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

CHAIR'S STATEMENT FOR YEAR ENDING 31 MAY 2021

Introduction

This is the Trustee's statement of governance for the period from 1 June 2020 to 31 May 2021.

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 period to 31 May 2021.

The Trustee will publish this Statement on the Church of Ireland website, in a domain that can be accessed publicly through the use of a search engine. In addition, members have in their annual benefit statements as at 31 May 2021 issued in October 2021 been notified that this Statement is available on that site.

Background

The Scheme provides benefits on a money purchase or defined contribution ("DC") basis. This means that benefits members receive will depend upon on the amount of contributions paid in and the investment returns earned, 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 May 2021, the Scheme had 297 members and assets under management of approximately £11.59m.

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. This Statement and the Scheme's most recent Statement of Investment Principles ("SIP") will be 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 1 (part 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. The SIP also states why the Trustee believes the default investment arrangement is an appropriate strategy for the majority of the Scheme 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, through the Mercer Workplace Savings (“MWS”) SmartPath solution, having established that this provides an efficient route to achieving their investment objectives. Setting the Scheme’s 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, which takes and acts on professional advice as the Trustee considers appropriate from the Trustee’s 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 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 before normal or selected retirement age. From then on 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, in which the bulk of the growth assets in the default investment strategy are invested, outperformed its benchmark over the one-year and three-year periods to 31 March 2021, reflecting a strong recovery in markets after the effect of the Covid-19 pandemic in early 2020. All other funds in the default investment strategy also outperformed their benchmarks over the same time periods.

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, the de-risking phase, and also the components of the Mercer funds used in the strategy. MWS produced their annual investment strategy review in May 2021. This review recommended some changes to the self-select fund range (see below) , and some improvements to the Environmental, Social and Governance (ESG) framework to ensure that ESG is a core consideration. However, the review concluded that no changes should be made to the structure of the default investment strategy.

In addition to the MWS strategy review, the Trustee is responsible for determining the default investment arrangement for the Scheme, in particular the at-retirement target. A full review of the default investment arrangement and its performance was undertaken by the Trustee in May 2021, and this was completed on 28 June 2021. As a result of this review, the Trustee decided to maintain the Target Drawdown Lifestyle Strategy, which was implemented following the investment strategy review undertaken in 2018, as the Scheme's default investment arrangement going forward. The Trustee continues to believe that a lifestyle strategy which targets the provision of a drawdown fund, rather than the purchase of an annuity, 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 4 risk-profiled multi-asset funds and additional global equity and money market fund options. The Trustee decided to add an additional fund (UK Passive Equity Fund) to the self-select fund range at this time.

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 via the Scottish Widows platform.

The MWS annual investment strategy review recommended adding a UK Equity Fund, to give members access to investing in their home market, to compliment the current overseas equity fund. The Trustee has accepted this recommendation and added the UK Equity Fund to the “self-select” fund range. The review also recommended that the Trustee should consider adding a specific Ethical/ESG fund to the range of “self-select” funds which members can choose to invest in, the Trustees decided against adding an additional ethical fund given the profile of the scheme membership.

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 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. 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, which 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 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 on their performance against these agreed timescales. During the Scheme year, the Trustee, at its biannual meetings, 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 of significant concern.

- 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, 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 payments sets out timescales for the Representative Church Body to remit monthly contributions to the Scheme, requiring contributions for any month to be remitted by the 22nd of the following month.

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 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 set 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	0.60	0.209
Mercer Drawdown Retirement Fund	0.68	0.155
Mercer Target Drawdown 2022 Retirement Fund	0.67	0.163
Mercer Target Drawdown 2023 Retirement Fund	0.68	0.180
Mercer Target Drawdown 2024 Retirement Fund	0.68	0.196
Mercer Target Drawdown 2025 Retirement Fund	0.67	0.204
Mercer Target Drawdown 2026 Retirement Fund	0.66	0.205
Mercer Target Drawdown 2027 Retirement Fund	0.66	0.206
Mercer Target Drawdown 2028 Retirement Fund	0.65	0.207
Mercer Target Drawdown 2029 Retirement Fund	0.63	0.208

Source: Scottish Widows. TER figures as at 30 June 2021, transaction cost figures as at 30 June 2021. 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:

Self select funds with assets held	Total Expense Ratio (% p.a.)	Transaction Costs (% p.a.)
Mercer Defensive	0.59	0.040
Mercer Moderate Growth Fund	0.61	0.114
Mercer High Growth Fund	0.62	0.231
Mercer Passive Overseas Equity	0.45	-0.009
Mercer Annuity Retirement Fund	0.53	0.031

Source: Scottish Widows. TER figures as at 30 June 2021, transaction cost figures as at 30 June 2021. 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 being paid, 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 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 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.

Fund choice

Years	Mercer Passive Overseas Equity		Mercer Global Listed Infrastructure		Mercer Cash Retirement		Mercer Target Drawdown 2025 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	**54,000**	**53,700**	**54,100**	**53,300**	**52,000**	**51,700**	**53,100**	**52,600**
3	**66,300**	**65,600**	**66,800**	**64,200**	**59,900**	**59,000**	**63,400**	**61,900**
5	**79,200**	**77,800**	**80,100**	**75,200**	**67,500**	**65,900**	**73,700**	**71,100**
10	**113,000**	**109,000**	**115,000**	**103,000**	**85,200**	**81,800**	**99,800**	**93,500**
15	**151,000**	**144,000**	**155,000**	**132,000**	**101,000**	**95,800**	**126,000**	**115,000**
20	**193,000**	**181,000**	**200,000**	**162,000**	**115,000**	**108,000**	**152,000**	**136,000**
25	**239,000**	**221,000**	**250,000**	**193,000**	**129,000**	**119,000**	**179,000**	**156,000**
30	**290,000**	**265,000**	**305,000**	**225,000**	**141,000**	**128,000**	**206,000**	**175,000**
35	**345,000**	**311,000**	**367,000**	**259,000**	**151,000**	**137,000**	**234,000**	**194,000**

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 £48,000.
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:
8. SW Mercer Passive Overseas Equity CS1: 1.9% above inflation
9. SW Mercer Global Listed Infrastructure CS1: 2.2% above inflation
10. SW Mercer Cash Retirement CS1: 2.0% below inflation
11. SW Mercer Target Drawdown 2025 Retirement CS1: 0.2 above inflation
12. The charges assumed for each fund are the current charges as shown in earlier in this Chair's Statement.

<u>Illustration 2: A typical member with contributions, invested in the default lifestyle strategy</u>

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.

Years	Age Now 63		Age Now 58		Age Now 48		Age Now 38		Age Now 25	
	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	**53,100**	**52,600**	**53,100**	**52,700**	**53,100**	**52,700**	**53,100**	**52,700**	**53,100**	**52,700**
3	**62,900**	**61,500**	**64,100**	**62,700**	**63,400**	**62,100**	**63,400**	**62,100**	**63,400**	**62,100**
5	**72,000**	**69,500**	**74,900**	**72,400**	**73,700**	**71,300**	**73,700**	**71,300**	**73,700**	**71,300**
10			**98,600**	**92,600**	**99,800**	**94,000**	**99,800**	**94,000**	**99,800**	**94,000**
15					**128,000**	**117,000**	**126,000**	**116,000**	**126,000**	**116,000**
20					**151,000**	**135,000**	**152,000**	**137,000**	**152,000**	**137,000**
25							**182,000**	**160,000**	**179,000**	**158,000**
30							**204,000**	**175,000**	**206,000**	**178,000**
35									**235,000**	**198,000**

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 £48,000.
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.
8. The charges assumed for each fund are the current charges as shown earlier in this Chair's Statement.

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	0.90%	Below Inflation
3	0.60%	Below Inflation
5	0.40%	Below Inflation
10	0.00%	Above Inflation
15	0.10%	Above Inflation
20	0.10%	Above Inflation
25	0.10%	Above Inflation
30	0.10%	Above Inflation
35	0.10%	Above Inflation

Illustration 3: A typical paid up member (i.e. no contributions are 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 that these are not necessarily the funds that make up the default lifestyle strategy.

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 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 investment strategy.

Fund choice

Years	SW Mercer Passive Overseas Equity CS1		SW Mercer Global Listed Infrastructure CS1		SW Mercer Cash Retirement CS1		SW Mercer Target Drawdown 2025 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	**48,900**	**48,700**	**49,000**	**48,300**	**47,000**	**46,800**	**48,000**	**47,600**
3	**50,800**	**50,100**	**51,200**	**48,900**	**45,200**	**44,500**	**48,200**	**47,000**
5	**52,800**	**51,700**	**53,500**	**49,600**	**43,500**	**42,300**	**48,400**	**46,400**
10	**58,200**	**55,600**	**59,700**	**51,300**	**39,400**	**37,300**	**48,900**	**44,800**
15	**64,100**	**59,900**	**66,600**	**53,000**	**35,800**	**32,900**	**49,400**	**43,300**
20	**70,600**	**64,600**	**74,300**	**54,800**	**32,400**	**29,000**	**50,000**	**41,900**
25	**77,800**	**69,600**	**82,900**	**56,700**	**29,400**	**25,500**	**50,500**	**40,500**
30	**85,700**	**74,900**	**92,600**	**58,600**	**26,700**	**22,500**	**51,000**	**39,200**
35	**94,400**	**80,700**	**103,000**	**60,600**	**24,200**	**19,900**	**51,500**	**37,900**

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.
   Retirement is assumed to be at age 68
2. The starting pot size is assumed to be £48,000.
3. Inflation is assumed to be 2.5% each year.
4. It is assumed that no further contributions are made.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rates for each fund are:
7. SW Mercer Passive Overseas Equity CS1: 1.9% above inflation
8. SW Mercer Global Listed Infrastructure CS1: 2.2% above inflation
9. SW Mercer Cash Retirement CS1: 2.0% below inflation
10. SW Mercer Target Drawdown 2025 Retirement CS1: 0.2% above inflation
11. The charges assumed for each fund are the current charges as shown earlier in this Chair's Statement.

Illustration 4: A typical paid up (i.e. no further contributions are being paid) 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 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 previous table.

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

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 £48,000.
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 investment 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.
8. The charges assumed for each fund are the current charges as shown earlier in this Chair's Statement.

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	0.90%	Below Inflation
3	0.60%	Below Inflation
5	0.40%	Below Inflation
10	0.10%	Above Inflation
15	0.10%	Above Inflation
20	0.10%	Above Inflation
25	0.10%	Above Inflation
30	0.10%	Above Inflation
35	0.10%	Above Inflation

Value for Members

The Trustee is committed to ensuring that members receive good value from the Scheme. In conjunction with its professional advisers, 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 to reasonable 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 strategy complies with the charge cap of 0.75% per annum.
- Over the 3 years period to 30 June 2021, there has mainly been good performance of the funds within the Scheme, with 13 of the 15 funds having a “green” rating. Over the 5 years period to 30 June 2021, 14 of the 15 funds in the Scheme have a green rating. It is important to highlight that due to the lifestyle nature of all the funds that make up the default investment strategy, there is no benchmark assigned for these strategies. No total benchmark can be shown and it is therefore difficult to assess performance for the default investment strategy.

The members also benefit from:

- The costs of running the Scheme is 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 by the Trustee and MWS; and
- The wide-ranging support and governance of the Scheme from the Trustee, the Representative Church Body and the Trustee’s advisers.

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 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.

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 and 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 default investment strategy and its performance
- put in place a 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 and the recording of discussions which take place and decisions taken, are provided by the Scheme's professional advisers. The professional advisers 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, has obtained the PMI Level 3 Award in Pension Trusteeship (Defined Contribution and Defined Benefit Schemes), and is 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 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: DocuSigned by: Ian Gordon
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Name: Ian Gordon Director

Trustee Solutions Limited

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

Date: 17/12/2021

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, has provided the transaction costs for each fund (shown in % terms). These are shown in the table below.

Fund Name	Total	Transaction taxes	Fees & charges	Implicit costs	Indirect costs	Anti-dilution offset	Lending and borrowing costs
Mercer Defensive	0.040	**0.000**	**0.000**	**0.036**	**0.028**	0.024	**0.000**
Mercer Moderate Growth	0.114	**0.000**	**0.000**	**0.014**	**0.128**	**0.028**	**0.000**
Mercer Growth	0.209	**0.000**	**0.000**	**0.034**	**0.182**	**0.008**	**0.000**
Mercer High Growth	0.231	**0.000**	**0.000**	**0.017**	**0.222**	**0.007**	**0.000**
Mercer Annuity Retirement Fund	0.031	**0.000**	**0.048**	**0.004**	**0.022**	**0.044**	**0.001**
Mercer Target Drawdown 2022 Retirement Fund	0.163	**0.000**	**0.000**	**0.027**	**0.141**	**0.006**	**0.000**
Mercer Target Drawdown 2023 Retirement Fund	0.180	**0.000**	**0.000**	**0.029**	**0.157**	**0.007**	**0.000**
Mercer Target Drawdown 2024 Retirement Fund	0.196	**0.000**	**0.000**	**0.031**	**0.172**	**0.007**	**0.000**
Mercer Target Drawdown 2025 Retirement Fund	0.204	**0.000**	**0.000**	**0.032**	**0.179**	**0.008**	**0.000**
Mercer Target Drawdown 2026 Retirement Fund	0.205	**0.000**	**0.000**	**0.033**	**0.180**	**0.008**	**0.000**
Mercer Target Drawdown 2027 Retirement Fund	0.206	**0.000**	**0.000**	**0.033**	**0.181**	**0.008**	**0.000**
Mercer Target Drawdown 2028 Retirement Fund	0.207	**0.000**	**0.000**	**0.033**	**0.181**	**0.008**	**0.000**
Mercer Target Drawdown 2029 Retirement Fund	0.208	**0.000**	**0.000**	**0.034**	**0.182**	**0.008**	**0.000**
Mercer Drawdown Retirement	0.155	**0.000**	**0.000**	**0.027**	**0.134**	**0.006**	**0.000**
Mercer Passive Overseas Equity	-0.009	**0.000**	**0.000**	**0.000**	**-0.014**	**0.014**	**0.005**

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.

Appendix B – Statement of Investment Principles

THE CHURCH OF IRELAND CLERGY DEFINED CONTRIBUTION PENSION SCHEME NORTHERN IRELAND SECTION (the "SCHEME")

Statement of Investment Principles

Date last reviewed: 25 September 2020

1. INTRODUCTION

This Statement of Investment Principles (this "Statement") has been prepared in accordance with the requirements of:

- The Pensions (Northern Ireland) Order 1995 (the "Order"), and
- The Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005

as amended.

Before preparing this Statement the Trustee has consulted the Representative Body of the Church of Ireland, which is the employer of the Scheme, and has obtained and considered written advice from a suitably qualified person, Mercer Limited, the Scheme's investment consultants, who are authorised and regulated by the Financial Conduct Authority (the "FCA").

This Statement sets out the principles and policies of the Trustee about the investment of the Scheme's assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles and policies.

The Trustee will, at a minimum, review this statement every three years to ensure that it remains accurate. The statement will be amended more frequently should any changes be made to the Scheme's investment arrangements, policy or to any matters which this statement is required to cover by legislation or regulation.

The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these.

The Trustee has fiduciary obligations to Scheme members. While the Trustee will seek to maintain a good working relationship with the employer, and will discuss any proposed changes to this Statement with the employer, the Trustee's duties to Scheme members will take precedence over the views of the employer, should these conflict.

The Scheme's investment policies relate to:

- The day-to-day management of the assets, which are delegated to professional investment managers, as set out in Section 2; and
- The strategic investment objectives, as set out in Section 3.

The policies set out in this Statement apply to all the investments of the Scheme, as appropriate. The aims, objectives and policies which apply specifically to the Scheme's default investment arrangement are set out in Section 4.

DAY TO DAY MANAGEMENT OF THE ASSETS

2.1 Main Assets

The Trustee has contracted with Mercer Limited, as Delegated Investment Manager, for Scottish Widows (formerly known as Zurich) to deliver investment management services through their investment platform. The Scheme's investment platform is provided under contract with Scottish Widows and Mercer Workplace Savings ("MWS"), both of whom are regulated by the Financial Conduct Authority (the "FCA").

Mercer Workplace Savings ("MWS"), the Delegated Investment Manager, appoints underlying investment managers and the Trustee selects funds from external investment managers based on their capabilities, and therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustee invests in pooled or multi-client investment vehicles they accept that they have no ability to influence the Investment Managers to align their decisions with the Trustee's policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.

The investment choices comprise primarily of equities, bonds and cash.

2.2 Spread and Suitability of Investments

The assets of the Scheme are invested in the pooled fund vehicles underlying the funds offered by Scottish Widows. The Trustee is satisfied that the spread of assets by type and the investment manager's policies on investing in individual securities within each asset class provide an appropriate level of diversification of investments. Members are provided with an appropriate range of funds from which to tailor an investment strategy to suit their own needs, if they do not wish to stay within the Scheme's default investment arrangement.

The Delegated Investment Manager expects all underlying investment managers to incorporate the consideration of longer term factors, such as ESG, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Delegated Investment Manager engages with underlying investment managers on this activity and if dissatisfied will look to replace the manager. The Trustees expect external investment managers to incorporate consideration of longer term factors, such as ESG into their decision-making process where appropriate.

MWS monitor the suitability of all the investment funds provided to the Scheme, through ongoing research and performance reviews. The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance of the Investment Managers products (or funds) on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustee and the Delegated Investment Manager also rely upon Mercer's manager research capabilities. The remuneration for Investment Managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If the Investment Managers' performance is not satisfactory, the Trustee will request an explanation of performance and process from the relevant investment manager. If not satisfied with this, the Trustee may request further action be taken, including a review of fees.

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data and the lack of industry standard benchmarking. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

The Trustee is a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments. The Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustee is responsible for the selection, appointment and removal of the external investment managers. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate. The fund range is formally reviewed on at least a triennial basis.

As the assets of the Scheme are invested in the pooled fund vehicles underlying the funds offered by Scottish Widows, the investment restrictions applying to these funds are determined by the investment manager.

2.3 Responsible Investment and Corporate Governance (Voting and Engagement)

Financially material considerations

The Trustee considers that financially material considerations, including environmental, social and corporate governance (“ESG”) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks, and can have a material impact on investment risk and return outcomes, over a time horizon which is the length of time that members' retirement benefits require to be funded by their investments in the Scheme. The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole.

The objectives, risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations. The Trustee believes that the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available to members.

The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has delegated day to day management of the assets to the Delegated Investment Manager. The Delegated Investment Manager expects all underlying investment managers to incorporate the consideration of longer term factors, such as environmental, social and corporate governance (“ESG”) factors, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. Managers’ engagement policies are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Delegated Investment Manager engages with underlying investment managers on this activity and if dissatisfied will look to replace the manager. The Trustee expects external investment managers to incorporate consideration of longer term factors, such as ESG into their decision-making process where appropriate.

 The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's investment processes and those of the underlying managers in the monitoring process. The Trustee believes that Mercer has the necessary expertise and framework in place to effectively manage and monitor investments in line with these areas, and this is implemented through their four pillar framework: integration, stewardship, thematic investment and screening. The funds for the Scheme incorporate these four pillars as far as is practical. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

2.4 Member Views – Non financial matters

The views of members and other beneficiaries in relation to ethical considerations social, and environmental impact, or present and future quality of life, are not explicitly taken into account by the Trustee in the selection, retention or realisation of investments within the Scheme. The Trustee will from time to time review its policy on taking members' views into account in the selection, retention and realisation of investments.

2.5 Buying and Selling Investments

The investment managers have responsibility for buying and selling the underlying assets. As noted, the day to day activities which the investment manager carries out for the Trustee is governed by the arrangements between them and Scottish Widows, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

3. OVERALL INVESTMENT POLICY

The Trustee recognises that members have differing investment needs, and that these needs may change during the course of members' working lifetimes. The Trustee also recognises that members have different attitudes to risk.

The Trustee regards its primary duty as providing an appropriate default investment arrangement which is appropriate for members who do not actively manage their pension investments. This default arrangement is designed to broadly meet members' typical needs and provide good outcomes for members who do not make their own investment decisions. More detail on the default investment arrangement is set out in Section 4.

The Trustee also believes it is appropriate to make available a range of investment options to allow members to choose an investment strategy according to their own assessment of what is appropriate for them, including the risks they are prepared to take.

The Trustee believes that the objectives and policies set out in this Statement ensure that the Scheme's assets are invested in the best interests of the members and beneficiaries of the Scheme.

The Trustee undertakes to review the Scheme's delegated fund choices offered to members and the delegated investment manager arrangements on a regular basis. In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitably qualified investment adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Article 36 of the Order (as amended).

3.1 Investment Objectives

The Trustee implements these policies by:

a. Offering members a 'Lifestyle' approach to investment strategy, and ensuring that the investment strategy options provide appropriate choices to reflect the different ways members might take benefits at retirement.

b. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of members.

c. Providing general guidance but not advice as to the purpose and characteristics of each investment option.

d. Encouraging members to seek independent financial advice from an appropriate person if required to determine the most suitable option.

The Trustee will regularly review suitability of the options provided (at least triennially) and from time to time MWS will change the investment managers for the different funds, or introduce additional investment portfolios as appropriate.

3.2 Investment Risks

The Trustee has considered the following risks which affect the Scheme's investments. The Trustee believes that these risks may be financially material to the Scheme:

a. The risk that investment returns over members' working lives do not keep pace with inflation, and therefore do not secure an adequate retirement benefit. To mitigate this risk, the members are able to invest in a range of growth funds which are expected to provide long term growth above inflation (primarily equities), albeit with volatility.

b. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefit. To mitigate this risk, members have the option of lifestyle strategies which gradually switch investments from high risk to low risk funds as the member approaches retirement. The default investment arrangement adopts a lifestyle strategy.

c. The risk that relative market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit. In order to mitigate this risk, the lifestyle strategies each target a specific allocation to cash at retirement (the exact level depends on the lifestyle strategy selected by the member). Cash is gradually introduced in the years leading up to retirement.

d. The risk that investment vehicles under-perform the expectations of the Trustee. To mitigate this risk, the Delegated Investment Manager monitors investment manager performance and regularly reports back to the Trustee. The Trustee regularly monitors investment performance at their Trustee meetings, and undertakes an investment review at least every three years to ensure that the Scheme's investment funds are delivering the desired returns with an appropriate level of risk.

e. The risk that there are insufficient investment options available to members to meet their specific risk/return requirements. In order to mitigate this risk, members are offered a range of self-select funds to meet their risk/return needs. The Trustee regularly reviews the range of self-select funds to ensure there are sufficient options for members.

f. The risk that the default investment option may be unsuitable for the retirement needs of members invested in it. Further details regarding this risk are provided in Section 4.4.

g. The risk that members invest in a strategy that does not reflect the way in which they intend to take their benefits at retirement. In order to mitigate this risk, the Trustee makes available three lifestyle strategies which automatically switch members' assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach selected retirement age. Regular communications with members helps guard against inappropriate member decisions, and members are encouraged to take independent financial advice.

h. The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets. To mitigate this risk, the management of ESG related risks is delegated to Mercer as the delegated investment manager who in turn delegates to the underlying investment managers. See Section 2.3 for the Trustee's responsible investment and corporate governance statement.

The Trustee pays close regard to risks which may arise from lack of diversification of investments. The Trustee believes that the range of funds in place provides an adequately diversified distribution of assets.

3.3 Investment Strategy

The Trustee believes that the investment options outlined in this section are appropriate for meeting the investment objectives and mitigating the risks set out in Section 3.2.

All funds are daily-dealt pooled investment arrangements, with assets invested on regulated markets.

Approach 1 – Lifestyle Options

Members can choose from three lifestyle options depending on how they wish to take their benefits in retirement:

Target Drawdown (Default) – designed for members who wish to flexibly draw down an income over time. This is the Scheme's default investment strategy.

Target Annuity Purchase – designed for members targeting purchase of a level annuity at retirement

Target Cash – designed for members who wish to take their pension pot as a cash lump sum at retirement

Under the lifestyle approach, in the early years, members' assets are invested in the Mercer Growth Fund regardless of which lifestyle option is selected. Over the period of eight years from a member's chosen retirement age (which defaults to normal retirement age if no decision is made, their assets are progressively switched into funds suitable for how they wish to access their pension savings.

The Trustee has designated the Target Drawdown Lifestyle Option as the default investment option for those members who do not wish to make an active choice of lifestyle or select their own funds.

Appendix A outlines the structure of the lifestyle options in more detail.

Approach 2 – Risk Profiled Funds (for those requiring some help in choosing investments)

To cater for different risk appetites of members, the Trustee offers four risk profiled funds, which are multi-asset funds targeting different risk and return objectives in order to provide members with a choice from lower to higher risk funds. Under this approach, members determine the balance between the different kinds of investments they hold. This balance will determine the expected return on members' own risk appetite and tolerances. The four risk profiled funds are as follows:

Mercer Defensive Fund
Mercer Moderate Growth Fund
Mercer Growth Fund
Mercer High Growth Fund

The delegated investment manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in these risk profiled funds.

Approach 3 – Standalone Freestyle Funds

In addition to the risk profiled funds set out above, members wishing to design their own specific investment options are offered additional global equity and money market funds.

3.4 Expected Returns on Investments

The Trustee expects that over the long term growth assets such as UK and overseas equities and property should achieve returns which exceed inflation by a margin. The Trustee has considered the trade-off between risk and returns and understands that short term volatility is to be expected, but expects that over the longer term the returns from growth assets will exceed those from less volatile asset classes such as gilts and bonds.

3.5 Realisation of Investments

The Trustee recognises that there is risk in holding assets which cannot be realised quickly should the need arise. To address this risk, the Scheme assets are held in funds which can be realised at short notice.

4. DEFAULT INVESTMENT ARRANGEMENT

4.1 Default Investment Principles

The Trustee recognises that many members do not wish or are not able to take investment decisions. For that reason, the Scheme provides a default investment arrangement. Unless members make a specific request for their funds to be invested in a different way, their funds will be invested in accordance with the default investment arrangement.

The default investment arrangement is the Mercer Target Drawdown Path. When a member is younger (over eight years away from selected retirement age), their account is invested in the Mercer Growth Fund which aims to produce long-term growth in excess of inflation. Over the period of eight years before a member's selected retirement age, their assets are automatically switched into a target date fund based on their selected date of retirement. The target date fund aims to gradually move assets to investments more suitable for targeting cash and variable income (drawdown) as members approach retirement.

4.2 Default Investment Strategy

4.2.1 Objectives

The aims of the default investment strategy and the ways in which the Trustee seeks to achieve these aims are as follows:

- To generate returns over the long term in excess of inflation during the savings phase of the strategy (until eight years away from retirement), whilst managing downside risk.

  The default strategy's savings phase invests 100% of members' accounts in the Mercer Growth Fund. The Mercer Growth Fund is expected to provide long-term growth in excess of inflation but with greater down side protection than investing purely in equities.

- To provide a strategy that reduces investment risk for members as they approach retirement.

  As a member's account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.

  The Mercer Target Drawdown Path therefore aims to reduce volatility near retirement via automated switches over the eight-year period before a member's selected retirement date. Investments are gradually switched from a growth-oriented fund into a combination of a diversified retirement fund (which has an allocation consisting of growth and defensive assets) and a cash fund (for capital preservation purposes).

- To provide exposure at retirement to assets that are broadly appropriate for an individual planning to use their savings from the Scheme to invest in an income drawdown product and to take a 25% tax-free cash lump sum.

  At the member's selected retirement date, 75% of the member's assets will be invested in a diversified retirement fund and 25% in a cash fund.

4.2.2 Policies in relation to the default investment strategy.
The Trustee's policies in relation to the default investment strategy are as follows:

- The default investment strategy manages investment risks through a diversified strategic asset allocation consisting of traditional assets i.e. equities, bonds, cash and other assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Section 4.4 provides further information on the Trustee's risk policies in relation to the default investment strategy.

- In designing the default investment option, the Trustee has explicitly considered the trade-off between expected risk and returns.

- If members wish to, they can opt to choose their own investment strategy on joining, but also at any other future date.

- Assets in the default investment strategy are invested with the aim of providing security, quality, liquidity and profitability of a member's portfolio as a whole. In particular, they are invested in daily traded pooled funds, which hold liquid assets and therefore should be realisable based on member or Trustee demand. The selection, retention and realisation of assets within the pooled funds are delegated to the investment managers in line with the mandates of the funds.

- Assets are invested mainly on regulated markets.

- The disclosures in Section 2.3 in relation to responsible investing also apply in relation to the default investment strategy.

4.3 Suitability of the Default Investment Strategy

Based on their understanding of the Scheme's membership, the Trustee believes that the above objectives and policies ensure that the Scheme's assets are invested in the best interests of the members and beneficiaries of the Scheme. This conclusion is based on the following:

- The Trustee believes that most members save into a pension plan to achieve an income in retirement. However, the Trustee also believes that members will utilise the pension flexibilities available to them at retirement. The targeting of income drawdown at retirement is aligned with both these beliefs. This does not mean that members have to take their benefits in this format at retirement - it merely determines the investment strategy that will be in place pre-retirement.

- The Trustee believes that tax-free cash lump sum at retirement will appeal to members and therefore the allocation to a cash fund in the Mercer Drawdown Path addresses that requirement.

- Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their time as pension savers. The use of the Mercer Growth Fund, which has a high allocation to equities during the savings phase addresses that requirement.

- The Trustee will review the default option at least every three years. As part of this review, the Trustee will ensure that the default option remains appropriate. The Trustee will also review the investment choices available to members to ensure that those who regard the default investment strategy as unsuited to their needs have suitable alternative investment funds to select from.

4.4 Risk

In determining the default investment strategy, the Trustee considered risk from a number of perspectives. These are:

a. The risk that low investment returns over members' working lives will not keep pace with inflation and the member's account does not, therefore, secure an adequate income. The Trustee has sought to reduce this risk by investing in a growth-oriented fund during the savings phase which has significant weightings in equities. This is expected to achieve a real rate of return over both price inflation and earnings growth in the long term.

b. The risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund. The Trustee has sought to reduce this risk by investing mainly in passive funds which attempt to replicate rather than outperform market returns. Additionally, the Trustee monitors the performance of the funds on a quarterly basis.

c. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefit. In order to mitigate this risk, the Scheme makes use of Target Dated Retirement Funds, which automatically and gradually switch members' savings to invest in lower risk funds as they approach retirement.

d. The risk that the investment returns are affected by the concentration of investment in a single asset class/country/region; the range of funds enable diversification; by asset class (equity, bonds and cash), by region within some of the asset classes (global, UK, overseas) and within asset classes, through the use of a multi-asset growth fund.

The Trustee believes that the investment strategy details outlined in Section 4.2 are appropriate for meeting the risks outlined above. It intends to monitor members' decisions and other inputs at least triennially (or sooner if necessary) to ensure that the default investment strategy remains suitable to the Trustee's understanding of their needs.

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is partly for this reason that the default investment option is a lifestyle strategy.

5. COMPLIANCE WITH THIS STATEMENT

We the Trustee, Scottish Widows, and Mercer each have duties to perform to ensure compliance with this Statement. These are:

- The Trustee will review this Statement every Scheme year on the advice of Mercer and will record compliance with it at the relevant Trustee's meeting. The Trustee will monitor the Mercer Workplace Savings arrangement (provided via Scottish Widows) to ensure that the service continues to meet the Scheme's needs and objectives.

- Scottish Widows will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Scheme from time to time as required by the Trustee.

- Mercer will provide the advice needed to allow us to review and update this Statement annually (or more frequently if required).

Trustee Director

Trustee Director

The Church of Ireland Clergy Defined Contribution Pension Scheme – Northern Ireland Section

APPENDIX A – LIFESTYLE MATRICES

Target Drawdown (Default)

	Years to Retirement - Percentage of Fund Invested									
	8+	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**
Growth Fund	100.0	100.0	87.5	75.0	62.5	50.0	37.5	25.0	12.5	0.0
Diversified Retirement Fund	0.0	0.0	12.5	25.0	37.5	50.0	62.5	67.0	71.5	75.0
Money Market Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	16.0	25.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Target Annuity Purchase

	Years to Retirement - Percentage of Fund Invested									
	8+	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**
Growth Fund	100.0	100.0	87.5	75.0	62.5	50.0	37.5	25.0	12.5	0.0
Pre-Retirement Fund	0.0	0.0	12.5	25.0	37.5	50.0	62.5	67.0	71.5	75.0
Money Market Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	16.0	25.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Target Cash

	Years to Retirement - Percentage of Fund Invested									
	8+	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**
Growth Fund	100.0	100.0	87.5	75.0	62.5	50.0	37.5	25.0	12.5	0.0
UK Corporate Bond Fund	0.0	0.0	12.5	25.0	37.5	50.0	37.5	25.0	12.5	0.0
Money Market Fund	0.0	0.0	0.0	0.0	0.0	0.0	25.0	50.0	75.0	100.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**