John Ball, Chief Executive, The Church of England Pensions Board

Natasha Gray, Director of Strategy & Engagement, The Church of England Pensions Board

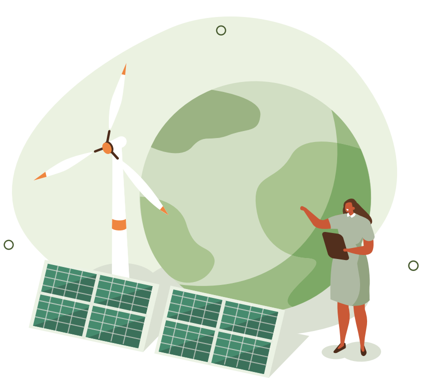
Doing good across the board

Francesca Fabrizi meets The Church of England Pensions Board chief executive, John Ball, and director of strategy and engagement, Natasha Gray, to hear about their successful efforts in delivering pension promises to over 42,000 members, while also being trailblazers in ESG

Please give a short introduction to the Church of England Pensions Board, its role in the pensions sphere, and its history.
John Ball: The Church of England Pensions Board provides retirement services for those who serve or work for the Church.

Founded in 1926 to offer clergy pensions, today we partner with more than 700 employers to provide pensions to over 42,000 members across three schemes. The largest is the Church of England Funded Pensions Scheme (CEFPS), a defined benefit (DB) scheme for clergy, while the Church Workers Pension Fund (CWPF) and Church Administrators Pension Fund (CAPF) offer pension plans to members working for the Church through DB, DC, and hybrid arrangements.

We steward £3.2 billion of investments on behalf of our members and beneficiaries, in line with ethical and responsible investment policies derived from the Church's teachings. As a responsible asset owner, we engage with the companies in which we invest, vote our shares, and work with other investors to drive change on issues like mining safety, workers' rights and climate change.



Unusually for the industry, the Pensions Board is both a regulated fund and a registered charity. Our charitable activities focus on supporting clergy with retirement housing.

What are the main objectives of the Board going forward and have these changed over time?
Ball: Our core objective as a fund is straightforward – to deliver the pension promises to members, and in doing so, to use our influence as a responsible asset owner to care both about what our members will retire on and the world into which they will retire. However, as we look ahead to our centenary, our trustees have set three strategic priorities that guide and shape our work.

First, to simplify. Some of our pension arrangements are very complicated. That's down to our history, with different 'vintages' of benefits introduced at different points in time, all for very good reasons. But for a member and employer, that can make talking about pensions difficult – and adds unnecessary administrative complexity for our in-house team.

We are simplifying processes and communications where possible, for example revising our ill-health retirement guides and redesigning how we respond when someone calls us to report a bereavement. We have also simplified the Pensions Board's own governance, resulting in a smaller, more diverse and better focused board of trustees.

Second, to optimise costs. Over the past two years we have consolidated various investment mandates and reduced fees, particularly in public equities, where our developed market exposure is now largely through tracking the FTSE TPI Climate Transition index – the first such index to embed climate transition in its methodology.

Third, to have meaningful conversations with those we serve and the companies in which we invest. As the Church of England's pension provider, we have a role to advocate for change to corporate practice, and to tackle systemic risk. We do that by building partnerships across industries, with companies, and with other pension funds, to drive industry standards, so that we and others can invest with confidence. A good example is the creation of the Transition Pathway Initiative (TPI), which was co-founded by the Board in 2017 to provide an academically rigorous and independent assessment of how companies are preparing for the transition to the low carbon economy. The TPI is a public good, sponsored by asset owners, with its results available for free for any pension scheme member. And of course, away from partnerships, it's just as important to have good conversations with members about their retirement plans.

What have been your biggest successes to date?
Ball: As of its last valuation date (31 December 2022), our largest scheme for clergy (CEFPS) is now fully funded, for the first time in its history. CEFPS is unusual, being a fully open defined benefit scheme. Over two valuation cycles, we worked closely with employers and professional advisers to develop the most appropriate investment and funding strategy. Excellent investment performance, averaging an annual 7.6 per cent over the past decade, powered an improvement in funding.

The scheme also adopted an 'asset-led funding' methodology for its valuations. This approach derives the discount rate from the investment strategy rather than gilts alone, which suits an immature open scheme such as CEFPS. It is also inherently less volatile, providing greater predictability for employers. The strength of the funding position at the 2022 valuation allowed us to cut employer contribution rates, helping employers better weather economic challenges and further strengthen the overall covenant. It also allowed us to provide pensioners with a discretionary inflation-matching pension increase in April this year.

The introduction of a new secure online portal that allows members instant access to their pensions records is another highlight. To date, almost 19,000 members have registered. The system has been used more than 10,000 times to tell us about address changes, update nominations, or run retirement estimates. This saves time for them, and us, and has drastically reduced how

much we print (which is better for the environment too). It's also helping to boost member engagement with their pension, alongside renewed post-pandemic effort on 'nudging' people to think about their retirement plans every now and again.

Our engagement with the mining sector is a tangible example of responsible investment in practice. In 2019, a tailings dam containing mining waste collapsed in Brumadinho, Brazil, leading to the deaths of 270 people. A year earlier, the risks associated with tailings facilities had been identified as a key issue in the work on extractive industries by the Church's Ethical Investment Advisory Group. In response to this horrific tragedy, we issued a call for investor action on tailings safety, together with the Swedish Public Pension Funds Council of Ethics. The subsequent work has led to unprecedented disclosures by companies and the development of a new global industry standard on tailings safety.

In January 2023, we announced the formation of an independent Global Tailings Management Institute in partnership with the UN Environment Programme, with a specific brief to improve safety standards in mining. And our work on mining has broadened to cover sector-wide reform on a number of fronts. The extractives sector cannot be ignored: The transition to a net-zero global economy requires low-carbon solutions like electric car batteries, which are mineral-intensive. That demand must be met responsibly, in a sector rife with deep challenges, including biodiversity, indigenous rights, conflict, and fair labour practices.

What have been your biggest challenges, if any, in recent years and how have you overcome them?
Natasha Gray: The past few years have seen some extraordinary events, not least a global pandemic. As a pension fund, our biggest challenge has been weathering this turbulence, to ensure we can support our members now and in the future. This has included looking carefully at our investment approach, taking advantage of improvements in funding positions to accelerate progression to our longer-term asset allocation. We have sought to work closely with sponsoring employers to understand the challenges they have and how we can work in partnership through these. The discretionary pension increases we were able to make have been welcomed by pensioners facing increased costs of living. We are also providing support to members through our charitable arm.

Anything else you would like to add?
Gray: Pensions are such an important part of financial wellbeing and financial inclusion. And yet, as an industry, we have a real challenge with member engagement with their pensions, and particularly, thinking about retirement planning well before retirement. This is an area we are working on with our partner sponsors, to engage members with the pensions and financial planning at a much earlier stage in their ministry or career.

We are also really interested in the possibilities that could be offered by extending collective defined contribution pensions to multi-employer scenarios and look forward to seeing how the regulations will unfold to make this possible.

Written by Francesca Fabrizi