# THE CHURCH OF IRELAND CLERGY DEFINED CONTRIBUTION PENSION SCHEME NORTHERN IRELAND SECTION (“THE SCHEME”)

## CHAIR’S STATEMENT FOR YEAR ENDING 31 MAY 2022

### Introduction

This is the Trustee's statement of governance for the period from 1 June 2021 to 31 May 2022.

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015 (“the Regulations”).

This statement covers the following key areas:

1. The investment strategy relating to the Scheme's default arrangement;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Scheme;
4. Value for members;
5. The Trustee's compliance with the statutory knowledge and understanding requirements.

This Statement describes how the Trustee has embedded these governance standards into the running of the Scheme, including actions taken over the Scheme year to 31 May 2022. Due to some reporting only being available to the standard financial quarter ends, some of the information in this Statement is to 30 June 2022 (the closest quarter end).

The Trustee will publish this Statement on the Church of Ireland website, in a domain that can be accessed publicly via use of a search engine:

(https://www.ireland.anglican.org/about/information/clergy-pensions/dc-pension-scheme-ni)

In addition, members are notified of its availably on that site via their annual benefit statements as at 31 May 2022.

### Background

The Scheme provides benefits on a money purchase – sometimes referred to as a defined contribution (“DC”) basis. This means that benefits are based on the amount of contributions paid in and the investment returns earned, net of fees. As at 30 June 2022, the Scheme had 303 members and assets under management of c. £11.9m.

The Trustee of the Scheme is Trustee Solutions Limited, a trustee company of the law firm Pinsent Masons LLP. The Chair of the Trustee is Ian Gordon, a director of Trustee Solutions Limited. The Trustee oversees the governance of the Scheme with support from its advisers Mercer, and Scottish Widows, who administer the Scheme and provide the platform on which the Scheme's investments are held.

The Scheme is operated by the Trustee in accordance with the rules of the Scheme, and the legal & regulatory regime applicable to pension schemes. This Statement and the Scheme’s most recent Statement of Investment Principles dated 25 September 2020 (“the SIP”) is published on a publicly available website.

### The Scheme's default investment arrangement

*"The Trustee regards the provision of a default investment arrangement that increases the likelihood of members experiencing 'good' outcomes in retirement as one of its most important*

*responsibilities".*

The SIP prepared by the Trustee of the Scheme includes a statement of the investment principles relating to the Scheme's default investment arrangement, and is attached as **Appendix B** to this Statement. The SIP sets out the Trustee's investment policies, and in particular sets out the aims and objectives of the Scheme's default investment arrangement. It also sets out the Trustee's policies in relation to matters such as risk and diversification, and the extent to which the Trustee takes account of social, environmental, climate change and ethical considerations when making investment decisions. It also states why it believes the default investment arrangement is an appropriate strategy for the majority of the Scheme members and their beneficiaries.

The Trustee reviews the performance of all the Scheme's investments quarterly, including those in the default investment arrangement. Mercer provides the Trustee with quarterly investment reports, which set out the performance of all investments held by the Scheme, including those in the default investment arrangement. Investment performance is reviewed at each Trustee meeting.

The Trustee reviews the SIP regularly (at least every three years), and more frequently if there has been a significant change in investment policy or member demographics.

*The current default investment strategy*

The Trustee has delegated responsibility, in part, for setting the investment strategy for the Scheme's assets to Mercer, via the Mercer Workplace Savings ("MWS") SmartPath solution, having established that doing so was the most efficient route to achieving their investment objectives. Setting the investment objectives, and ensuring that the Scheme's investment strategy continues to be appropriate for the needs of the members, remains the responsibility of the Trustee, acting on professional advice from their investment consultant. The remaining elements of investment policy are related to the day-to-day management of the assets, which is delegated to professional investment managers.

The current default lifestyle strategy is designed for members who wish to flexibly drawdown an income over time when they retire. It invests 100% of member's assets in the Mercer Growth Fund up to 8 years prior to normal or selected retirement age, at which point the assets are gradually switched into a proportion of a diversified retirement fund (which has an allocation consisting of growth and defensive assets) and a cash fund. At normal or selected retirement age, member's assets will be invested 75% in the diversified retirement fund and 25% in the cash fund.

*The most recent review of the default investment strategy*

The process for reviewing the default investment strategy falls into two categories. MWS, as part of its delegated mandate, reviews the underlying investment strategy of the default investment arrangement on an annual basis. This includes reviewing the strategy for the growth phase, de-risking phase and the components of the Mercer funds used. MWS produced their annual strategy review in May 2022. The review proposed an increased allocation to inflation sensitive assets and an increased exposure to 'cheaper' equity regions (such as the UK & Europe). Allocations to credit and nominal bonds were also proposed to be reduced as a result of low yields. The review did not propose any changes in terms of strategic asset allocation related to sustainability given the work already completed in this area and noted that significant work is being undertaken in this area at an underlying fund level.

In addition to the MWS strategy review, the Trustee is responsible for selecting the default investment arrangement for the Scheme, in particular the at-retirement target. The last full review of the default investment arrangement was undertaken by the Trustee in May 2021, and was completed on 28 June 2021. As part of this review, the Trustee decided to maintain the Target Drawdown Lifestyle Strategy as the Scheme's default investment arrangement which was implemented following the investment strategy review undertaken in 2018. The Trustee believes that a Lifestyle Strategy targeting drawdown provides the most appropriate end point for most members, and will leave members well placed to consider all available options at retirement. Members retain the right to choose an alternative Lifestyle Strategy (targeting annuities or cash) if they wish. The Trustee also offers four risk-profiled multi-asset funds and additional global equity and money market fund options. No changes were made to the self-select fund range following the strategy review undertaken in 2021.

The next review of the default investment strategy and self-select fund range will commence by May 2024, or sooner if there are any significant changes in investment policy or member demographics.

*Additional investment options within the Scheme*

Members have the option to invest in other funds and strategies in addition to, or instead of, the default lifestyle strategy. This range of options includes the annuity targeting lifestyle strategy, a cash targeting lifestyle strategy, and a number of individual funds provided on the Scottish Widows platform. Members are supported in their choice of investments by clear communications regarding the aims of the default investment strategy and the alternative investment options available.

## Processing of the Scheme's core financial transactions

*"Reliable internal controls are essential to the security of members' benefits and the provision of a first-class member experience".*

Good member outcomes in DC schemes rely, at least in part, on good quality administration. As part of this, the Trustee is required to have processes in place to make sure that the key aspects of administration are processed promptly and accurately.

Key elements of administration are known as "core financial transactions" and include (but are not limited to) the:

- investment of contributions;
- transfer of members' assets to and from the scheme;
- switching between investments within the scheme; and
- payments out of the scheme to members/beneficiaries.

The Trustee recognises that delay and error in any of these areas can cause significant losses for members. They can also cause members to lose confidence in the Scheme, which may in turn reduce their willingness to contribute to the Scheme, which could impair their future pension outcomes. The Trustee therefore operates measures and controls, which are aimed at ensuring that all financial transactions are processed promptly and accurately.

The Trustee has delegated the administration of the Scheme to Scottish Widows. Scottish Widows, as Scheme administrator, holds all required member data. The Trustee reviews the Scheme data annually with address tracing completed as required. The last review was completed in August 2022. The common data score for the Scheme was 98% as at September 2021 and August 2022. The Scheme specific data score was 99.3% as at September 2021 and 100% as at August 2022.

The Trustee has agreed Service Level Agreements (SLAs) with Scottish Widows for the processing of all member-related services, including core financial functions. These timescales are well within any applicable statutory deadlines.

Other controls in operation during the Scheme year that address the promptness and accuracy of the processing of core financial transactions include:

- The delivery of Scottish Widows' service is independently overseen by a Mercer governance committee as part of the MWS arrangement. This gives an extra level of oversight. As part of the ongoing MWS governance, monthly operational meetings are held between Scottish Widows and the MWS operational team to review the following areas:

    - SLAs
    - Reporting
    - Complaints
    - Implementations
    - Operational projects

  The outcome of these meetings is summarised in the quarterly governance reports which are reviewed by the Trustee.

- The Scheme's administrator records all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task. They report quarterly to the Trustee on their performance against these agreed timescales. The Trustee has considered these reports at its regular meetings during the Scheme year, and considers Scottish Widows' performance to be satisfactory overall.

- The Trustee requires additional disclosures in respect of any transactions and benefit processing activity that have not been completed within the agreed timescales, including the cause of the delay, the extent to which agreed timescales were breached, and the proposed remedial measures. None of the breaches of agreed timescale during the period covered by this statement are regarded as a matter of significant concern.

- A representative from Scottish Widows dials in for the administration section of the Trustee's meetings at least once during the Scheme year to give a full update on the administration service and answer any Trustee questions or concerns.

- The Scheme's Risk Register outlines risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood and controls and possible mitigation techniques for each risk. The Register is monitored and reviewed on a regular basis.

- The Trustee reviews the AAF01/06 and ISAE 3402 Reports of the Scheme administrator and investment managers, in order to assess how these providers assess and control their risk environments.

- The Scheme's Auditor, PricewaterhouseCoopers ("PwC"), obtains evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, including 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.

In addition, PwC review all the financial and non-financial information in the Annual Report to identify any 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 PwC in the course of performing the audit.

The Schedule of Contributions sets out timescales for the Representative Church Body to remit monthly contributions to the Scheme. Over the period of this statement, all contributions were paid within the statutory timescales. Based on the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

## Charges and transaction costs – value from member borne deductions

*"The Trustee believes that good value is about demonstrating that the Scheme's services represent a good use of resources versus comparable alternatives available to the Trustee."*

The Regulations require the Trustee to report on the charges and transaction costs for the investments used in the default investment option as well as those for the funds available for choice in the self-select fund range, and their assessment of the extent to which the charges and costs represent good value for members. Members pay charges for a range of services associated with scheme governance and management, investment, administration and communications. These charges are deducted as a percentage of the amounts of members' investment funds.

Charges relating to investment management and administration of the Scheme are deducted from members' funds. The Representative Church Body pays all other costs associated with running the

Scheme, including advisory costs. The total investment charge for each fund, as determined by Scottish Widows, is referred to as the Total Expense Ratio or "TER". This charge does not include transaction costs; these are the expenses associated with a member trading in and out of a fund as well as the costs of the investment manager trading a fund's underlying securities, including commissions and stamp duty, and are laid out separately. The Scheme complies with regulations on charge controls introduced from April 2015. Specifically, all of the funds in the Scheme's default investment arrangement have a combined TER, which is below the charge cap of 0.75% p.a.

The table below sets out the TERs and transaction costs for each of the funds in the default arrangement:

| Default Strategy Funds | Total Expense Ratio (% p.a.) | Transaction Costs (% p.a.) |
|---|---|---|
| Mercer Growth Fund | 0.61 | 0.160 |
| Mercer Drawdown Retirement Fund | 0.67 | 0.080 |
| Mercer Target Drawdown 2023 Retirement Fund | 0.67 | 0.090 |
| Mercer Target Drawdown 2024 Retirement Fund | 0.67 | 0.100 |
| Mercer Target Drawdown 2025 Retirement Fund | 0.67 | 0.110 |
| Mercer Target Drawdown 2026 Retirement Fund | 0.67 | 0.120 |
| Mercer Target Drawdown 2027 Retirement Fund | 0.67 | 0.130 |
| Mercer Target Drawdown 2028 Retirement Fund | 0.66 | 0.140 |
| Mercer Target Drawdown 2029 Retirement Fund | 0.65 | 0.150 |
| Mercer Target Drawdown 2030 Retirement Fund | 0.64 | 0.150 |

*Source: Scottish Widows. TERs and Transaction cost figures as at 30 June 2022. For funds with more than one component, transaction cost calculations are based on blended fund-level holdings at the report date given. Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Scottish Widows fund level when Scottish Widows deals in the underlying funds. Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case. Fund managers may use different methodologies to calculate their transaction costs; therefore overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.*

The Scheme offers a range of additional lifestyle and fund options for members in which they can invest. In addition to the default lifestyle strategy, members have assets invested in five other funds in the Scheme:

| Self select funds with assets held | Total Expense Ratio (% p.a.) | Transaction Costs (% p.a.) |
|---|---|---|
| Mercer Defensive | 0.66 | 0.100 |
| Mercer Moderate Growth Fund | 0.63 | 0.120 |
| Mercer High Growth Fund | 0.64 | 0.140 |
| Mercer Passive Overseas Equity | 0.45 | 0.020 |
| Mercer Annuity Retirement Fund | 0.53 | 0.000 |

*Source: Scottish Widows. TER figures as at 30 June 2022, transaction cost figures as at 30 June 2022. For funds with more than one component, transaction cost calculations are based on blended fund-level holdings at the report date given. Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Scottish Widows fund level when Scottish Widows deals in the underlying funds. Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case. Fund managers may use different methodologies to calculate their transaction costs; therefore overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.*

The Regulations require that illustrations are produced to demonstrate how charges and costs can impact a member's pot size at retirement. Using the charges and transaction cost data available and in accordance with regulation 23(1)(ca) of the Regulations, Scottish Widows has prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

*Illustration 1: A typical member with contributions being paid, invested in the main fund range*

The table shows the development of the projected pension pot over time before and after charges for members of any age, assuming the pension pot is invested fully in the fund shown. The illustrations shown below are for a representative selection of the funds in which members may invest. They were selected to reflect the range of projected returns and charges for the available funds. Note: these are not necessarily the funds that make up the default lifestyle strategy. The funds are:

1. Lowest Charge – Mercer Passive Overseas Equity Fund
2. Highest Charge – Mercer Defensive Fund
3. Highest net return - Mercer Target Drawdown 2028 Fund
4. Lowest net return – Mercer Annuity Retirement

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, Scottish Widows has also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the default investment strategy.

| Years | Mercer Passive Overseas Equity Fund | | Mercer Defensive Fund | | Mercer Target Drawdown 2028 Fund | | Mercer Annuity Retirement Fund | |
|---|---|---|---|---|---|---|---|---|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 55,000 | 55,300 | 54,300 | 53,900 | 54,800 | 54,400 | 53,800 | 53,500 |
| 3 | 69,200 | 68,300 | 64,900 | 63,700 | 66,600 | 65,200 | 63,300 | 62,400 |
| 5 | 83,500 | 81,900 | 75,600 | 73,300 | 78,700 | 76,100 | 72,600 | 71,000 |
| 10 | 122,000 | 118,000 | 102,000 | 96,700 | 109,000 | 103,000 | 95,100 | 91,500 |
| 15 | 166,000 | 158,000 | 128,000 | 119,000 | 142,000 | 131,000 | 116,000 | 110,000 |
| 20 | 216,000 | 202,000 | 155,000 | 141,000 | 177,000 | 159,000 | 137,000 | 128,000 |
| 25 | 272,000 | 251,000 | 182,000 | 161,000 | 213,000 | 187,000 | 156,000 | 144,000 |
| 30 | 335,000 | 304,000 | 208,000 | 182,000 | 251,000 | 215,000 | 175,000 | 159,000 |
| 35 | 406,000 | 363,000 | 235,000 | 201,000 | 290,000 | 244,000 | 192,000 | 173,000 |

**Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 68
3. The starting pot size is assumed to be £49,000.

4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £450 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
   Mercer Passive Overseas Equity: 2.4% above inflation
   Mercer Defensive Fund: 0.0% above inflation
   Mercer Target Drawdown 2028 Fund: 0.9% above inflation
   Mercer Annuity Retirement Fund: 1.0% below inflation

*Illustration 2: A typical member with contributions, invested in the default lifestyle strategy*

Projected pension pot in today's money: Starting Fund £49,000. Starting Contributions £450pm. Invested in the Default Lifestyle investment strategy.

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the default investment strategy. For the default investment strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement. For non-lifestyle investments, the projected pension pot does not depend on the starting age and develops as shown in the first table above.

| | Age Now 63 | | Age Now 58 | | Age Now 48 | | Age Now 38 | | Age Now 27 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 54,800 | 54,400 | 54,800 | 54,400 | 54,800 | 54,500 | 54,800 | 54,400 | 54,800 | 54,400 |
| 3 | 66,100 | 64,800 | 66,600 | 65,300 | 66,600 | 65,300 | 66,600 | 65,300 | 66,600 | 65,300 |
| 5 | 77,000 | 74,600 | 78,700 | 76,200 | 78,700 | 76,300 | 78,700 | 76,300 | 78,700 | 76,300 |
| 10 | | | 107,000 | 101,000 | 109,000 | 103,000 | 109,000 | 103,000 | 109,000 | 103,000 |
| 15 | | | | | 142,000 | 131,000 | 142,000 | 131,000 | 142,000 | 131,000 |
| 20 | | | | | 172,000 | 156,000 | 177,000 | 159,000 | 177,000 | 159,000 |
| 25 | | | | | | | 213,000 | 188,000 | 213,000 | 188,000 |
| 30 | | | | | | | 245,000 | 211,000 | 251,000 | 217,000 |
| 35 | | | | | | | | | 290,000 | 246,000 |
| 41 | | | | | | | | | 333,000 | 274,000 |

**Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 68
3. The starting pot size is assumed to be £49,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.5. Gross contributions of £450 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
5. Values shown are estimates and are not guaranteed.
6. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement.

Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

| Years to Retirement | Projected Growth Rate (Average) | |
|---|---|---|
| 1 | 0.10% | Below Inflation |
| 3 | 0.20% | Above Inflation |
| 5 | 0.40% | Above Inflation |
| 10 | 0.60% | Above Inflation |
| 15 | 0.70% | Above Inflation |
| 20 | 0.80% | Above Inflation |
| 25 | 0.80% | Above Inflation |
| 30 | 0.80% | Above Inflation |
| 35 | 0.80% | Above Inflation |
| 41 | 0.80% | Above Inflation |

*Illustration 3: A typical paid up member (i.e. no contributions are being paid), invested in the main fund range*

Projected pension pot in today's money: Starting Fund £49,000. No further contributions. The table shows the development of the projected pension pot over time before and after charges for members of any age, assuming the pension pot is invested fully in the fund shown. The illustrations shown below are for a representative selection of the funds in which members may invest. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default lifestyle strategy. The funds are chosen as follows:

1. Lowest Charge – Mercer Passive Overseas Equity Fund
2. Highest Charge – Mercer Defensive Fund
3. Highest net return - Mercer Target Drawdown 2028 Fund
4. Lowest net return – Mercer Annuity Retirement

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.

For the default investment strategy the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, Scottish Widows has also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the default investment strategy.

| Years | Mercer Passive Overseas Equity Fund | | Mercer Defensive Fund | | Mercer Target Drawdown 2028 Fund | | Mercer Annuity Retirement Fund | |
|---|---|---|---|---|---|---|---|---|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 50,100 | 49,900 | 48,900 | 48,600 | 49,400 | 49,000 | 48,500 | 48,200 |
| 3 | 52,600 | 51,900 | 48,900 | 47,900 | 50,400 | 49,200 | 47,500 | 46,800 |
| 5 | 55,200 | 54,000 | 48,900 | 47,100 | 51,400 | 49,400 | 46,600 | 45,400 |
| 10 | 62,300 | 59,500 | 48,900 | 45,400 | 53,900 | 49,800 | 44,400 | 42,100 |
| 15 | 70,300 | 65,600 | 48,900 | 43,700 | 56,600 | 50,300 | 42,200 | 39,000 |
| 20 | 79,300 | 72,300 | 48,900 | 42,100 | 59,500 | 50,700 | 40,200 | 36,100 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 25 | **89,500** | **79,600** | **48,900** | **40,500** | **62,400** | **51,200** | **38,300** | **33,500** |
| 30 | **100,000** | **87,800** | **48,900** | **39,000** | **65,500** | **51,600** | **36,500** | **31,000** |
| 35 | **113,000** | **96,800** | **48,900** | **37,600** | **68,800** | **52,100** | **34,700** | **28,800** |

**Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 68
3. The starting pot size is assumed to be £49,000.
4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
   Mercer Passive Overseas Equity: 2.4% above inflation
   Mercer Defensive Fund: 0.0% above inflation
   Mercer Target Drawdown 2028 Fund: 0.9% above inflation
   Mercer Annuity Retirement Fund: 1.0% below inflation.

*Illustration 4: A typical paid up (i.e. no further contributions are being paid) member, invested in the default lifestyle strategy*

Projected pension pot in today's money: Starting Fund £49,000. No further contributions. Invested in the Default Lifestyle strategy. This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.

For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement. For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in Illustration 1.

| Years | Age Now 63 | | Age Now 58 | | Age Now 48 | | Age Now 38 | | Age Now 27 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | **49,400** | **49,000** | **49,400** | **49,100** | **49,400** | **49,100** | **49,400** | **49,100** | **49,500** | **49,100** |
| 3 | **50,000** | **48,900** | **50,400** | **49,200** | **50,400** | **49,300** | **50,400** | **49,300** | **50,400** | **49,300** |
| 5 | **50,100** | **48,200** | **51,400** | **49,400** | **51,400** | **49,500** | **51,400** | **49,500** | **51,400** | **49,500** |
| 10 | | | **52,600** | **48,700** | **53,900** | **50,000** | **53,900** | **50,000** | **53,900** | **50,000** |
| 15 | | | | | **56,600** | **50,500** | **56,600** | **50,500** | **56,600** | **50,500** |
| 20 | | | | | **58,000** | **49,700** | **59,500** | **51,100** | **59,500** | **51,100** |
| 25 | | | | | | | **62,400** | **51,600** | **62,400** | **51,600** |
| 30 | | | | | | | **63,900** | **50,800** | **65,500** | **52,200** |
| 35 | | | | | | | | | **68,800** | **52,700** |
| 41 | | | | | | | | | **71,100** | **52,000** |

**Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 68.
3. The starting pot size is assumed to be £49,000.

4. The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement. Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

| Years to retirement | Projected growth rate (average) | |
|---|---|---|
| 1 | 0.10% | Below Inflation |
| 3 | 0.20% | Above Inflation |
| 5 | 0.40% | Above Inflation |
| 10 | 0.70% | Above Inflation |
| 15 | 0.80% | Above Inflation |
| 20 | 0.80% | Above Inflation |
| 25 | 0.80% | Above Inflation |
| 30 | 0.80% | Above Inflation |
| 35 | 0.90% | Above Inflation |
| 41 | 0.90% | Above Inflation |

The Occupational Pension Schemes (administration, Investment, Charges and Governance (Amendment) Regulations 2021 ('the 2021 Regulations') introduced new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021 trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual Chair's Statement and published on a publicly available website.

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Scheme year.

| Default strategy | Annualised returns to 30 June 2022 (%) | |
|---|---|---|
| **Age of member at start of period** | **1 year** | **5 years** |
| **25** | **-8.3** | **4.0** |
| **45** | **-8.3** | **4.0** |
| **55** | **-8.3** | **4.0** |

*Source*: *Scottish Widows*

*Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.*

| **Self-select funds** | **Annualised returns to 30 June 2022 (%)** | |
|---|---|---|
| | **1 year** | **5 years** |
| Mercer Annuity Retirement | -15.5 | -1.1 |
| Mercer Defensive | -7.4 | 1.1 |
| Mercer Drawdown Retirement | -4.6 | 1.9 |
| Mercer Growth | -8.3 | 4.0 |
| Mercer High Growth | -8.4 | 4.6 |
| Mercer Moderate Growth | -8.3 | 3.5 |
| Mercer Passive Overseas Equity | -4.4 | 9.2 |
| Mercer Target Drawdown 2023 Retirement | -5.1 | 3.3 |
| Mercer Target Drawdown 2024 Retirement | -5.9 | 3.6 |
| Mercer Target Drawdown 2025 Retirement | -6.7 | 3.7 |
| Mercer Target Drawdown 2026 Retirement | -7.2 | n/a |

*Source*: *Scottish Widows*
**n/a – the fund has not been in existence for this period.*

## Value for Members

Under new legislation applying to all defined contribution schemes with less than £100m in assets, the Trustee is required to assess the extent to which the Scheme delivers value for members across 3 key areas:

| **Assessment area** | **Type of assessment** |
|---|---|
| **Costs and charges** | Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs. |
| **Net investment performance** | Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges. |
| **Governance and administration** | Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest |

The Trustee has carried out a value for members' assessment as at 31 May 2022. The conclusions of this assessment are set out in the table below.

| Assessment area | Conclusion |
| --- | --- |
| **Costs and charges** | The Trustee has assessed the Scheme as offering poor value from a costs and charges perspective. The Scheme's costs and charges across the majority of ages have been assessed as higher than those of the comparator arrangements, which, based on the performance assessment, have not been compensated for by higher net investment returns over the periods considered. This assessment does not consider the benefits of risk management, which are reflected in the Scheme's strategy. The Trustee has already negotiated a 10 basis points reduction in the level of charges borne by members. However, this change became effective after the end of the Scheme year to which this Statement relates. However, even taking this reduction into account the Scheme would still have been assessed as providing poor value against the comparator arrangements. |
| **Net investment performance** | The Trustee has assessed the Scheme as offering **reasonable** value from a net investment performance perspective. The Scheme's default arrangement has underperformed the comparator arrangements for younger members, but has outperformed for older members, who comprise a significant proportion of the Scheme's membership. Performance of the self-select fund range was mixed compared to the comparator arrangements. |
| **Governance and administration** | The Trustee has assessed the Scheme as offering **good** value from a Governance and administration perspective. The Scheme's governance and administration arrangements have been assessed as good and there are robust procedures in place to ensure that the Scheme is well run. |
| **Overall** | Overall, considering all three areas set out above, the Trustee has assessed the Scheme as offering **reasonable** value for members. Based on its assessment, the Trustee has identified the following areas of action, which the Trustee believes will help to enable the Scheme to provide good value for members going forward.<br>- Engage with Scottish Widows again to see if a further cost reduction can be achieved for members – particularly in relation to the platform charge.<br>- Continue to monitor investment performance of the Scheme's default investment strategy, and the two most popular self-select options.<br>- Investment governance procedures will be formally documented as part of the Trustee's compliance with the Single Code of Practice in 2023.<br>- The Trustee will consider convening formal Trustee meetings at least quarterly, in accordance with the guidance of the Pensions Regulator. Regular Trustee meetings will continue to be supplemented by ad-hoc meetings and calls where appropriate. The Trustee will implement a process to confirm how advisers will be regularly assessed and reviewed.<br>- Review the pre-retirement support provided, and also review whether the resources available from Scottish Widows can be more fully utilized. |

## Trustee’s Knowledge and Understanding

*"The Trustee is committed to a culture of learning, skill building and assessment".*

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of pension schemes, and the investment of pension scheme assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The Trustee of the Scheme is an independent professional trustee company, which specialises in the trusteeship of pension schemes. The directors of the Trustee who exercise the functions of the Trustee in relation to the Scheme have extensive knowledge of trust law, and in particular, the laws governing and practice of administration of pension schemes. The Trustee is subject to continuing professional development requirements. This ensures that it remains up to date with changes in law and practice in pensions generally as well as those which specifically affect the Scheme.

The Trustee meets these requirements, and keeps pensions knowledge up to date, through a combination of regular in-house training, external training and seminars, and Scheme-specific training. The Trustee regularly reviews any gaps in its knowledge, and where any gaps are identified, addresses these by focusing its CPD and training requirements to fill them. The Trustee benefits from a continuing programme of pensions technical training provided by the pensions team within Pinsent Masons LLP.

As required by pension legislation, the Trustee has a good working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles, governance plan, risk register, and the Trustee's policies relating to the administration of the Fund.

Each Trustee meeting for the Scheme includes a section during which the Trustee reviews current issues in pensions which may affect the Scheme, including changes in legislation, regulatory requirements, case law and any relevant Pensions Ombudsman decisions. This also helps to ensure that the Trustee's knowledge and understanding of the laws affecting pension schemes and trusts and how they apply to the Scheme is kept up to date.

During the Scheme year, the Trustee has:

- carried out a Value for Members assessment for the Scheme;
- reviewed the Scheme's Statement of Investment Principles to ensure continuing compliance with the new regulatory requirements;
- reviewed its Scheme Governance Plan to ensure compliance with all applicable regulatory requirements.

These actions demonstrate that the Trustee has appropriate knowledge and understanding of the Scheme's Statement of Investment Principles, and the principles relating to the funding and investment of occupational defined contribution schemes such as the Scheme. This ensures that, with the benefit of input from its advisers, the Trustee is able effectively and properly to exercise its functions in relation to the Scheme.

The Trustee receives advice from its professional advisers, and the relevant skills and experience of those advisers assists the Trustee to carry out its duties in relation to the Scheme. As part of the arrangements for the administration of the Scheme, most of the Scheme's secretarial functions, including the preparation of meeting agendas, are provided by the Scheme's professional advisers, who attend all formal meetings of the Trustee, and provide the Trustee, and where appropriate the Representative Church Body, with information on all relevant legislative and regulatory developments at each meeting.

In order to assist trustees in developing their knowledge and understanding, the Pensions Regulator provides a web-based e-learning programme called the "Trustee Toolkit", which covers many aspects of the operation of occupational pension schemes, and the duties of pension scheme trustees. The Trustee directors of the Trustee who exercise the function of trustee in relation to the Scheme have completed the Pension Regulator's Trustee Toolkit, obtained the PMI Level 3 Award in Pension Trusteeship (Defined Contribution and Defined Benefit Schemes), and the Chair of the Trustee is a member of the Association of Professional Pension Trustees.

Taking into consideration the training activities completed by the Trustee and the professional advice available throughout the scheme year, the Trustee considers that it has met the Pensions Regulator's Trustee Knowledge and Understanding requirements (as set out under Code of Practice No 7) during the Scheme year. The Trustee is confident that the combined knowledge and understanding of the Trustee, together with the advice available to the Trustee from its advisers, enables the Trustee properly to exercise its functions as Trustee of the Scheme.

**Chair's declaration**

I confirm that the Trustee of the Church of Ireland Clergy Pension Scheme - Northern Ireland Section, has prepared the above statement.

Signature: Ian Gordon

Name: Ian Gordon Director Trustee Solutions Limited

Date: 09 December 2022

**Chair of the Church of Ireland Clergy Pension Scheme - Northern Ireland Section**

## Appendix B – Statement of Investment Principles