CHURCH OF IRELAND DEFINED CONTRIBUTION PENSION SCHEME – ANNUAL IMPLEMENTATION STATEMENT

Introduction

The information in this Implementation Statement (the "Statement") refers to the Church of Ireland Clergy Pension Scheme - Northern Ireland Section (the "Scheme"). This Statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee of the Scheme (the "Trustee") has been followed during the year to 31 May 2020. This Statement has been produced in accordance with The Occupational Schemes (Investment) Regulations (Northern Ireland) 2005 and The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014 as amended by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations (Northern Ireland) 2018.

Investment Policy of the Scheme

The Trustee believes it is important to recognise that members of the Scheme have differing investment needs, which may change during the course of members' working lives and must be provided for. The overall investment policy of the Scheme, included in the SIP, is:

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).

Assessment of how the policies of the SIP have been followed for the year to 31 May 2020

The information provided in this section of the Statement highlights the work undertaken by the Trustee during the year, and longer term where relevant, setting out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole and the default investment arrangements.

Investment strategy review

The review of the investment strategy falls into two categories:

1. Mercer Workplace Savings, as part of its delegated mandate, reviews the underlying investment strategy, including the default investment strategy, on an annual basis; and,
2. The default investment strategy is reviewed at least triennially as part of the Trustees' investment strategy review.

1. MWS produced their annual strategy review in August 2019. This review 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 is a core consideration. However, the structure of the default remained unchanged. A further review was undertaken in August 2020 and the results will be presented to the Trustee in due course.

2. The last full review of the default investment arrangement was undertaken by the Trustee in May 2018 and was completed on 28 June 2018. As part of this review, the Trustee 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. The Trustee retained the initial structure of the strategy, that is, 100% of members' assets invested in the Mercer Growth Fund until 8 years before selected retirement age. However, after that age, assets would now move into investments more appropriate for income drawdown instead of annuity. The next review of the default investment strategy will be undertaken by the Trustee in 2021.

Policy Requirements over the year to 31 May 2020

	Requirement	Policy	In the year to 31 May 2020
1	Securing compliance with the legal requirements about choosing investments	*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 Pensions (Northern Ireland) Order 1995 (as amended).*	The Trustee has received advice from their investment adviser at the Trustee's biannual meetings, with the Trustee reviewing reports from the provider at Trustee meetings to ensure the net of fees returns are consistent with the aims of the strategy.
2	Kinds of investments to be held	*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 investment choices comprise primarily of equities, bonds and cash.*	The Scheme's investment arrangements are offered from range of investment managers through an investment platform. The details of the types of investment referenced in the SIP remains consistent with the fund range offered to members. The Trustee aims to review the Scheme's investment strategy on a triennial basis or following any significant changes to the Scheme. The August 2019 MWS review of the default investment strategy, lifestyles and self-select fund range were all discussed at the October 2019 Trustee meeting. Some underlying structural changes were made to the Mercer Growth Fund. The August 2020 MWS review will be presented to the Trustee in due course. The last triennial review of the Scheme took place in 2018, at which point the Scheme's default was changed to target income drawdown at retirement, instead of annuity. The next triennial review of the Scheme's default will be in 2021.

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<tr><td>3</td><td>The balance between different kinds of investments</td><td>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.

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.

To cater for different risk appetites of members, the Trustee also 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. The four risk profiled funds are as follows:

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

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.</td><td>The underlying structural changes applied to the Mercer Growth Fund (as noted in Section 2) were reflected in the other risk profiled funds available as part of the self-select fund range. These structural changes were an enhancement in implementation only and there were no changes made to the underlying strategic asset class allocations. The Delegated Investment Manager confirmed that all changes were made with the consideration of the risk-adjusted returns.

As part of the self-select fund range, the Trustee considers the spread of assets across funds with a range of different risk and return objectives. The range offers options across the risk and return spectrum, allowing members to build their own diversified portfolio should they choose to.

The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each biannual meeting. The performance report also includes changes to the investment adviser’s manager research rating and notes any other relevant developments at the underlying investment managers. Part of the rating process is to consider risk management.</td></tr>
<tr><td>4</td><td>Risks including the ways in which risks are to be measured and managed</td><td>In determining the default investment strategy, the Trustee considered risk from a number of perspectives.</td><td>As detailed in the SIP, the Trustee considers risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.

All monitoring activity detailed in the SIP was undertaken, and there were no issues to report back. No changes were made to the investment arrangements as a result of these considerations.

The Scheme maintains a risk register of key risks, including the</td></tr>
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			investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions.

5	Expected return 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.*	The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each biannual meeting. The performance report also includes changes to the investment adviser's manager research rating. Highly rated active managers are considered to have an above average prospect of outperformance. The selection of the underlying investment managers is the responsibility of the Delegated Investment Manager. The performance of the growth phase of the lifestyle strategies (including the main default investment strategies) is reviewed against inflation and also against equity volatility and the de-risking phase of the drawdown lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power.
6	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.*	The Trustee receives administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines. All funds are daily dealt pooled investment vehicles, accessed through an insurance contract. The Trustee monitors the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each biannual meeting.

7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*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 investment performance reports are reviewed by the Trustee on a quarterly basis and discussed at biannual meetings – this includes ratings (both general and specific ESG) from the investment adviser. Most of the managers remained highly rated during the year. Where managers were not highly rated by the investment adviser from an ESG perspective, the Delegated Investment Manager will engage with those managers to improve ESG practices, or replace these managers with more highly rated managers. This is in line with their Sustainable Investment Policy. If ratings, either general or ESG, are downgraded, the Delegated Investment Manager will look to find a suitable alternative where deemed appropriate.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*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*	Member views in the form of any queries and messages to the Trustee would be considered in the selection, retention and realisation investments and the Trustee welcomes these views as far as reasonably practicable. No member views related to investments were received during the Scheme year.
9	The exercise of the rights (including voting rights) attaching to the investments	*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*	The exercising of voting rights is delegated to the Delegated Investment Manager. The Trustee received a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they

		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.	invest. The report covered the year to 30 June 2019. Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers. No additional engagement activity occurs outside of this relationship.

10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)		
11	How the arrangements with the asset managers incentivises the asset managers to align investment strategies and decisions with the trustees' policies	*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*	In the year to 31 May 2020, the Trustee has discussed its selected managers, through the Delegated Investment Manager, and are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance. The Trustee is comfortable that the contractual arrangements in place between the Delegated Investment Manager and the managers continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in		

	the medium to long-term.		
13	How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration for asset management services are in line with the trustees' policies	*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.*	The Trustee includes a three-year performance metric in their quarterly performance reports. In addition, they benchmark managers' charges as part of the annual assessment of Value for Members.

14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*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.*	Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.
15	The duration of the arrangement with the asset manager	*The Trustee is a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments.*	There were no changes to manager appointments over the year to 31 May 2020 as the Trustee maintained the view that the appointed managers remained suitable.

Voting Activity

The Trustee has delegated its voting rights to the Delegated Investment Manager who in turn delegates this to external investment managers. The Trustee does not use the direct services of a proxy voter.

The Delegated Investment Manager includes stewardship within their Sustainable Investment Policy. In particular, the Delegated Investment Manager expects all shares to be voted on by external investment managers in a manner deemed most likely to protect and enhance long-term value for investors.

Voting and engagement activities of external investment managers are reviewed regularly, this includes: voting execution, voting rationale and engagement examples. A report is provided to the Trustee in the form of an annual Stewardship Monitoring Report. The report summarises and comments on the stewardship activities and disclosure of the external investment managers appointed within the self-select fund range and within the Mercer Growth Fund, for the period 1 July 2018 to 30 June 2019.

The Stewardship Monitoring Report provides voting statistics, together with commentary, based on manager disclosed information. It covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the external investment managers hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

2019/2020 Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and we will follow-up with these managers to confirm.

Engagement:

- The results on engagement activities has been relatively consistent and the Delegated Investment Manager noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- The Delegated Investment Manager found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. The Delegated Investment Manager also noted an improvement from a number of quant managers in this regard since the previous review.
- The Delegated Investment Manager will follow up with all external investment managers where improvements are expected in future.