THE CHURCH OF IRELAND CLERGY PENSION SCHEME - NORTHERN IRELAND SECTION (the 'SCHEME')

CHAIR'S STATEMENT FOR YEAR ENDING 31 MAY 2020

Introduction

This is the Trustee's statement of governance for the period from 1 June 2019 to 31 May 2020.

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, and
5. The Trustee's compliance with the statutory knowledge and understanding requirements.

This report describes how the Trustee has embedded these governance standards into the running of the Scheme, including actions taken over the period to 31 May 2020.

The Trustee will publish this Statement alongside the Statement of Investment Principles ("SIP") on the Church of Ireland website, in a domain that can be accessed publicly via use of a search engine. In addition, members will have been notified of its availability on that site via their annual benefit statement as at 31 May 2020, which were issued in October 2020.

Background

The Scheme provides benefits on a "money purchase" or "defined contribution" basis. This means that members' benefits will largely be based on the amount of contributions paid in and the investment returns earned by them, net of fees.

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.

As at 31st March 2020, the Scheme had 296 members and assets under management of c. £8.01M.

The Trustee oversees the governance of the Scheme with support from its advisers Mercer, and Scottish Widows (formerly Zurich), 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.

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 Statement of Investment Principles ("SIP") prepared by the Trustee for the Scheme, which includes a statement of the investment principles relating to the Scheme's default investment arrangement, 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 taking investment decisions. It also states why the Trustee considers that the default investment arrangement is appropriate to ensure that the Scheme's assets are invested in the best interests of members and their beneficiaries.

The Trustee regularly reviews the performance of all the Scheme's investments, 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 whenever there has been a significant change in investment policy.

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 their investment objectives and ensuring that the Scheme's investment strategy continues to be appropriate for the needs of the members remains fundamentally the responsibility of the Trustees (acting on professional advice as they deem appropriate from their investment consultants). 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 flexibly to 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, after 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 Trustee has received performance data from Scottish Widows showing that the Mercer Growth Fund, which constitutes the bulk of the default fund, underperformed over the one-year period and three-year periods up to 31 March 2020. It is worth noting however that this underperformance coincided with a significant market sell off which followed the coronavirus pandemic. Over the quarter to 30 June 2020, the fund had outperformed its benchmark and closed the gap over the one-year and three year periods. The fund also continues to perform ahead of its target since inception. The Trustee will monitor the performance of the fund closely over the coming quarters to ensure that performance continues to improve.

All other funds in the default investment arrangement outperformed their benchmarks.

The most recent review of the default arrangement

The process for reviewing the default 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 August 2019. This reviewed resulted in some minor asset allocation changes within the Mercer Growth fund and self-select risk-profiled funds. There were also recommendations to improve the Environmental, Social and Governance ("ESG") framework and ensure that ESG principles are embedded in the Scheme's approach to investment. However, the structure of the default remained unchanged. A further review was undertaken in August 2020 and this will be reported on in the next Chair’s Statement.

The Trustee is responsible for setting the strategy for the default investment arrangement for the Scheme, in particular setting the at-retirement target asset allocation. The last full review of the default investment arrangement was undertaken by the Trustee in May 2018 and was completed on 28 June 2018. Before that review took place, it was anticipated that members would wish to use most of their savings to purchase an annuity when they retired, and the default lifestyle arrangement was designed to be appropriate to meet that objective. Under that arrangement, 100% of members' assets were invested in the Mercer Growth Fund until 8 years before to normal or selected retirement age. From that age the assets were gradually switched into a proportion of a Pre-Retirement fund and cash fund, so that at normal or selected retirement age, member's assets were invested 75% in the Pre-Retirement fund and 25% in the Cash fund.

The May 2018 review was intended to determine whether the strategy of the default investment arrangement remained appropriate. It focused in particular on whether the "at retirement" funds in the default investment arrangement remained appropriate for the Scheme. On behalf of the Trustee Mercer carried out a detailed review of the Scheme's membership demographics, industry trends and investment risks, to determine whether the structure of the default investment arrangement, which targeted the provision of a fund suitable for the purchase of an annuity, was still appropriate.

The conclusion which the Trustee reached from this review was that it was likely that most members would at retirement wish to take their benefits as cash, or by way of income drawdown, rather than as an annuity. The Trustee therefore decided to change the strategy of the default investment arrangement and the composition of the investments in it, to be more appropriate for income drawdown, retaining the 8-year de-risking period between the growth phase and retirement. This change in the Scheme's default investment arrangement took effect on 10 December 2018.

The next review of the default investment strategy will be undertaken by the Trustee in 2021, with the objective of completing it not later than 28 June 2021.

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 (the Scheme’s previous default), a cash targeting lifestyle strategy, and a number of individual funds provided by Scottish Widows. 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.

Coronavirus pandemic

Due to the Coronavirus pandemic, equities experienced significant losses over Q1 2020. This has impacted the performance of the majority of the Scheme's funds. Equity performance improved over Q2 2020, and the performance of the Scheme's funds has started to improve. The Trustee continues to closely monitor the impact of the Coronavirus pandemic on the fund range.

The processing of 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 defined contribution 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):

- 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 may in turn 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.

In practice, the Trustee has delegated the administration of member records to Scottish Widows. The Trustee has agreed Service Level Agreements (SLAs) with Scottish Widows for the processing of all member-related services, including core financial functions such as contribution investment, benefit quotations, investment switches and benefit payments. These timescales are well within any applicable statutory timescale.

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

- The delivery of Scottish Widows' service is independently overseen by a Mercer governance committee as part of Mercer's Workplace Savings arrangement ("MWS"), which gives an extra level of oversight. As part of the ongoing MWS governance, monthly operational meetings 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 reviewed by the Trustee.

- The Scheme's administrators record all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task. They must report quarterly to the Trustee their performance against these agreed timescales. During the Scheme year, the Trustee, at its bi annual meetings and following each quarterly report, has considered these reports, and have judged 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 for significant concern. There was in the course of the period to which this statement relates one instance of a delay in processing member benefits which was remedied with no financial disadvantage to the beneficiaries concerned.

- The Scheme's Risk Register outlines risk 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, Pricewaterhouse Coopers ("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 read all the financial and non-financial information in the Annual Report 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 PwC in the course of performing the audit.

The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme. Over the period of this statement, all contributions were received within the timescales agreed.

The Coronavirus pandemic inevitably placed a strain on the administration of the Scheme. Scottish Widows closely followed the Pension Regulator's guidance to ensure delivery of critical services. This included payment of members' benefits, retirement processing, bereavement services, and investment of contributions. Scottish Widows kept the Trustee informed as the pandemic situation developed including its impact on service delivery.

Based on the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly 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 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. 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 total expense ratio, which is below the charge cap of 0.75% p.a.

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 investment manager trading a fund's underlying securities, including commissions and stamp duty, and are laid out separately. The table below sets out the total expense ratio and transaction costs for each of the funds in the default:

Default Strategy Funds	Total Expense Ratio (% p.a.)	Transaction Costs (% p.a.)
Mercer Growth Fund	0.60	0.021
Mercer Drawdown Retirement Fund	0.68	0.118
Mercer Target Drawdown 2021 Retirement Fund	0.69	0.117
Mercer Target Drawdown 2022 Retirement Fund	0.68	0.112
Mercer Target Drawdown 2023 Retirement Fund	0.67	0.107
Mercer Target Drawdown 2024 Retirement Fund	0.66	0.096
Mercer Target Drawdown 2025 Retirement Fund	0.65	0.079
Mercer Target Drawdown 2026 Retirement Fund	0.64	0.063
Mercer Target Drawdown 2027 Retirement Fund	0.63	0.046

Source: Scottish Widows. TER figures as at September 2019, transaction cost figures as at 30 June 2020. 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, there are currently five funds in which members have assets invested within the Scheme (two of which, the Mercer Target Annuity 2020 Retirement Fund and the Mercer Annuity Retirement Fund, are components of the Scheme's previous default lifestyle):

Self select funds with assets held	Total Expense Ratio (% p.a.)	Transaction Costs (% p.a.)
Mercer Moderate Growth Fund	0.61	0.024
Mercer High Growth Fund	0.62	0.007
Mercer Passive Overseas Equity	0.45	0.000
Mercer Annuity Retirement Fund	0.53	0.000

Source: Scottish Widows. TER figures as at September 2019, transaction cost figures as at 30 June 2020. 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 have 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.

<u>Illustration 1: A typical member with contributions, invested in the main fund range</u>

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 members may invest in. 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. 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 have 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 Lifestyle Strategy.

Fund choice

Years	Mercer Passive Overseas Equity		Mercer Growth		Mercer Annuity Retirement		Mercer Drawdown Retirement	
	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	**£45,800**	**£45,600**	**£45,600**	**£45,300**	**£44,600**	**£44,300**	**£45,200**	**£44,900**
3	**£57,900**	**£57,200**	**£57,200**	**£56,300**	**£53,700**	**£52,900**	**£55,900**	**£54,800**
5	**£70,400**	**£69,200**	**£69,100**	**£67,400**	**£62,600**	**£61,300**	**£66,700**	**£64,600**
10	**£104,000**	**£100,000**	**£100,000**	**£96,100**	**£84,200**	**£81,100**	**£94,300**	**£89,000**
15	**£141,000**	**£134,000**	**£134,000**	**£126,000**	**£104,000**	**£99,400**	**£122,000**	**£113,000**
20	**£181,000**	**£171,000**	**£170,000**	**£157,000**	**£124,000**	**£116,000**	**£152,000**	**£137,000**
25	**£226,000**	**£210,000**	**£210,000**	**£189,000**	**£142,000**	**£132,000**	**£182,000**	**£160,000**
30	**£276,000**	**£253,000**	**£252,000**	**£223,000**	**£160,000**	**£146,000**	**£213,000**	**£184,000**
35	**£330,000**	**£298,000**	**£297,000**	**£259,000**	**£177,000**	**£160,000**	**£245,000**	**£207,000**

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect future inflation.

2. Retirement is assumed to be at age 68

3. The starting pot size is assumed to be £40,000.

4. Inflation is assumed to be 2.5% each year.

5. Gross contributions of £425 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:

SW Mercer Passive Overseas Equity CS1: 1.9% above inflation
SW Mercer Growth 3 CS1: 1.4% above inflation
SW Mercer Annuity Retirement CS1: 1.0% below inflation
SW Mercer Drawdown Retirement CS1: 0.6% below inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Illustration 2: A typical member with 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 the first table.

Years	Age Now 63		Age Now 58		Age Now 48		Age Now 38		Age Now 30	
	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	**£45,400**	**£45,100**	**£45,600**	**£45,300**	**£45,600**	**458,300**	**£45,600**	**£45,300**	**£45,600**	**£45,300**
3	**£56,200**	**£55,100**	**£56,500**	**£55,500**	**£57,200**	**£56,300**	**£57,200**	**£56,300**	**£57,200**	**£56,300**
5	**£66,800**	**£64,800**	**£67,900**	**£66,100**	**£69,100**	**£67,400**	**£69,100**	**£67,400**	**£69,100**	**£67,400**
10			**£95,800**	**£90,700**	**£100,000**	**£96,100**	**£100,000**	**£96,100**	**£100,000**	**£96,100**
15					**£131,000**	**£123,000**	**£134,000**	**£126,000**	**£134,000**	**£126,000**
20					**£161,000**	**£147,000**	**£170,000**	**£157,000**	**£170,000**	**£157,000**
25							**£205,000**	**£185,000**	**£210,000**	**£189,000**
30							**£238,000**	**£209,000**	**£250,000**	**£222,000**
35									**£289,000**	**£250,000**

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 £40,000.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £425 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. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change. 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.

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

Years to Retirement	Projected Growth Rate (Average)	
1	0.30%	Above Inflation
3	0.50%	Above Inflation
5	0.60%	Above Inflation
10	0.80%	Above Inflation
15	1.00%	Above Inflation
20	1.10%	Above Inflation
25	1.20%	Above Inflation
30	1.20%	Above Inflation
35	1.30%	Above Inflation
40		

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Illustration 3: A typical paid up member, 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 that these are not necessarily the funds that make up 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 mix of funds changes as the member approaches retirement. Given this, Scottish Widows have 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 Lifestyle Strategy.

Fund choice

Years	SW Mercer Passive Overseas Equity CS1		SW Mercer Growth 3 CS1		SW Mercer Annuity Retirement CS1		SW Mercer Drawdown Retirement CS1	
	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	£40,700	£40,600	£40,500	£40,300	£39,600	£39,300	£40,200	£39,900
3	£42,300	£41,800	£41,800	£41,000	£38,800	£38,200	£40,700	£39,700
5	£44,000	£43,100	£43,000	£41,700	£38,000	£37,000	£41,200	£39,600
10	£48,500	£46,400	£46,300	£43,500	£36,200	£34,300	£42,400	£39,200
15	£53,500	£50,000	£49,900	£45,500	£34,500	£31,800	£43,700	£38,800
20	£58,900	£53,900	£53,700	£47,500	£32,800	£29,500	£45,100	£38,400
25	£64,900	£58,100	£57,900	£49,500	£31,300	£27,400	£46,500	£38,000
30	£71,600	£62,600	£62,300	£51,700	£29,800	£25,400	£47,900	£37,600
35	£78,900	£67,500	£67,100	£54,000	£28,300	£23,500	£49,300	£37,300

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 £40,000.
4. 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:

    SW Mercer Passive Overseas Equity CS1: 1.9% above inflation
    SW Mercer Growth 3 CS1: 1.4% above inflation
    SW Mercer Annuity Retirement CS1: 1.0% below inflation
    SW Mercer Drawdown Retirement CS1: 0.6% below inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Illustration 4: A typical paid up member, 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 the previous table.

Years	Age Now 63		Age Now 58		Age Now 48		Age Now 38		Age Now 30	
	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	**£40,400**	**£40,100**	**£40,500**	**£40,300**	**£40,500**	**£40,300**	**£40,500**	**£40,300**	**£40,500**	**£40,300**
3	**£40,900**	**£40,000**	**£41,200**	**£40,400**	**£41,800**	**£41,000**	**£41,800**	**£41,000**	**£41,800**	**£41,000**
5	**£41,300**	**£39,700**	**£42,100**	**£40,700**	**£43,000**	**£41,700**	**£43,000**	**£41,700**	**£43,000**	**£41,700**
10			**£43,600**	**£40,500**	**£46,300**	**£43,500**	**£46,300**	**£43,500**	**£46,300**	**£43,500**
15					**£48,900**	**£44,400**	**£49,900**	**£45,500**	**£49,900**	**£45,500**
20					**£50,600**	**£44,100**	**£53,700**	**£47,500**	**£53,700**	**£47,500**
25							**£56,700**	**£48,400**	**£57,900**	**£49,500**
30							**£58,600**	**£48,100**	**£61,900**	**£51,300**
35									**£65,000**	**£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 £40,000.
4. 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. 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.

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

Years to Retirement	Projected Growth Rate (Average)	
1	0.30%	Above Inflation
3	0.50%	Above Inflation
5	0.60%	Above Inflation
10	0.80%	Above Inflation
15	1.00%	Above Inflation
20	1.10%	Above Inflation
25	1.20%	Above Inflation
30	1.20%	Above Inflation
35	1.30%	Above Inflation
40		

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Value for Members

The Trustee is committed to ensuring that members receive good value from the Scheme. In conjunction with its professional advisors, the Trustee has carried out a Value for Members assessment, which covered the following aspects over the Scheme year:

- Member-borne charges for funds in the default strategy and the self-select fund range, compared against comparable alternatives;
- The performance of funds in the default strategy and the self-select fund range, compared against their respective benchmarks; and
- The productivity of the overall investment strategy and processes, including platform services.

The Trustee concluded from the assessment that the Scheme's overall benefits represent **good value for money** in terms of the costs payable by members. The reasons for reaching this conclusion include:

- Benchmarking by the Scheme's advisers has shown member borne charges to be reasonable when compared against a range of comparable alternatives from a broad spread of other bundled UK DC pension providers.
- The Scheme's current default investment arrangement complies with the charge cap of 0.75% per annum (currently ranging from 0.60% per annum in the growth phase to 0.69% as members approach retirement).
- The investment returns over the three years to 31 March 2020 show the Mercer Growth, Mercer Moderate Growth and Mercer High Growth Funds have not met their benchmark. However, we note this was over a period of economic uncertainty and large market sell offs, and performance to 30 June 2020 shows an improvement. All funds outperformed their benchmark over the quarter to 30 June 2020, with the Moderate Growth Fund outperforming its benchmark over the three year period to 30 June 2020. The High Growth Fund and Mercer Growth Fund closed the gap on their benchmarks over the three year period to 30 June 2020. The Trustee will closely monitor the funds for improvements over the coming quarters.

The members also benefit from:

- The costs of running the Scheme paid for by the Representative Church Body (for example trusteeship and advisory costs);
- The ongoing oversight and review of the Scheme's default investment strategy and the DC fund range;and
- The wide-ranging support and governance of the Scheme from the Trustee, the Representative Church Body and the Trustee's advisors.

Trustees' Knowledge and Understanding (TKU)

"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 a sole independent professional trustee company, which specialises in the trusteeship of pension schemes. The director of the Trustee who exercises the functions of the Trustee in relation to the Scheme has extensive knowledge of trust law, and in particular, the laws governing and practice of administration of pension schemes. The directors of the Trustee are subject to continuing professional development requirements. This ensures that they keep up to date with changes in law and practice in pensions generally as well as those, which may specifically affect the Scheme.

The directors meet these requirements, and keep their pensions knowledge up to date, through a combination of regular in-house training, external training and seminars, and Scheme-specific training. The directors of the Trustee regularly review whether they have any gaps in their knowledge, and where any gaps are identified, they address these by focusing their CPD and training requirements to fill them. The directors of the Trustee benefit from a continuing programme of pensions technical training provided by Pinsent Masons LLP.

As required by pension legislation, the director of the Trustee who exercises the functions of the Trustee in relation to the Scheme 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. In the course of the period covered by this Statement the Trustee has considered with the Representative Church Body changes which it may be appropriate to make to the governing documentation of the Scheme. The director of TSL has continuing professional development obligations which ensures that he is up to date with developments which affect the scheme.

Each Trustee meeting for the Scheme includes a section during which the director of the Trustee, who exercises the functions of the Trustee in relation to the Scheme, 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 updated the Scheme's Statement of Investment Principles to comply with the new regulatory requirements in relation to social, environmental, climate change and ethical considerations, corporate governance and stewardship
- reviewed the Scheme Governance Plan designed to help ensure compliance with all applicable regulatory requirements

These actions demonstrate that the director of the Trustee who exercises the functions of the Trustee in relation to the Scheme 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, to ensure 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 employer, 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 director of the Trustee who exercises the functions of the Trustee in relation to the Scheme has completed the Pension Regulator's Trustee Toolkit, and is accredited as a professional trustee and a member of the Association of Professional Pension Trustees.

Taking into consideration the training activities completed by the director of the Trustee who exercises the functions of the Trustee in relation to the Scheme, 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 director of the Trustee who exercises the functions of the Trustee in relation to the Scheme 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 Trustees of the Church of Ireland Clergy Pension Scheme – Northern Ireland Section, have produced the above statement

Signature:

Name: Ian Gordon

Chair of the Church of Ireland Clergy Pension Scheme – Northern Ireland Section

Date: 22 December 2020

Appendix A – Transaction Cost Information

Transaction costs are the expenses associated with a member trading in and out of a fund, as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

With effect from 3 January 2018, the Financial Conduct Authority introduced requirements for pension providers and investment managers to disclose information on transaction costs using a specified approach.

Transaction costs compromise two elements:

- The cost of underlying trading activity carried out by the manager in relation to each underlying fund

- The costs of buying and selling units in each fund.

These costs are incurred on an on-going basis, and are implicit within the investment performance of the Scheme's assets.

Scottish Widows, the Scheme's provider, have provided the overall transaction costs for each fund in the Scheme but at the time of finalising the Scheme's governance reporting for the year, a breakdown of the costs into identifiable elements was unavailable. The information that was provided is presented in the table below.

The Trustee will continue to liaise with Scottish Widows regarding transaction costs disclosures and monitor Scottish Widows' ability to provide the required information. In the meantime, the Trustee has asked for the breakdown of transaction costs to be provided when these are made available by the underlying managers.

Fund Name	Fund Code	Total (bps)[5]	Total % Reported	Fund Manager(s)*	Guidance Notes
SW Mercer Growth CS4	GGIZ	**Not Available**	**0.0%**	FM4	1, 8
SW Mercer Drawdown Retirement CS1	GGEX	**8.6**	**100.0%**	FM1 FM4	1
SW Mercer Target Drawdown 2020 Retirement CS1	GGEP	**8.3**	**92.7%**	FM1 FM4	1, 2, 8
SW Mercer Target Drawdown 2021 Retirement CS1	GGER	**7.8**	**80.2%**	FM1 FM4	1, 2, 8
SW Mercer Target Drawdown 2022 Retirement CS1	GGET	**7.1**	**67.7%**	FM1 FM4	1, 2, 8
SW Mercer Target Drawdown 2023 Retirement CS1	GGEV	**6.1**	**55.2%**	FM4	1, 2, 8
SW Mercer Target Drawdown 2024 Retirement CS1	GGHZ	**4.7**	**42.7%**	FM4	1, 8
SW Mercer Target Drawdown 2025 Retirement CS1	GGIW	**3.3**	**30.2%**	FM4	1, 8
SW Mercer Target Drawdown 2026 Retirement CS1	GGKM	**1.9**	**17.7%**	FM4	1, 8
SW Mercer Target Drawdown 2027 Retirement CS1	GGLG	**0.6**	**5.2%**	FM4	1, 8
SW Mercer Defensive CS4	GGJC	**Not Available**	**0.0%**	FM4	1, 8
SW Mercer High Growth CS4	GGJA	**Not Available**	**0.0%**	FM4	1, 8
SW Mercer Passive Overseas Equity CS1	GGAP	**-1.5**	**100.0%**	FM2	2, 3, 4
SW Mercer Annuity Retirement CS1	GGBO	**2.1**	**100.0%**	FM1 FM3	1, 2, 3, 4
SW Mercer Target Annuity 2020 Retirement CS1	GGFR	**1.9**	**92.7%**	FM1 FM3 FM4	1, 2, 3, 8

***External Fund Manager Data**

Fund Manager[6,7]	Period Start	Period End	Ref.
BlackRock Inv Mgt (Dublin) Ltd	30/06/2018	30/06/2019	**FM1**
BlackRock Pensions Mgmt Ltd	30/06/2018	30/06/2019	**FM2**
Legal & General Assurance Soc	30/06/2018	30/06/2019	**FM3**
Mercer Global Investment Mgmt	30/06/2018	30/06/2019	**FM4**

Guidance Notes

1. For funds with more than one component, transaction cost calculations are based on blended fund-level holdings

at the report date given.

2. Indirect Costs relate to transaction costs incurred within an underlying investment vehicle within the fund manager's fund.
3. Anti Dilution Offset (where provided) reflects the price adjustments the fund manager has made to protect existing investors from dilution effects resulting from investors buying or selling units. This reduces the total transaction cost incurred by existing investors and so is deducted from the costs incurred.
4. Lending & Borrowing (where provided) reflects transaction costs associated with short term loans of securities that the fund manager may undertake to increase investment returns.
5. 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.
6. 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.
7. 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.
8. Transaction costs have not been provided by the fund manager(s) for some components of the fund. The percentage of assets reported on has been stated above. If no data on percentage coverage was provided by the fund manager, it is assumed that 100% coverage was achieved for these funds/fund components.

Appendix B – Statement of Investment Principles