

## 1. **Background**

This Investment Statement sets out the principles governing decisions about investments for the The Church of Ireland Clergy Defined Contribution Pension Scheme – Northern Ireland Section (the Scheme) to meet the requirements of the Pensions Act 1995 and subsequent legislation. Before preparing it, we have consulted all participating employers and obtained and considered written professional advice from Mercer, our investment consultants.

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

We will, at the minimum, review this statement every year to ensure that it remains accurate. The statement will be amended more frequently should any changes be made to the Scheme's investment arrangements. We are committed to maintaining the accuracy of this statement on an ongoing basis.

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. We note that, according to the law, we have ultimate power and responsibility for the Scheme's investment arrangements.

We recognise that we have fiduciary obligations to Scheme members. We will seek to maintain a good working relationship with all participating employers and we will discuss any proposed changes to this Statement with the participating employers. However, our fiduciary obligations to Scheme members will take precedence over their wishes, should these ever conflict.

## 2. **Investment Objectives and Risk**

We believe that members have differing investment needs and that these may change during the course of members' working lifetimes. We also recognise that members have different attitudes to risk and we believe that ideally members should make their own investment decisions based on their individual circumstances. We regard our duty as making available a range of investment funds that enable members to tailor a strategy to their own needs.

For members who do not wish to make their own investment choices, we make available a standard default option that is described in 2.3. However, we recognise that this option cannot meet every individual member's needs.

### 2.1 **Investment Objectives**

Our main aim is to make sure that we can meet our obligations to the members of the Scheme. This is achieved by the following:

- a. Offering members a 'Lifestyle' approach to investment strategy and ensuring that the investment strategy options allow members to plan for retirement.
- b. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members.
- c. Providing general guidance as to the purpose of each investment option.

- d. Encouraging members to seek independent financial advice from an appropriate person in determining the most suitable option.

We will regularly review the suitability of the options provided and from time to time will change investment manager or introduce additional investment portfolios as appropriate.

## 2.2 Risk

The Trustee has considered investment risk from a number of perspectives. These are:

- a. The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension;
- b. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of pension;
- 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;
- d. The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee.

We believe that the investment strategy outlined in section 2.3 is appropriate for meeting the risks outlined above.

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

## 2.3 Range of Funds

We believe that the investment strategy outlined in this section is appropriate for meeting the investment objectives outlined above. In particular, for members who do not wish to take an active role in the investment decisions, the Trustee offers a **default fund** (Mercer Growth Fund) with lifestyling to members designed to help them manage all the investment objectives.

To cater for the different risk appetites of members, the Trustee offers the following 4 Risk-Rated Funds:

- **Mercer Defensive Fund** (25% UK Corporate Bonds, 25% Over 15 year Gilts, 25% Over 5 year Index Linked Gilts, 25% Cash)
- **Mercer Moderate Growth Fund** (50% Diversified Growth Fund, 15% UK Equity, 15% Overseas Equity, 10% UK Corporate Bond, 10% Over 15 year Gilt)
- **Mercer Growth Fund** (50% Diversified Growth Fund, 25% UK Equity, 12.5% Overseas Equity (Un Hedged), 12.5% Overseas Equity (Hedged))
- **Mercer High Growth Fund** (35% Diversified Growth Fund, 25% UK Equity, 25% Overseas Equity, 15% Emerging Markets Equity)

Bearing in mind the level of investment knowledge of a typical member and the desire to keep the available fund range simple and understandable (while providing appropriate choice) the Trustee has decided to make two funds from the “Leave me to it” fund range available to members, the Mercer Overseas Equity Fund and the Mercer Money Market Fund.

## 2.4 **Lifestyling**

Once a member is 8 full calendar years from retirement they are given the option to move their assets into a lifestyling strategy (Target Annuity 2015 – 2023 Retirement Fund) based on their likely retirement date and their requirements for income in retirement (i.e. fixed or inflation linked annuity). Default members are automatically placed into a Target Retirement Fund moving towards a fixed annuity unless the members opts to change. The Target Retirement Fund, which invests initially in the same assets as the Mercer Growth Fund (the default fund), gradually switch members into passively managed UK fixed gilts (the default option), or index linked gilts, and cash. As with the Mercer Growth Fund, the Target Retirement Fund is dynamically managed.

## 3. **Day to Day Management of the Assets**

### 3.1 **Main Assets**

The Trustee has contracted with Zurich to deliver investment management services through their investment platform. The Scheme’s investment platform is provided under contract with Zurich and Mercer Workplace Savings, both of whom are regulated by the Financial Conduct Authority (the “FCA”).

Mercer Workplace Savings have selected funds on the Zurich platform, managed by Mercer Global Investments Europe Limited, to provide a range of funds for the members’ contributions to be invested in. The investment manager may be changed at our discretion.

The investment choices comprise primarily of equity, bonds, diversified growth funds and cash.

### 3.2 **Spread and Suitability of Investments**

We are satisfied that the spread of assets by type and the investment manager’s policies on investing in individual securities within each type provide adequate diversification of investments. Mercer Workplace Savings monitor the suitability of the investment funds described in section 2.3, through ongoing research and performance reviews.

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

### 3.3 **Socially Responsible Investment and Corporate Governance**

We recognises that social, environmental and ethical considerations are among the factors which an investment manager should take into account, where relevant,

when selecting investments for purchase, retention or sale. The investment manager has produced statements setting out its policy in this regard. The investment manager has been delegated through the contract with Zurich to act accordingly, and the Trustee accepts that the assets are subject to the investment manager's own policies on social, environmental and ethical investment.

When investment is made on a passive basis, the investment manager has no discretion over the selection of individual shares or bond issues and seeks to match the composition of the benchmark index as closely as possible.

### 3.4 **Buying and Selling Investments**

The investment manager has responsibility for buying and selling the underlying assets. As already mentioned, the day to day activities which the investment manager carries out for us are governed by the arrangements between them and Zurich, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

## 4. **Compliance With This Statement**

We the Trustee, Zurich, 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 Zurich arrangement to ensure that the service continues to meet the Scheme's needs and objectives.

Zurich 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).

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Trustee Director

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Trustee Director

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