIFP)	-	-	107,790	107,790

10. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 and comprise:

- credit risk;
- interest rate risk;
- currency risk; and
- other price risk.

These risks are principally borne through the Scheme's holdings of CEIFP units. Risks incurred by the CEIFP are explained in more detail on page 66.

Defined Benefit Scheme

Investment strategy

The defined benefit scheme is managed in two funds: a life risk and general fund. The general fund is nominally divided into employer pools and wholly invested in the return seeking units. The life risk fund funds the pension payments and therefore the Trustee has determined its composition to be comprised 25% of return seeking pool units and 75% of liability matching units. This strategy ensures that Scheme's pension payments are matched to the investment returns and risks.

These risks are principally borne through its holdings of CEIFP units which are held in line with the strategy outlined below. See page 66 where the risks incurred by the CEIFP units are detailed.

In 2014 the Trustee bought an insurance contract from Prudential to provide a more stable environment for participating employers. This secures 70% of the Scheme's pensions in payment at the time of the contract and their future increases.

The insurance policy is considered to be significantly affected by credit risk and interest rate risk and hardly affected by currency or other price risks.

Credit risk

The insurance policy liability counterparty is responsible for making payments to Scheme in line with the contract and there is a risk they default on their obligations. The Trustee has mitigated this risk by carrying out suitably rigorous due diligence on the contract before it was signed and on an on-going basis monitor any changes to the operating environment of the counterparty.

Interest rate risk

The Scheme is subject to interest rate risk due to its buy in insurance policy. The insurance policy will increase in value as interest rates fall and decrease in value as interest rates rise. The nature of the arrangement however is such that the insurance policy is designed to move in the opposite direction to the value of obligations to pay future benefits to members.

Notes to the financial statements (continued)

11. Investment risk disclosures (continued)

Pension Builder Classic and Pension Builder 2014 sections

Investment strategy

The Pension Builder Classic investments are split 25% and 75% between CEIFP liability matching and return seeking units. The weighting has been chosen by the Trustee after seeking advice from its investment advisors to ensure sufficiency of assets in the future whilst also ensuring there is sufficient liquidity to meet current pension obligations.

The Pension Builder 2014 is invested wholly in return seeking assets, on account of so few of its members drawing a pension, and hence the Trustees have adopted a strategy that seeks to ensure sufficiency of assets in the future.

The investment risks faced by these sections are principally borne through their holdings of CEIFP units which are held in line with the strategy outlined above. See page 66 where the risks incurred by the CEIFP units are detailed.

12. Concentration of investments

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

Pension Builder 2014:

	2015		**2014**	
	£000	**%**	**£000**	**%**
Pooled investment vehicles				
CEIFP return seeking pool	4,366	97.8	1,356	86.4
CEIFP liability matching pool	-	-	-	-

Pension Builder Classic:

	2015		**2014**	
	£000	**%**	**£000**	**%**
Pooled investment vehicles				
CEIFP return seeking pool	72,298	73.4	71,120	73.7
CEIFP liability matching pool	25,539	25.9	25,620	26.5

Defined Benefit Scheme:

	2015		**2014**	
	£000	**%**	**£000**	**%**
Pooled investment vehicles				
CEIFP return seeking pool	222,573	67.7	215,033	65.7
Insurance policies				
Prudential buy-in	101,190	30.8	107,790	32.9

13. Related party transactions

Two Board members (2014: two members) who have retired from service under the Scheme are in a receipt of a pension on normal terms.

14. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.

The Church Administrators Pension Fund

Annual report and Financial Statements 2015

Trustee’s report

The Church of England Pensions Board (“the Board”), as Trustee of The Church Administrators Pension Fund (“CAPF”, or “the Scheme”) is pleased to present the Scheme’s annual report for the year ended 31 December 2015.

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

With effect from 1 January 2000, the staff of the national church bodies and episcopal staff who had previously been covered under the Church Commissioners Superannuation Scheme (“CCSS”) were transferred to this Scheme (the CCSS was established under Section 17 of the Church Commissioners Measure 1947). Benefits arising from service prior to 2000 are wholly funded by the Church Commissioners. The Board administers the CCSS on behalf of the Church Commissioners and from the members’ perspective, runs the CAPF and the CCSS seamlessly, so that those with pension benefits earned from both schemes have a single point of contact and on retirement receive a single lump sum and consequently a single pension payment each month. The CAPF makes these payments and is fully reimbursed by the Church Commissioners in respect of the pre-2000 element of the payment they are responsible for funding.

Responsibility for setting the strategy and managing the Scheme rests with the Pension Board as Trustee, please see the Structure and management section on page 3.

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

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

The Scheme's Defined Benefit investments are principally held in a common investment fund, 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 Fund since 1985. The CEIFP pools assets from to take advantage of economies of scale and reduce risk through diversification which the smaller schemes would not have access to on their own. The CEIFP’s financial statements are appended from page 60.

The CEIFP has two pools with differing risk and return characteristics: the Return Seeking Pool and the Liability Matching Pool. See the investment strategy section and the investment risk disclosures on page 66 for more information.

Members of the defined benefit scheme can also make additional voluntary contributions. Please see the AVC section in this report for information regarding these arrangements.

<u>Defined Contribution</u>
New staff who join the Scheme join the Defined Contributions section. These contributions are managed outside the CEIFP by Legal and General Investment Management (“Legal and General”) who offer members a range of investment funds depending on their requirements.

Rule changes
There were no changes to the scheme rules during 2015. A full copy of the scheme rules is available on request.

Financial developments
The financial statements included in this annual report are the accounts 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.

There have been no significant developments with respect to both the Defined Benefit and Defined Contribution sections during the year.

Information about the CEIFP’s own financial developments in the year are set out in its Trustee’s Report on page 56.

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

Defined Benefit	**Active**	**Deferred**	**Pensioners**	**Beneficiaries**	**Total**
At 1 January	192	495	792	95	1,574
Members retiring	(20)	(23)	43	-	-
Members leaving prior to pension age	(9)	9	-	-	-
Deaths	-	-	(19)	(2)	(21)
Other	-	-	-	6	6
Total at 31 December	**163**	**481**	**816**	**99**	**1,559**

*includes pensions due from the Church Commissioners Superannuation Scheme (CCSS)

Membership and benefits (continued)

Defined Contribution	Active	Deferred	Total
At 1 January	359	214	573
New members joining	129	-	129
Members retiring	(4)	(2)	(6)
Members leaving prior to pension age	(68)	68	-
Transfers Out	(4)	(3)	(7)
Deaths	(1)	-	(1)
Total at 31 December	**411**	**277**	**688**

Pension Increases
Increases to pensions in payment in the Defined Benefit section of the CAPF are made in line with the Retail Prices Index ("RPI"). Increases to pensions for those previously in the CCSS are made in line with increases in the Principal Civil Service Pension Scheme, which are awarded in line with Consumer Price Index ("CPI").

The increase in RPI in the year to 30 September 2015 was 0.8%; CPI increased by 0.1% for the same period.

Transfers
As prescribed by statutory regulations, all transfer payments were calculated in accordance with the methods and assumptions approved by the scheme's actuary.

With effect from 1 April 2009, the Board ceased accepting transfers into the defined benefits section of the Scheme.

Actuarial liabilities
As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Section 34, the financial statements do not include liabilities in respect of promised retirement benefits.

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 agreed between the Trustee and the responsible bodies and set out in the Statement of Funding Principles, which is available to Scheme members on request.

These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2014 and completed during the course of 2015. This showed that on that date:

- the value of the technical provision was £121.4 million; and
- the value of the net assets of the Defined Benefit section was £96.3 million

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

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

Significant actuarial assumptions

Discount rate	2.4%
RPI	3.3%
CPI (before retirement)	2.9%
CPI (after retirement)	3.1%
Pension increases:	
Increasing in line with RPI (capped at 5%)	3.1%
Increasing in line with CPI (capped at 5%)	2.4%
Post-retirement mortality	75% of S2NA mortality tables projected from 2007 in line with the CMI 2013 core projections with long-term annual rate of improvement of 1.5% for both males and females

As a result of this actuarial valuation as at 31 December 2014, the Trustee set the recovery period (the period over which the identified deficit is targeted to be eliminated) at 11.5 years. The employer contribution rate was increased from 16.0% to 19.1% of pensionable salary with effect from 1 January 2016.

In addition to the future service contributions, the employers are paying contributions towards the scheme deficit of £2.5 million per annum from 1 January 2016 to 30 June 2025, increasing by 3.3%. This sum being made by each employer in proportion to pensionable salaries. The Archbishops' Council is required to pay a further contribution of £184,000 per annum from 1 January 2010 until 31 December 2016, increased each year in line with RPI. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

The Statement of Contributions and certificate are set out from page 53.

Actuarial liabilities (continued)
In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- This is a closed scheme with a much reduced active membership since the last valuation;
- The modifications to the benefit structure of the defined benefit section implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by CPI plus 1.2%;
- The anticipated rate of return on return-seeking assets being 4.5% per annum in the calculation of the technical provisions and in the recovery plan.

The next full actuarial valuation of the scheme is due to be carried out as at 31 December 2017.

Investment management
The Trustee has delegated the day to day management to an Investment Committee, which in turn has professional in-house staff, external investment managers and advisors. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Advisor.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which describes the investment strategy and is supplemented by the Investment Policy Implementation Document ("IPID"), copies of which may be obtained on request. Please see page 51 where the investment risks and the strategies in place to mitigate these risks are discussed in the context of the financial statements and Scheme risks for both the defined benefit and contribution schemes.

<u>Defined Benefit</u>
All assets, except for some AVCs and cash, are pooled with the other pension schemes' assets in the two sections of CEIFP.

At the end of 2015, the Scheme held 60.9% (2014: 59.9%) of its CEIFP investments in the CEIFP's return-seeking pool, which comprises equities, property unit trusts, active currency, corporate bonds and cash; with the remaining 39.1% (2014: 40.1%) held in the CEIFP's liability-matching pool.

Detailed information on the performance and management of the CEIFP is set out on page 57.

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

The default fund for members is Legal and General's Lifestyle Fund which includes investments in Legal and General's Global Equity Market Weights (30:70) Index Fund; Overseas Equity Consensus Index Fund; and Over 5 years UK Index-Linked Gilts Fund.

Custody of investments
The CEIFP's custody arrangements are described in the CEIFP's Trustee Report. Other investments are held by the relevant fund manager.

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

At the end of 2015 208 (2014: 160) members were paying AVCs.

Further Information
Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 5.

Approval
The Trustee's Report was approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer	Bernadette Kenny
Chairman	Secretary & Chief Executive

DC Governance statement from 6 April 2015 to 31 December 2015

1. Introduction

This statement has been prepared by the Church of England Pensions Board ("the Board") as Trustee of the DC section of the Church Administrators Pension Fund ("CAPF") to describe how the Board has met the new governance standards in relation to:

- the default arrangement;
- the requirements for processing financial transactions;
- charges and transaction costs borne by members; and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2015 to 31 December 2015.

2. Default arrangement

Details of the objectives and the Board's policies in regards to the default arrangement are set out in the Fund's Statement of Investment Principles ("SIP"). The SIP is appended to this statement.

The default arrangement was last reviewed in August 2015 and this review is still on-going. The default arrangement was reviewed to ensure it continues to be suitable and appropriate given the risk profiles and demographics of the CAPF DC Section membership and the changes to legislation.

3. Requirements for processing financial transactions

Processing of core financial transactions (e.g. investment of contributions, transfers within and into/out of the CAPF DC section, and payments to/from members) is carried out by the administration team of the Church of England Pensions Board.

The Board is comfortable that the administration team have in place adequate internal controls to ensure that core financial transactions relating to the Fund are processed promptly and accurately.

The Board monitors the administrators' performance, at least annually, based on information provided by the administration team is satisfied that over the period covered by this statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed within a reasonable timeframe.

4. Charges and transaction costs

For the purpose of this section "charges" are defined as the ongoing charges figures, which are the annual fund management charges plus additional fund expenses (e.g. for custody, but excluding transaction costs). The stated charges exclude administration costs since these are not met by the members.

The transaction costs stated are those incurred as a result of trading by the investment managers within each fund (e.g. buying and selling of securities). The transaction costs quoted do not include the costs to members of investing into and switching between funds.
The charges and transaction costs have been supplied by Fund's investment managers, Legal and General.

4.1. Default arrangement

The default arrangement has been set up as a lifestyle approach, whereby members' assets are automatically moved between different investment funds as they approach their retirement date. Therefore, the level of charges and transaction costs vary according to each member's proximity to retirement and the underlying funds they are invested in.

Over the period from 6 April 2015 to 31 December 2015, the maximum level of charges within the default arrangement was 0.16% pa.
Transaction costs were not available from Legal and General at the date of this report, due to systems development work required to produce the required information. Legal and General have confirmed they expect to be able to provide explicit transaction costs from April 2016 but will await further clarification from The Department for Work and Pensions ("DWP") on methodology before being able to provide implicit costs.

4.2. Self-select funds

The level of charges for each self-select fund (including those used in the default arrangement) over the period from 6 April 2015 to 31 December 2015 are set out in the table below. The funds that are used within the default arrangement are highlighted in bold.

Self-select fund charges and transaction costs year to 31 December 2015

Manager – fund name	Charge
LGIM Ethical UK Equity Index	0.200%
LGIM Ethical Global Equity Index Fund	0.300%
LGIM UK Equity Index Fund	0.100%
LGIM Overseas Equity Consensus Index Fund	0.250%
LGIM Global Equity Market Weights (30:70) Index Fund	0.200%
LGIM Over 5 years UK Index-Linked Gilts Fund	0.100%
LGIM Over 15 years Gilts Index Fund	0.100%
LGIM Managed Property Fund	0.550%
LGIM Cash Fund	0.125%

The Total Annual Charge figures above do not include transaction costs which arise when investments are bought and sold, for example, stamp duty (tax) and foreign exchange costs that are incurred by the investment providers when trading. The Board have requested comprehensive information for each investment fund including costs for brokers, custodians and taxes.

The Board have not been able to obtain full and comparable data and will continue to request the information needed.

4.3. Value for money assessment

The general policy of the Board in relation to value for money considerations is set out below.

It is the Board's policy to review all member borne charges on a regular basis and to aim to ensure that members are obtaining value for money given the circumstances of the Fund. The Board notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in the value for money assessment.

Overall, the Board believes that members of the DC Section of CAPF are receiving good value for money. The Board aims to improve this in future through providing members with additional education via regular communication from the Board and by monitoring the performance of the Fund's investment funds (after all charges) on an annual basis.

5. Trustee knowledge and understanding

The members of the Pensions Committee/Board are required to maintain appropriate levels of knowledge and understanding. During the period covered by this statement, they have ensured their knowledge and understanding is up to date by:

- Completing the Pension Regulator's Trustee Toolkit;
- Receiving formal and informal training at relevant Board and Committee meetings; and
- the decision to create the development committee to access areas where training is required.

Taking the combined knowledge of the members of the Pensions Committee/Board, together with the specialist advice received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Board believes it is well placed to properly exercise its functions as Trustee of the Fund.

Signed for and on behalf of the Trustee of the Church Administrators Pension Fund (DC Section):

Jonathan Spencer
Chairman

Independent auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion

In our opinion the Church Administrators Pensions Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, and of the amount and disposition at that date of their 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 3 and 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.

What we have audited

The Church Administrators Pensions Fund's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of the Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

July 2016

Fund Account
for the year ended 31 December 2015

	Notes	Defined Contribution	Defined Benefit	**2015 Total**	Defined Contribution	Defined Benefit	**2014 Total**
		£000	£000	**£000**	£000	£000	**£000**
Contributions							
Employer contributions	4	1,677	3,951	5,628	1,438	4,020	5,458
Employee contributions	4	370	181	551	322	210	532
Transfers in		702	4	706	-	-	-
Other income	4	716	285	1,001	-	291	291
Total contributions and other income		3,465	4,421	7,886	1,760	4,521	6,281
Benefits							
Benefits paid	5	(893)	(3,020)	(3,913	(4)	(2,801)	(2,805)
Payments to and on account of leavers		(177)	-	(177)	(129)	(8)	(137)
Administrative expenses	6	-	(385)	(385)	-	(277)	(277)
Total benefits and other expenses paid		(1,070)	(3,405)	(4,475)	(133)	(3,086)	(3,219)
Net additions from dealing with members		2,395	1,016	3,411	1,627	1,435	3,062
Return on investments							
Deposit interest		-	1	1	-	1	1
Change in market value of investments	9	136	1,387	1,523	713	10,175	10,888
Net return on investments		136	1,388	1,524	713	10,176	10,889
Net increase in funds in the year		2,531	2,404	4,935	2,340	11,611	13,951
Net assets brought forward		10,302	96,675	106,977	7,962	85,064	93,026
Net assets carried forward		12,833	99,079	111,912	10,302	96,675	106,977

The notes 1 to 15 form part of these Accounts.

Statement of Net Assets available for benefits
as at 31 December 2015

	Notes	Defined Contribution	Defined Benefit	**2015 Total**	Defined Contribution	Defined Benefit	**2014 Total**
		£000	**£000**	**£000**	£000	£000	**£000**
Investments							
Pooled investment vehicles	9	12,781	98,611	**111,392**	10,115	96,541	**106,656**
AVC investments	9	-	371	**371**	-	344	**344**
Total investments		12,781	98,982	**111,763**	10,115	96,885	**107,000**
Current assets	7	925	234	**1,159**	187	54	**241**
Current liabilities	8	(873)	(137)	**(1,010)**	-	(264)	**(264)**
Net current assets/(liabilities)		52	97	**149**	187	(210)	**(23)**
Total net assets available for benefits		12,833	99,079	**111,912**	10,302	96,675	**106,977**

The financial statements of the Church Administrators Pension Fund 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 41.

The notes 1 to 15 form part of these financial statements.

These financial statements were approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

Notes to the financial statements

1. Legal status

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

The Scheme is a registered pension scheme under the 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 in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

In accordance with section 34.38(b) of FRS 102, the actuarial liability to pay future retirement benefits is not included in the financial statements. The actuarial position does take account of this liability and is described in the report on actuarial liabilities on page 41.

3. Accounting policies

This is the first year FRS 102 and the revised SORP have applied to the Scheme's financial statements. Implementation of FRS 102 did not result in any changes to the Scheme's accounting policies and consequently no restatement of any figures at the transition date of 1 January 2014 was necessary.

FRS 102 and the Pensions SORP require additional information to be disclosed, particularly around investment risks. The Trustee has taken advantage of the change in accounting framework to restructure the format of the 2015 annual report, which presents the Scheme's Trustee's Report and financial statements together in one section. Information about the Trustee's structure and history, the Scheme's management, administrative detail and Trustee's responsibilities are contained in pages 3-6 and forms part of the Scheme's annual report.

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

a) Contributions

Employer contributions, which consist of both normal and deficit contributions, are accounted for on the accruals basis in the payroll month to which they relate.

Employer contributions towards supplementary pension payments are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Employee contributions 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 an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an 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 an 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 an accruals basis.

e) Investment income and expenditure

The Scheme's Defined Benefit investments pooled investments are units in the 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 of all profits and losses realised on sales of investments and unrealised changes in market value, income and expenditure.

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

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 Return Seeking Pool and the Liability Matching Pool, provided by the custodian Northern Trust. These prices are calculated using the number of units held and the fair value of the CEIFP's underlying investment assets and liabilities. Where separate bid and offer prices are available for the underlying investment assets and liabilities, the bid price is used for investment assets and offer prices for investment liabilities. Otherwise the closing single price or most recent transaction price is used.

The Scheme's Defined Contribution and AVC investments AVC investments are valued based on prices provided by the investment managers.

g) Foreign currencies

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

4. Contributions

Defined Contribution:

	2015	2014
	£000	£000
Employer contributions		
Normal	1,466	1,438
AVC	211	-
Total employer contributions	1,677	1,438
Employee contributions		
AVC	370	322
Total employee contributions	370	322
Other income		
Insurance claims	716	-
Total other income	716	-

Defined Benefit:

	2015	2014
	£000	£000
Employer contributions		
Normal	1,111	1,208
Deficit	2,840	2,709
For supplemental pensions	-	103
Total employer contributions	3,951	4,020
Employee contributions		
Normal	102	112
AVC	79	98
Total employee contributions	181	210
Other income		
Income for administration expenses	285	291
Total other income	285	291

Deficit funding contributions are payable at the rate of £2,500,000 per annum across all employers from 1 January 2016, increasing annually at 3.3% p.a. until 30 June 2025, in respect of the funding shortfall. The Archbishops' Council is required to pay a further contribution of £184,000 per annum from 1 January 2010 until 31 December 2016, increased each year in line with RPI. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

Supplemental contributions by employers relate to payments to supplement the benefits of retiring members.

Other defined contribution contributions consist of insurance claims made against death in services payments.

Other defined benefit contributions consist of payments by employers for administration expenses and in respect of the pension protection fund levy.

Notes to the financial statements (continued)

5. Benefits

Defined Contribution:

	2015	2014
	£000	£000
Lump sums on retirement	893	4
Total benefits paid	893	4

Defined Benefit:

	2015	2014
	£000	£000
Pensions	2,195	2,038
Lump sums on retirement	821	763
Commutations	4	-
Total benefits paid	3,020	2,801

6. Administrative expenses

All administration costs for both the Defined Benefit and the Defined Contribution sections of the Church Administrators Pension Fund are borne by the Defined Benefit section. A breakdown of the costs which make up this recharge is listed below:

	2015	2014
	£000	£000
Actuarial fees	124	117
Audit fees	3	4
Pension levy	45	43
Investment services	22	19
Legal advice	17	8
Administration costs	174	86
Total administrative costs	385	277

7. Current assets

Defined Contribution:

	2015	2014
	£000	£000
Debtors		
Accrued income	716	-
Total debtors	716	-
Cash	209	187
Total current assets	925	187

Defined Benefit:

	2015	2014
	£000	£000
Debtors		
Employer contributions	56	54
Other debtors	2	-
Total debtors	58	54
Cash	176	-
Total current assets	234	54

Notes to the financial statements (continued)

8. Current liabilities

Defined Contribution:

	2015 £000	2014 £000
Creditors		
Unpaid benefits	873	-
Total current liabilities	873	-

Defined Benefit:

	2015 £000	2014 £000
Creditors		
Unpaid benefits	75	41
Tax payable – PAYE and NI	1	97
Other creditors	61	-
Total creditors	137	138
Cash	-	126
Total current liabilities	137	264

9. Investments

The table below shows the movement in CEIFP units and other investments in the year:

	At 1 January £000	Additions £000	Disposals £000	Change in market value £000	At 31 December £000
Pooled investment vehicles					
CEIFP return seeking pool	57,861	703	-	1,489	60,053
CEIPF liability matching pool	38,680	-	-	(122)	38,558
Defined Contribution section	10,115	2,732	(202)	136	12,781
Total pooled investment vehicles	106,656	3,435	(202)	1,503	111,392
AVC investments					
Standard Life	223	7	-	18	248
Scottish Widows	93	-	-	3	96
Equitable Life	28	-	-	(1)	27
Total AVC investments	344	7	-	20	371
Total investments	107,000	3,442	(202)	1,523	111,763

The Defined Contribution section's holdings also include AVC investments.

Transaction expenses
The Scheme has no direct transaction costs, though transaction costs are incurred indirectly by the CEIFP and by Legal and General.

All investments are registered in the UK.

10. Fair Value of Investments
In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

Paragraph 3.22.5 of the Pensions SORP allows schemes that participate in a common investment fund to reference to its investment fair value hierarchy. As such, the fair value hierarchy of the Scheme's investment in the CEIFP is shown on page 65.

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

Category	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

Notes to the financial statements (continued)

10. Fair value of investments (continued)

The Scheme's investment assets and liabilities have been included at fair value within these categories as follows:

At 31 December 2015	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Contribution				
Pooled investment vehicles	225	11,743	813	12,781
	225	11,743	813	12,781
Defined Benefit				
AVC investments	-	-	371	371
	-	-	371	371
Total investments (excluding CEIFP)	225	11,743	1,184	13,152

At 31 December 2014	**1**	**2**	**3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Contribution				
Pooled investment vehicles	131	9,319	665	10,115
	131	9,319	665	10,115
Defined Benefit				
AVC investments	-	-	344	344
	-	-	344	344
Total investments (excluding CEIFP)	131	9,319	1,009	10,459

11. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 as follows:

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.

Market risk: this comprises currency risk, interest rate risk and other price 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.
- **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.
- **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.

Defined Benefit

Investment strategy

The Defined Benefit section's risks are principally borne through its holdings of CEIFP return seeking and liability matching units which are held in line with the strategy outlined below. Please see page 66 where the risks incurred by the CEIFP units are detailed.

The Scheme's strategy is to hold 40% of its investment in return seeking CEIFP units and 60% in liability matching units in 2011 to 100% liability matching over the 12 years to 2023 as the scheme matures. The Defined Benefit section was closed to new entrants in 2006. This transitional strategy tracks the propensity to pay pensions as an increasing proportion of members begin to draw down on their pension.

See page 56 for disclosures on the investment strategies of the return seeking and matching liability units.

The AVC investments are not considered significant in relation to the overall investments of the Scheme.

Defined Contribution

Investment strategy

The Trustee has investment management agreements in place with Legal and General to manage the Defined Contribution investments. A variety of funds are offered to members and who can select an investment strategy depending on their personal risk appetite. The funds, managed by Legal and General include equities, fixed interest, and other (including property and cash).

Notes to the financial statements (continued)

11. Investment risk disclosures (continued)

The Trustee manages investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented by the investment manager, in line with the agreement to manage the underlying investments on a day to day basis, which includes direct management of the credit and market risks.

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	2015	2014
					£000	£000
Pooled vehicles: equities	○	◑	○	●	11,729	9,353
Pooled vehicles: fixed income	●	◑	●	●	601	460
Pooled vehicles: other investments, cash, accrued income	●	◑	○	○	451	302
					12,781	10,115

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

Credit Risk

The Scheme's holdings in pooled investment vehicles are not credit rated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee monitors the investment managers through assessing investment performance, as reported by the custodian, and meeting with the investment manager annually.

Currency risk

The Scheme is subject to currency risk because some of the pooled vehicle investments are held in overseas markets. The Trustee decides to not actively manage this risk by virtue of the investments being naturally hedged through diversification.

Other price risk

The pooled investment vehicles are subject to price risk which principally relates to indirect equity holdings, bonds, equity futures and investment properties. The Trustee manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

12. Concentration of investments

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

Defined Contribution:

	2015		2014	
	£000	**%**	**£000**	**%**
Legal and General pooled investment vehicle: Global Equity MW (30:70) 75% GBP	10,017	9.0	7,977	7.5

Appreciation and depreciation in the value of the L&G investment units takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses, and investment management expenses.

Defined Benefit:

	2015		2014	
	£000	**%**	**£000**	**%**
CEIFP return seeking pool	60,053	54.1	57,861	53.7
CEIFP liability matching pool	38,558	36.2	38,680	34.5

13. Additional voluntary contributions (AVC) investments

AVC investments relate to the Defined Benefit section and are held in separate policies with Equitable Life Assurance Society, Scottish Widows plc and Standard Life Assurance Limited, or are paid into the Church Worker Pension Fund – Pension Builder Classic section.

AVCs by members of the Defined Contribution section are co-invested with other Defined Contribution assets with Legal and General Assurance Society Limited and are not separately distinguishable.

14. Related party transactions

One Board member (2014: one) who has retired from service under the Pension Schemes is in receipt of a pension on normal terms.

15. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.

Summary of contributions

Independent auditors' statement about contributions to the Trustee of the Church Administrators Pension Fund

Statement about contributions

Our opinion
In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2015 as reported in the Church Administrators Pensions Fund's summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Scheme Actuary on 30 October 2015.

What we have examined
The Church Administrators Pensions Fund's summary of contributions for the year ended 31 December 2015 is set out below.

Responsibilities for the statement about contributions

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

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

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

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

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
June 2016

Trustees' Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2015

During the year, the contributions payable by the employers and the employees were as follows:

	Employer contributions	Employee contributions	Total
Contributions required by the schedule of contributions	**£000**	**£000**	**£000**
Defined Contribution – normal	1,466	-	1,466
Defined Benefit – normal	1,111	102	1,213
Defined Benefit – deficit	2,840	-	2,840
Total contributions required by the schedule of contributions	5,417	102	5,519
Other contributions			
Employer – AVCs	211	370	581
Member - AVCs	-	79	79
Total other contributions	211	449	660
Total contributions	5,628	551	6,179

This summary of contributions has been prepared by, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 30 October 2015 in respect of the Scheme year ended 31 December 2015. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Signed on behalf of the Trustee of The Church Administrators Pensions Fund:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the Schedule of Contributions.

Where breaches of the Schedule occur, the Scheme's Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Church Administrators Pension Fund

Adequacy of rates of contribution

3076156

Actuary's certification of schedule of contributions

Page 1 of 1

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

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

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2014 to be met by the end of the period specified in the recovery plan dated 30 October 2015.

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 30 October 2015.

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: AUP

Date: 30 OCTOBER 2015.

Name: Aaron Punwani

Qualification: FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer: Lane Clark & Peacock

The Church of England Investment Fund for Pensions

Annual report and financial statements

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 2015.

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 four pension 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.

Responsibility for setting the overall strategy and managing the Scheme rests with the Board as Trustee. The Board's structure and management is shown on page 3.

The CEIFP is split into two pools: the Return Seeking Pool and the Liability Matching Pool. Each pool has different risk and return characteristics, which enables each pension scheme to be able to invest in the two pools in proportions that match its maturity and cash flow needs.

Unitisation

The two 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. For further information on investment strategy and risk please see page 66 for more information.

The Pension Board manages the Ethical Investment Advisory Group which looks to ensure that the Board's investment activity is ethical and in line with best practice.

Financial developments

In 2014 we reported that we had taken material steps to de-risk two of our schemes. For the Church Workers Pensions Scheme, we bought an insurance contract from Prudential to secure 70% of the scheme's pensions in payment. For the Clergy scheme, we took advantage of better than expected returns from equities to partially de-risk the scheme by buying £100m of index-linked gilts. The attention to managing risk has continued through 2015, with the development of liability driven investment (LDI) frameworks for each of our schemes. BlackRock has been appointed as the Board's LDI manager in 2016 and the frameworks will be implemented in 2016.

We continued our work on debt investment for the Return Seeking Pool, agreeing an allocation of £80m (or 5% of return seeking assets) to private loans to smaller companies in the US. Audax Senior Loans will manage the allocation, which was made in early 2016.

This asset class has all the qualities we look for as we continue to develop the asset allocation of the Return Seeking Pool in 2016: strong returns that are not correlated to those from equities, a reward for illiquidity, an inefficient market that delivers substantial spreads over LIBOR and protection provided by the loans being at floating rates rather than fixed.

The management of the Fund's assets is currently split between 17 managers running 19 mandates in all:

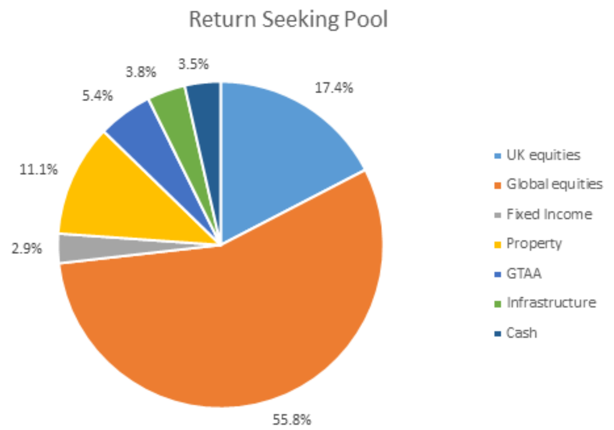
Fund manager	**Description**
Return Seeking Pool	
Antin Infrastructure Partners	Pooled infrastructure fund
Arrowstreet Capital	Small company equities
Audax Senior Loans	Portfolio of private loans in the US (from January 2016)
Bridgewater	Pooled GTAA fund
CBRE Global Investors	Property unit trusts
Colchester Global Investors	Emerging market debt
Copper Rock Capital Partners	Small company equities
Edinburgh Partners	Global equities
First State Investments	Pooled infrastructure fund
Legal & General	Portfolios of UK equities and overseas equities
Longview Partners	Global equities
Northern Trust Global Investors	Equity index futures account
Trilogy Global	Emerging market equities
T Rowe Price	Emerging market equities
Winton	Pooled GTAA fund
Liability Matching Pool	
Insight	Index-linked Gilts and high quality corporate bonds
BlackRock	Liability driven investment frameworks (from May 2016)

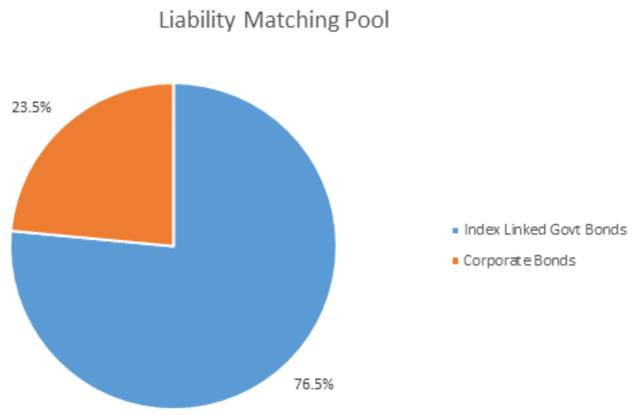
Investment Performance

The Fund's assets returned 2.0% in aggregate over 2015. The Return Seeking Pool returned 2.5% over the year, and the Liability Matching Pool -0.3%. This was a lower return than in previous years, but as the table below shows, returns have been good over the longer term.

	1 yr % p.a.	3 yr % p.a.	5 yr % p.a.	10 yr % p.a.
Total assets, made of:	2.0	9.1	7.2	5.4
Liability Matching Pool	-0.3	5.8	8.0	7.5
Return Seeking Pool	2.5	9.7	7.3	5.2
Comparator: RPI+3%	*4.2*	*4.8*	*5.7*	*6.0*

At the year end, the asset mixes of the Fund's investment pools were as follows





The longer term returns to 31 December 2015 of the broad asset classes invested in by the Fund's investment pools are set out below (all figures are net of fund management fees):

Return Seeking Pool

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Return Seeking Asset Pool overall return	**2.5**	**9.7**	**7.3**	**5.2**
Pool benchmark (consolidation of manager benchmarks)	*2.9*	*9.4*	*6.7*	*5.5*
RPI + 3% - comparator	*4.2*	*4.8*	*5.7*	*6.0*
UK Equities	**-0.4**	**6.6**	**4.9**	**4.7**
UK Equity benchmark (ethically adjusted)	*-0.3*	*6.7*	*4.9*	4.9
Non-UK Equities (currency hedged from 2010)	**2.4**	**11.7**	**8.6**	**5.9**
Consolidated non-UK Equity benchmark (not ethically adjusted)	*2.8*	*11.0*	*7.4*	6.5
Property	**12.4**	**13.8**	**10.5**	-
Consolidated Property benchmark	*12.4*	*12.7*	*9.1*	-
Global Tactical Asset Allocation	**5.3**	**7.0**	-	-
3 month UK LIBOR	*0.7*	*0.6*	-	-
Infrastructure	**5.7**	**4.4**	-	-
European CPI + 5%	*5.2*	*5.5*	-	-
Emerging Market Sovereign Debt (from 18th July 2014)	***-15.6***	-	-	-
Barclays EM Local Currency Core Sovereign Debt index (ethically adjusted)	*-9.6*	-	-	-

Liability Matching Pool

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Liability Matching Pool overall return	**-0.3**	**5.8**	**8.8**	**7.5**
Pool benchmark (consolidation of account benchmarks)	*-0.8*	*5.9*	*8.0*	*6.9*
UK Index Linked Gilts	**-0.5**	**6.4**	**8.4**	**7.7**
Over 5-year UK Index Linked Gilt index	*-1.2*	*6.4*	*8.4*	*7.1*
Corporate Bonds	**0.4**	**3.9**	**-**	**-**

Investment Performance (continued)
Equities posted modest returns over 2015, with the MSCI World Index gaining 3.3% over the year, for example. UK equity returns were slightly negative for the year, the FTSE350 being down 0.3%. Significant headwinds included concerns over the future of the European Union, slowing economic growth in China and continued weakness in commodity prices, oil and metals in particular.

There was, again, a reasonably significant positive from currency for Sterling investors as the currency weakened over the course of the year. This added around 1.5% to the returns from the MSCI World Index. With around 70% of our growth assets denominated in non-Sterling currencies, this helped our returns, despite our currency hedges that covered half the exposures to the US Dollar, Yen and Euro.

Our returns from equity were affected by the allocation to emerging markets, where even though our managers collectively beat their benchmarks by 2.1%, the return of -7.7% they generated impacted on our overall result from equities. However, on a more positive note our allocation to small companies continues to generate better returns than mainstream large companies, with a return over the year of 6.1%, which was 0.2% better than benchmark.

Our policy remains to continue to reduce the CEIFP's allocation to UK equities gradually, to reduce the effect of the home market's artificial bias to global resource stocks and financial services.

In non-equity investments, the overall picture was good in 2015. However, the allocation to emerging market sovereign debt was very disappointing, generating a return of -15.6% over the year, 6.0% worse than benchmark. Following a review of the situation in early 2016, we added to the allocation and the asset class has subsequently been one of 2016's best returning to date.

On the positive side, real estate (+12.4%), GTAA (+5.3%) and infrastructure (+5.7%) all enjoyed better returns than equities. Non-equities account for 23% of the Return Seeking Pool's assets, and over the next two years we will be adding to these at the expense of our allocation to equities.

Although we do not consider that we have a choice about investing ethically and so are wary of quoting figures here, our ethical restrictions added to our returns over 2015, with the adjusted MSCI World Index returning 4.6% and the unadjusted index 3.3%. This effect would have added around 0.9% to our returns for the year.

Index-linked gilts were down a little in 2015, having returned over 20% in 2014, and they slightly underperformed our allocation to corporate bonds during 2015. Aside from our plans to apply LDI to our schemes, we will continue to seek out alternatives to index-linked gilts, although our principal underlying inflation matching asset will continue to be index-linked gilts.

Investment management
The Trustee has delegated the day to day management to an Investment Committee, who in turn have professional external investment managers and advisors. The Trustee set 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.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy and is supplemented by the Investment Policy Implementation Document, copies of which may be obtained from the contact for enquiries or website, given on page 5. See page 66 where the investment risks and strategies in place to mitigate these risks are described in the context of the financial statements and Fund's risks.

Management and custody of investments
The investment risk disclosures on page 66 contain details of the Trustee's approach to managing investments, investment risk and the strategies in place to mitigate these risks.

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

Management charges
Each manager charges fees based on the value of the funds it is managing. In 2015 these fees (including those charged by Northern Trust as custodian) were £4.2m (2014: £4.9m). This equated to 0.24% (2014: 0.30%) of the average value of the funds under management.

Independent auditors' report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion
In our opinion, the Church of England Investment Fund for Pensions' ("the Common Investment Fund") financial statements:

- give a true and fair view of the financial transactions of the Common Investment Fund during the year ended 31 December 2015, 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.

What we have audited
The Church of England Investment Fund for Pensions' financial statements comprise:

- the net assets statement as at 31 December 2015;
- the statement of total return for the year then ended;
- the statement of changes in net assets attributable to unitholders; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those 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 and being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Board as a body in accordance with the Clergy Pensions Measure 1961 and the General Synod and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Common Investment Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Chartered Accountants

London
July 2016

Statement of total return
for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Change in market value: investments	6	(912)	115,195
Change in market value: cash and cash equivalents		(464)	1,345
Total change in market value		(1,376)	116,450
Income	4	40,260	35,618
Expenses	5	(4,219)	(4,940)
Change in net assets attributable to unit holders from investment activities		34,665	147,218

Statement of change in net assets attributable to unit holders
For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Opening net assets attributable to unit holders		1,672,838	1,580,670
Amounts receivable on issue of units	12	52,223	45,904
Amounts payable on cancellation of units	12	(26,682)	(100,954)
Net assets before change from investment activities		1,698,379	1,525,620
Change in net assets attributable to unit holders from investment activities	12	34,685	147,218
Closing net assets attributable to unit holders		1,733,064	1,672,838

Net Assets statement as at 31 December 2015

	Notes	2015 £000	2014* £000
Investment assets			
Equities	6	1,007,857	990,960
Fixed income	6	309,018	327,594
Pooled investment vehicles, venture capital and partnerships	6	298,018	254,819
Derivative contracts	6	945	4,213
Other investment balances	6	1,807	1,118
Total fixed assets		1,617,646	1,578,704
Cash and cash equivalents		118,526	99,330
Debtors		4,671	4,729
Total current assets		123,197	104,059
Total assets		1,740,843	1,682,763
Investment liabilities			
Derivatives contracts	6	(7,089)	(8,643)
Other investment balances	6	-	(133)
Total investment liabilities		(7,089)	(8,776)
Current liabilities	11	-	(1,149)
Cash and cash equivalents		(690)	-
Total current liabilities		(690)	(9,925)
Total liabilities		(7,779)	(9,925)
Total net assets attributable to unit holders		1,733,064	1,672,838

* The prior year comparatives have been re-classified to better describe and group the assets held and to ensure the split between asset class is fully compliant with the SORP.

The notes 1 to 14 form part of these Accounts.

These financial statements were approved by the Trustee on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Bernadette Kenny
Secretary & Chief Executive

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 it is trustee of and administers, 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 financial statements of the Fund have been prepared 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” (Revised November 2014) (“the SORP”).

3. Accounting policies

This is the first year FRS 102 and the revised SORP have applied to the Fund’s financial statements. Implementation of FRS 102 did not result in any changes to the Fund’s accounting policies and consequently no restatement at the transition date of 1 January 2014 was necessary.

FRS 102 and the Pensions SORP require additional information to be disclosed, particularly around investment risks. The Trustee has taken advantage of the change in accounting framework to restructure the format of the 2015 annual report, which presents the Fund’s Trustee’s Report and financial statements together in one section.

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 fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.

Withholding taxes are included in investment income and are accrued on the same basis. Where withholding tax is not recoverable, this is shown as a separate expense within investment income.

The change in market value of investments 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.

Transactions 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 adopt 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.

- **Fixed interest securities** 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 but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value (“NAV”) advised by the fund manager is normally considered a suitable approximation. The NAV should be determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

- **Venture capital and partnerships** which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end. Where the value of a venture capital or partnership 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 NAV should be determined by the fund manager by applying fair value principles to the underlying investments of the pooled arrangement.

- **Derivatives**
  - **Forward contracts** are valued based on the gain or loss that would arise if the outstanding contract was matched at the balance sheet date with an equal and opposite contract.
  - **Futures contracts** are valued at the difference between exchange settlement prices and inception prices.

Notes to the financial statements (continued)

3. Accounting policies (continued)

c) Foreign currencies

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

Assets and liabilities in foreign currencies are expressed in 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.

4 Income

	2015 £000	2014 £000
Equities	26,601	26,483
Fixed income	7,020	3,478
Pooled investment vehicles	3,887	4,164
Venture Capital and Partnerships	2,138	839
Other investments	56	84
Cash and Cash equivalents	558	570
Total income	40,260	35,618

5 Expenses

	2015 £000	2014 £000
Investment managers' fees	4,219	4,940
Total expenditure	4,219	4,940

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 accounts.

6 Investments

	at 1 January £000	Purchases £000	Disposals £000	Change in market value £000	at 31 December £000
Equities	990,960	291,785	(276,952)	2,064	1,007,857
Fixed Income	327,594	407,856	(412,019)	(14,412)	309,019
Pooled Investment Vehicles	207,790	35,056	(22,031)	14,738	235,553
Venture Capital and Partnerships	47,029	14,442	(1,869)	2,863	62,465
Derivative Contracts	(4,430)	42,370	(37,834)	(6,250)	(6,144)
Other Investments	985	806	(69)	85	1,807
	1,569,928	792,315	(750,774)	(912)	1,610,557
Analysed between:					
Investment assets	1,578,704				1,617,646
Investment liabilities	(8,776)				(7,089)
Total investments	1,569,928				1,610,557

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:

	Commission £000	Other charges £000	2015 Total £000	Commission £000	Other charges £000	2014 Total £000
Equities	359	145	504	684	334	1,018
Fixed Income	1	-	1	3	1	4
	360	145	505	687	335	1,022

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)

7 Investment analysis

Investments of over 5% of net assets
There are no individual investments of more than 5% of the Fund's net assets.

Largest investments
The list below shows the Fund's top 20 equity holdings, which together represent 10.2% of the Fund's net asset value:

Alphabet Inc
Apple Inc
AstraZeneca
Barclays
BG Group
BP Plc
BT Group
Compass Group
GlaxoSmithKline
HSBC Holdings
Lloyds Banking
Microsoft Corp
National Grid
Prudential
Reckitt Benck Group
Royal Dutch Shell
SABMiller Plc
Unilever
Vodafone Group
Wells Fargo & Co

Employer related investments
There were no employer related investments as at 31 December 2015 (2014: £nil).

8 Derivatives

		2015			2014	
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Futures - equities	528	(211)	317	1,220	(145)	1,075
Futures – fixed income	13	(13)	-	125	(68)	57
Forward foreign currency contracts	404	(6,865)	(6,461)	2,868	(8,430)	(5,562)
Total derivatives	945	(7,089)	(6,144)	4,213	(8,643)	(4,430)

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 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 as an active strategy focussing on emerging market currencies

Notes to the financial statements (continued)

8 Derivatives (continued)

a) Futures

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

	2015			2014		
Type of future	***Exposure Value***	**Assets**	**Liabilities**	***Exposure Value***	**Assets**	**Liabilities**
	£000	£000	£000	*£000*	£000	£000
Equities futures						
UK	*3,905*	166	-	*4,892*	202	-
Overseas	*49,603*	362	(211)	*58,130*	1,018	(145)
Total equities futures	***53,508***	**528**	**(211)**	***63,022***	**1,220**	**(145)**
Fixed income						
UK	*4,437*	-	(8)	*4,542*	125	-
Overseas	*(3,948)*	13	(5)	*(3,547)*	-	(68)
Total fixed income futures	*489*	13	(13)	*995*	125	(68)

All contracts have expiry dates of three months after the year end. Included within cash balances is an asset of £3,911,000 (2014: £2,035,000) in respect of initial and variation margins arising on futures contract open at the year end.

b) Forwards foreign currency contracts

Outstanding forward foreign currency contracts at year end are summarised as follows:

Currency Bought/Sold	**Value of Currency bought**	**Value of Currency sold**	**Assets at 31 Dec 15**	**Liabilities at 31 Dec 15**
	£000	**£000**	**£000**	**£000**
BRL/USD	413	(434)	-	(21)
GBP/AUD	4,692	(4,856)	-	(164)
GBP/CAD	185	(183)	2	-
GBP/CNY	1,791	(1,835)	-	(44)
GBP/EUR	88,747	(89,094)	137	(484)
GBP/HKD	2,746	(2,823)	-	(77)
GBP/JPY	27,169	(27,790)	-	(621)
GBP/MYR	1,839	(1,889)	-	(50)
GBP/NZD	1,628	(1,690)	-	(62)
GBP/SEK	155	(159)	-	(4)
GBP/SGD	3,223	(3,290)	-	(67)
GBP/USD	199,246	(204,394)	-	(5,148)
HUF/USD	4,497	(4,509)	-	(12)
MYR/USD	3,919	(3,899)	23	(2)
PEN/USD	452	(455)	-	(3)
PLN/USD	2,629	(2,607)	22	-
RON/USD	2,085	(2,080)	5	-
TRY/USD	513	(520)	-	(7)
TWD/USD	1,483	(1,502)	-	(19)
USD/BRL	1,673	(1,621)	52	-
USD/IDR	3,132	(3,148)	3	(19)
USD/MXN	2,143	(2,056)	87	-
USD/PEN	5,093	(5,051)	42	-
USD/THB	3,308	(3,317)	-	(10)
USD/TRY	1,374	(1,404)	5	(35)
USD/TWD	165	(163)	2	-
USD/ZAR	272	(247)	25	-
ZAR/USD	1,129	(1,144)	-	(15)
	368,486	(374,947)	404	(6,865)

Over-the-counter contracts in place at 31 December 2015 were with Deutsche Bank, Goldman Sachs, JP Morgan Chase, Northern Trust and UBS AG, and had expiry dates of up to three months after the year end.

Notes to the financial statements (continued)

9 Fair value hierarchy

In March 2016, the Financial Reporting Council made amendments to FRS 102 in respect of the fair value hierarchy. This amendment is being adopted early and is reflected in the note below.

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, ie for which market data is unavailable

The Scheme's investment assets and liabilities have been included at fair value within these categories as follows as at 31 December 2015:

Level	**1**	**2**	**3**	**Total 2015**
Investment assets	**£000**	**£000**	**£000**	**£000**
Equities	1,004,934	-	2,923	1,007,857
Fixed income	-	299,902	9,117	309,019
Pooled investment vehicles	11,553	214,831	9,169	235,553
Venture capital and partnerships	-	-	62,465	62,465
Derivatives contracts	945	-	-	945
Other investments	1,807	-	-	1,807
	1,019,239	514,733	83,674	1,617,646
Investment liabilities				
Derivatives	(7,089)	-	-	(7,089)
	(7,789)	-	-	(7,789)
Total investments	1,012,150	514,733	83,674	1,610,557

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2015**
	£000	**£000**	**£000**	**£000**
Liability Matching Pool	(243)	263,912	4,108	267,777
Return Seeking Pool	1,012,393	250,821	79,566	1,342,780
Total investments	1,012,150	514,733	83,674	1,610,557

As at 31 December 2014:

Level	**1**	**2**	**3**	**Total 2014**
Investment assets	**£000**	**£000**	**£000**	**£000**
Equities	986,613	-	4,347	**990,690**
Fixed income	-	315,739	11,855	**327,594**
Pooled investment vehicles	8,505	184,111	15,174	**207,790**
Venture capital and partnerships	-	-	47,029	**47,029**
Derivatives contracts	4,208	-	-	**4,208**
Other investments	1,123	-	-	**1,123**
	1,000,449	499,850	78,405	**1,578,704**
Investment liabilities				
Derivatives	(8,638)	-	-	**(8,638)**
Other investments	(138)	-	-	**(138)**
	(8,776)	-	-	**(8,776)**
Total investments	991,673	499,850	78,405	**1,569,928**

Analysed by pool:

Level	**1**	**2**	**3**	**Total 2014**
	£000	**£000**	**£000**	**£000**
Liability Matching Pool	171	272,306	6,418	**278,895**
Return Seeking Pool	991,502	227,544	71,987	**1,291,033**
Total investments	991,673	499,850	78,405	**1,569,928**

Notes to the financial statements (continued)

10 Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out in FRS 102 as follows:

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.

Market risk: this comprises currency risk, interest rate risk and other price 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.
- **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.
- **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 has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee Report 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 Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers.

The Trustee has investment management agreements in place with a range of managers, detailed in the professional advisors list on page 5. 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 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	2015	2014
					£000	£000
Equities	○	◑	○	●	1,007,857	990,690
Fixed income	●	◑	●	●	309,019	327,594
Pooled investment vehicles	◑	◑	◑	◑	235,553	207,790
Venture capital and partnerships	◑	◑	◑	◑	62,465	47,029
Derivatives contracts	●	◑	◑	◑	(6,144)	(4,430)
Other investments, cash, accrued income	●	◑	○	○	124,314	103,895
					1,733,064	1,672,838

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

Investment strategy

The Trustee determines the investment strategy after taking advice from a professional investment advisor.

The Fund's two investment pools are unitised: a return seeking pool and matching pool. The proportion of units is dependent on the individual requirements of each of the investing Schemes. Please see the respective investment risk disclosures for further information about the investment strategy of each Scheme.

The return seeking pool exists to ensure sufficiency of assets to pay benefits as they fall due. This portfolio is comprised of UK and overseas equities, corporate bonds, investment property, equity futures and infrastructure investments.

The matching pool strategy is to ensure that the participating Schemes can meet their liabilities as they fall due and invests in a portfolio of index-linked gilts and corporate bonds, approximately split 85:15.

Notes to the financial statements (continued)

10. Investment risk disclosures (continued)

Credit Risk

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.

	2015	2014
	£000	£000
Fixed income	309,019	329,594
Pooled investment vehicles	235,553	207,790
Venture capital and partnerships	62,465	47,029
Derivatives: forwards	(6,461)	(5,562)
Cash and cash equivalents	117,836	99,330
Total investments exposed to credit risk	718,412	676,181

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 government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Trustee has set an upper limit for total matching pool investments in corporate bonds to be 25% and a target asset allocation of 7% in the return seeking pool.

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. There are collateral arrangements for these contracts but 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.

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

Currency Risk

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 using forward currency contracts.

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

	Gross exposure	Hedged	**Net exposure 2015**	**Net exposure 2014**
	£000	£000	**£000**	**£000**
Pounds sterling	846,785	335,256	**1,182,041**	**1,176,717**
US Dollars	486,256	(203,224)	**283,032**	**232,826**
Euros	139,255	(88,397)	**50,858**	**33,730**
Japanese Yen	75,144	(27,640)	**47,504**	**38,359**
Other currencies	192,084	(15,995)	**176,089**	**197,916**
	1,739,524	-	**1,739,524**	**1,679,548**

Interest rate risk

The Fund is subject to interest rate risk due to its bond investments in both the Return Seeking Pool and, primarily, Liability Matching 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

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 Board 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 Board'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.

Notes to the financial statements (continued)

10. Current liabilities

	Total 2015 £'000	Total 2014 £'000
Accrued expenditure	-	1,149
Total current liabilities	-	1,149

11. Unitisation

The Fund has two pools, the Return Seeking pool consisting mostly of equities and cash, and the Liability Matching pool consisting mostly of fixed income or index linked investments and 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 value of units is determined by the Board each month. 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 two pools:

Return seeking pool:

	At 1 January £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 £000
The Church of England Funded Pensions Scheme	1,027,548	46,478	-	26,223	**1,100,249**
Clergy (Widows & Dependants) Pension Fund	12,914	-	(13,124)	120	-
Church Workers Pension Fund					
Defined Benefit Scheme	215,033	2,031	-	5,509	**222,573**
Pension Builder Classic	71,120	-	(669)	1,847	**72,298**
Pension Builder 2014	1,356	3,006	-	4	**4,366**
Total Church Workers Pension Fund	287,509	5,037	(669)	7,360	**299,237**
Church Administrators Pension Fund	57,861	703	-	1,490	**60,054**
Total return seeking pool	1,385,832	52,218	(13,793)	35,283	**1,459,540**

Liability matching pool:

	At 1 January £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 £000
The Church of England Funded Pensions Scheme	206,299	5	-	(650)	205,654
Clergy (Widows & Dependants) Pension Fund	12,622	-	(12,889)	267	-
Church Workers Pension Fund					
Defined Benefit Scheme	3,785	-	-	(12)	**3,773**
Pension Builder Classic	25,620	-	-	(81)	**25,539**
Pension Builder 2014	-	-	-	-	-
Total Church Workers Pension Fund	29,405	-	-	(93)	**29,312**
Church Administrators Pension Fund	38,680	-	-	(122)	**38,558**
Total liability matching pool	287,006	5	(12,889)	(598)	**273,524**
Total assets	1,672,838	52,223	(26,682)	34,685	**1,733,064**

13. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2015 (2014: nil).

As at 31 December 2015, the Board had made commitments to invest £31.2m (2014: £23.9m) in pooled infrastructure funds.

14. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.

Ethical Investment Policy of the National Church Institutions

The Church of England has three National Investing Bodies (NIBs): the Church Commissioners for England, the CBF Church of England Funds and the Church of England Pensions Board.

The NIBs are asset owners who invest on behalf of a large number of beneficiaries. The way in which they invest forms an integral 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 policy recommendations which, once agreed by the NIBs, are adopted by them, communicated to the wider Church and implemented.

The EIAG consists of representatives of the NIBs, General Synod, the Archbishops' Council and the Mission and Public Affairs Council, and certain co-opted members. Legal responsibility for all investment decisions rests solely with the NIBs. The Pensions Board and Church Commissioners have also formed a joint Engagement Team to undertake engagement on EIAG policies with companies.

The NIBs' ethical investment policy embraces stewardship, 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 and informs the manner in which these duties are performed.

The NIBs are signatories to the UK Stewardship Code which encourages institutional investors to act as good stewards of their equity 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.

Engagement

A joint Pensions Board and Church Commissioner's Engagement Team undertake engagement with companies in which we are invested, including voting at shareholder meetings.

The NIBs expect companies in which they invest to manifest conscientiousness with regard to human rights, responsible employment practices, sustainable environmental practice, fair treatment of customers and suppliers, , sensitivity towards the communities in which they operate and best corporate governance practice. The engagement team engages with investee companies to seek improvement in ethical standards in these areas.

Policies adopted by the NIBs are listed on the EIAG website which include specific policies on Executive Remuneration, Business and Engagement and Climate Change.

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 is therefore maintained and updated quarterly to reflect changes in markets.

Individual company engagements, undertaken by the Engagement Team on behalf of the Pensions Board and Church Commissioners, 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 a clear and timescaled resolve to improve, rather than perfection.

Ethical Investment

The way we invest forms an integral part of the Church of England's witness and mission and the Pensions Board's ethical policies and practice are shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG). The EIAG is an independent advisory body sponsored by the three national investing bodies of the Church of England.

When investing, and based on the advice of the EIAG, we apply exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, high interest rate lending, and human embryonic cloning. A new screen has been introduced in the past year that excludes companies that derive more than 10% of their total revenue from thermal coal production and the production of tar sands. The Pensions Board in partnership with the other national investing bodies are continuing to implement our alcohol policy. The policy currently implemented for UK investments ensure that companies are only eligible for investment if they meet a set of minimum standards for responsible marketing and retailing of alcohol.

However, ethical investment is also about what and how we invest. 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 the environmental, social and governance issues relevant to their strategies.
- Act as good stewards of our investments including through voting at company general meetings and engaging actively with companies in which we invest.
- Promote ethical behaviour, corporate responsibility and sustainability in our interactions with investment managers, companies and government.

2015 highlights

In the past year, the Pensions Board has:

- Voted on 29,947resolutions at 2,327 company meetings globally
- Advocated reform of executive remuneration, supporting only 31.93% of UK remuneration reports at company AGMs (excluding investment trusts and investment companies)
- Held engagement meetings with 20 companies on ethical, environmental, social and governance issues, often in collaboration not only with the Church Commissioners but also with other church investors, the National Association of Pension Funds (NAPF) and its members, or with other non-church investors
- Co-filed shareholder resolutions at Anglo American, Glencore and Rio Tinto AGMs on climate change which were subsequently recommended to shareholders. The resolutions called for annual reporting to be significantly expanded with additional transparency around operational emissions management, asset portfolio resilience against 2035 scenarios, low carbon energy R&D and investment, executive incentivisation during the low carbon transition, and public policy activity relating to climate change.
- Published and began to implement a new comprehensive climate change policy

Ethical investment agenda 2016

In 2016, the EIAG are undertaking a substantial review of extractive industries, which play a dominant role in the economies of 81 countries (World Bank 2016). Together these countries account for half of the world's population and 70% of those living in extreme poverty, so ethical investment recommendations and our ability to exercise responsible ownership in this area has the potential for wide-reaching impact. This industry review is the first undertaken after the EIAG, earlier in the year, implemented a new policy process with the aim of making the EIAG's work more open and consultative. This has led to the EIAG running a public consultation for the first time, on ethical investment in the extractive industries, and a roundtable with experts from NGOs, think tanks, community organisations, Church groups and industry.

Further information about the work of the EIAG is contained in its annual report. The EIAG's reporting year runs from 1 April to 31 March and its annual report is published in July and available on the Church of England's website.