THE CHURCH OF IRELAND CLERGY PENSIONS FUND

FINANCIAL STATEMENTS – PAGE 1

YEAR ENDED 31 DECEMBER 2009

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CONSTITUTION OF THE FUND

The Fund is established under Chapter XIV of the Constitution of the Church of Ireland as amended from time to time by the General Synod. The Representative Church Body is the Trustee of the Fund which is administered by the Church of Ireland Pensions Board in accordance with the provisions of Chapter XIV.

A working group, established in 2008 by the Executive Committee of the Representative Church Body, and comprising members from the Executive Committee and from the Clergy Pensions Board, was tasked with examining the governance of the Clergy Pension Fund and ensuring that it conformed with pension legislation and with good practice. The recommendations of the working group form the basis for a Bill which is being brought to General Synod in 2010. Amongst other provisions this Bill will seek approval for the Representative Church Body to establish a specialist company to act as Trustee of the Fund. It is intended that the Representative Body would be the sole member of the new Trustee Company.

The Fund has been approved by the Revenue Commissioners as a retirement benefits scheme under Part 30, Chapter I of the Taxes Consolidation Act, 1997, and is treated as an "exempt approved scheme" for the purposes of that Act. In addition, the Fund, exclusive of the part relating to the Republic of Ireland, has been approved by the Board of the Inland Revenue of the United Kingdom as a retirement benefits scheme for the purposes of Chapter I, Part XIV, Income and Corporation Taxes Act 1988 and is treated as an "exempt approved scheme" for the purposes of Section 592 of that Act.

The Financial Statements are expressed in euro currency for balance sheet reporting purposes. The Fund is maintained in separate sub divisions by jurisdiction.

Summary Performance of Fund Assets

The Financial Statements record only the performance of the Fund Assets and net cash additions or withdrawals. Actuarial calculations of the liability for future benefits do not form part of these accounts.

The financial development of the Fund over the year 2009 was as follows:

	€'000
Contributions and other receipts	4,777
Benefits paid and other expenses	(6,941)
Net deficit	(2,164)
Investment return for year	18,908
Value of Fund at 31 December 2008	77,245
Value of fund at 31 December 2009	93,989

The Representative Body, as Trustee of the Fund, is responsible for investment policy and meetings are held with the Investment Manager to review strategy and performance on a regular basis. The Investment Manager is remunerated on a fee basis calculated by reference to asset values and in accordance with formal fund management agreement between the manager and the Trustee. Management fees and attributed costs of administration are charged to the Fund by the Trustee.

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The investment objectives are to maximise total returns through diversified portfolios of equity, fixed interest, property and cash investments having regard to liability restraints, cash flow, interest rate and currency movements. The Trustee reviews investment objectives to ensure that these are appropriate to the profile of the Clergy Pensions Fund.

ACTUARIAL VALUATION

The Actuary's Certificate is included in the annual report of the Clergy Pensions Board. The certificate states that, at 31 December 2009, the Clergy Pension Fund did not satisfy the statutory Minimum Funding Standard under Section 44 of the Pensions Act.

As a result, the Trustee is required to submit a Funding Proposal to the Irish Pensions Board to eliminate the deficit under the statutory Minimum Funding Standard over a time period to be agreed with the Board.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Representative Body is Trustee of the Church of Ireland Clergy Pensions Fund.

The financial statements are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each scheme year the annual report of the scheme, including audited financial statements and the report of the auditor. The financial statements are required to show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions for the scheme year and the asset and liabilities (other than liabilities to pay benefits in the future) at the end of the scheme year and include a statement whether the financial statements have been prepared in accordance with Statement of Recommended Practice - Financial Reports of Pension Schemes (revised November 2002) (SORP), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that in the preparation of the scheme financial statements:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made; and
- the SORP is followed, or particulars of any material departures are disclosed and explained.

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The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- contributions payable during the Plan year are received by the Trustee in accordance with the timetable set out in section 58A of the Act where applicable to the contributions and otherwise within 30 days of the end of the scheme year; and

- contributions payable are paid in accordance with the rules of the Plan and the recommendation of the actuary.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the scheme containing the information specified in regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, including financial statements which show a true and fair view of the financial transactions of the Plan in the year under review and of the assets and liabilities at the year end, other than liabilities for pensions and other benefits payable after the year end. It is also responsible for safeguarding the assets of the pension scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

S Gamble
Chairman, RCB Executive Committee

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REPORT OF IRISH LIFE INVESTMENT MANAGERS 2009
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REVIEW OF 2009

The past 12 months were a volatile period for risky assets such as equities and property. Poor credit conditions and tightening liquidity in capital markets, stemming from the subprime crisis in the US, continued to take their toll early in the year. However, following a rally which began in March, equity markets recovered some lost ground. In Euro terms, the FTSE World Index returned 30.2% for the year while the FTSE Europe ex UK returned 30.5% and the FTSE UK returned 39.2%.

Fears of a protracted global recession, and perhaps even a depression, continued to weigh on the macroeconomic outlook early in the year. This led to significant supports being put in place by the global authorities, many of which remain in place:

- Interest rates are at historically low levels. The US Federal Reserve left interest rates in a target range of between zero and 0.25% for the full year. The ECB cut rates from 2.5% at the beginning of the year to 1% since April and the Bank of England cut rates from 2.0% to 0.5% since March.
- Significant stimulus packages were announced throughout the world (US $787bn, China $587bn, Japan $260bn, Germany $63bn). These packages are centred around spending on infrastructure projects (roads, bridges, schools etc), tax breaks for first-time buyers (US) and car scrappage schemes (US & Germany).
- Finally, there has been significant quantitative easing whereby the authorities effectively print money and use it to purchase bonds, thereby pushing prices higher and yields lower.

This co-ordinated global intervention helped to stabilise a very serious crisis in the banking sector and the knock on impact that this could have had on the general economy. The US & Eurozone economies moved out of recession during the third quarter as a direct result of government incentives but, despite this, unemployment rates remain high. The Eurozone recovery was led by Germany and France with other economies such as Italy, Austria and Netherlands following while Spain and Ireland's domestic economies lagged. The UK labour market stabilised towards year end but UK policy makers continued to provide stimulus into the economy.

In the bond markets, the Merrill Lynch EMU Government > 10 Year Bond index ended the year up 2.78% after some volatile monthly moves. Early in the year, market participants witnessed a flood of issuance of government bonds before further weaknesses in other asset classes benefited bonds. However, as investors became less risk averse, peripheral countries outperformed core with German bonds underperforming relative to Italian and other bonds. Subdued inflation and a commitment from the ECB toward maintaining low interest rates further supported bonds before renewed concerns over sovereign credit worthiness surfaced toward year end.

The UK Government > 10 Year Index returned 4.09% in Euro terms. However, this was largely due to currency as the index fell by 4.35% in local terms on concerns about the increasing budget deficit in the UK and a possible credit rating downgrade.

OUTLOOK FOR 2010

One of the major challenges facing policy makers in 2010 is how to exit from their aggressively loose monetary policies without undermining the economic recovery. Any increase in interest rates will have to be cautious and more importantly gradual. While the unprecedented policy response has been effective, it is still very difficult to assess the underlying demand conditions within the global economy (particularly demand from the indebted consumer sector).

In the US, the economic recovery is well underway with business activity levels trending upwards and signs of stabilisation in the housing and labour markets. Low inventory levels have also led to improvements in production activity. The core Eurozone economies are also experiencing similar conditions although some of the peripheral countries remained burdened by difficulties in the financial and property sectors.

Conditions are likely to remain supportive for equity markets in the early part of 2010 as the various stimulus packages are likely to remain in place for most of the first half of the year. However, doubts remain over the extent to which consumer confidence will return and earnings growth expectations may be revised downward as the year progresses.

Government debt levels have increased in response to the recent crisis and governments will need to be seen to be taking actions to address their fiscal problems over the coming months. The credit worthiness of sovereign debt has also come into question, particularly since Greece was downgraded in late 2009.

Bond yields are likely to move higher in 2010 as authorities reverse some of the unprecedented accommodative monetary policy, by removing liquidity from the market and increasing interest rates later in the year. While it is expected that the withdrawal of accommodative policy will be gradual, the impact of higher bond yields is weaker bond prices. The increase in longer yields may be restrained by low inflation expectations and a muted economic recovery.

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PERFORMANCE

Investment management of the equity and fixed interest elements of the Clergy Pension Fund transferred to Irish Life Investment Managers with effect from 24th January 2008. Property and Venture Capital investments continue to be managed by other managers.

Equities and fixed interest bonds for both the Irish and UK funds are managed on an indexed (passive) basis replicating the performance of a particular index. Certain equities are excluded on socially responsible investing (SRI) grounds. The composite return for the equity and bond funds for the 12 months to 31-Dec-2009 was +26.1%.

VALUATION & ASSET DISTRIBUTION

Including property and venture capital values provided by other managers:

Valuation at 31-Dec-2009	**€ 000's**
ILIM Irish Fund	45,278
ILIM UK Fund	45,734
Property & Venture Capital	2,867
	€93,879

Asset Distribution at 31-Dec-2009

Equity		
Europe	38.7%	
UK	31.8%	
US/ Rest of World	10.4%	**80.9%**
Fixed Interest		
Europe	9.0%	
UK	7.0%	**16.0%**
Property		**2.9%**
Venture Capital		**0.2%**
		100.0%

Irish Life Investment Managers
04 February 2010

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Independent Auditors' Report to the trustees of the Church of Ireland Clergy Pension Fund Pension Scheme

We have audited the financial statements of the Church of Ireland Clergy Pension Fund Pension Scheme for the year ended 31 December 2009 which comprise the Consolidated Fund and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustee and auditors
As described in the statement of trustee's responsibilities, the trustee is responsible for making available the audited financial statements prepared in accordance with applicable Irish pension law and accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinions, has been prepared for and only for the scheme's trustee as a body in accordance with Section 56 of the Pensions Act 1990 and for no other purpose. We do not, in giving this report including the opinions, 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.

We report to you our opinion as to whether the financial statements show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the scheme during the scheme year and of the amount and disposition of its assets and liabilities, other than liabilities to pay benefits in the future, and whether the financial statements contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006. We also report to you whether in our opinion the contributions payable to the scheme have been received by the trustee within 30 days of the scheme year end and, in our opinion, have been paid in accordance with the scheme rules and the recommendation of the actuary.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the trustee's report and the investment manager's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed. Our work also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments.

PRICEWATERHOUSECOOPERS

Independent Auditors' Report to the trustee of the of the Church of Ireland Clergy Pension Fund Pension Scheme - continued

Basis of opinion - continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that contributions have been paid in accordance with the scheme rules and the recommendation of the actuary and received within 30 days of the scheme year end. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the scheme during the year ended 31 December 2009, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay benefits in the future, and contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

In our opinion the contributions payable to the scheme during the year ended 31 December 2009 have been received by the trustee within 30 days of the end of the scheme year and, in our opinion, such contributions have been paid in accordance with the scheme rules and the recommendation of the actuary.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

15 March 2010

The Trustee is responsible for the maintenance and integrity of the Church of Ireland website.

Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

The maintenance and integrity of the Church of Ireland's website is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

THE CHURCH OF IRELAND CLERGY PENSIONS FUND

ACCOUNTING POLICIES

The significant accounting policies adopted by the Trustee are as follows:

(i) Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Funds (Disclosure of Information) (No. 2) Regulations, 1998, and Statement of Recommended Practice, "Financial Reports of Pensions Schemes".

(ii) Investment Income

Income on investments includes all dividends and interest receivable during the year adjusted to reflect bought and sold interest on bond transactions in the accounting period.

(iii) Investments

Invested assets are held in a unitised fund which is managed by Irish Life Investment Managers. This fund tracks a range of published equity and bond indices. The value of the units at the year end reflects the relative performance of these indices and the value of the relevant underlying stocks.

(iv) Foreign Currencies

Balances and transactions denominated in foreign currencies have been translated into Euro at the rate of exchange ruling at the year end. (2009 €1 = £0.8881
2008 €1 = £0.9525).

(v) Benefits

The pension benefits are secured by contributions to a separately administered defined benefits scheme in accordance with the provisions of Chapter XIV of the Constitution of the Church of Ireland as amended from time to time by the General Synod.

(vi) Contributions

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll. Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Additional voluntary contributions from the members are accounted for, on an accruals basis, in the month deducted from the payroll.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or, in the absence of an agreement, on a receipt basis.

(vii) Transfers to and from other 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 a cash basis or where Trustees have agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement.