United Reformed Church Ministers' Pension Fund

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustee of the United Reformed Church Ministers' Pension Fund ("the Fund") in accordance with the Pensions Act 1995 (as amended). It is subject to periodic review by the Trustee at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustee consulted with the principal sponsor of the Fund (the United Reformed Church) and has taken written advice from the Investment Practice of Hymans Robertson LLP.

In relation to the Myner's Code of Conduct for Investment Decision Making, the Trustee has regard to the Principles as set out in the code (and summarised in Appendix 1) in governing the investments of the Fund.

Governance Structure

The Trustee regularly reviews the investments, taking into account proposals provided to it by the United Reformed Church Investment Committee.

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustee's funding principles for the Fund are set out in the Statement of Funding Principles, as amended from time to time. However, the principles can be summarised as follows:

To set the employer contribution at a level, which is sufficient:
- to build up assets to provide for new benefits of active members as they are earned;
- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- to ensure that there are always sufficient assets of the Fund (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For members of the Fund, benefits are based on service completed but take account of future stipend increases. The value of liabilities is calculated on the basis agreed by the Trustee and the Fund Actuary and is set out in the Statement of Funding Principles; the Trustee also considers the Fund's funding position on a more stringent basis. These funding positions are monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment Objectives and Strategy

The Trustee has translated its investment objectives into a suitable strategic asset allocation for the Fund. All day to day investment decisions have been delegated to authorised investment managers. The strategic objective has been translated into benchmarks for the individual managers which are consistent with the Fund's overall strategy. The Fund strategy is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk. In determining an appropriate investment strategy, the Trustee has also given regard to the strength of the sponsor covenant and its ability to provide additional funding to the Fund, if necessary.
The investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis). The Trustee monitors fund performance relative to the agreed asset allocation benchmark. It is intended that the investment strategy

will be reviewed at least every three years following actuarial valuations of the Fund and will normally be reviewed annually. In reviewing fund performance and investment strategy, the Trustee will seek written advice as required.

To achieve its objectives the Trustee has agreed the following: -

Choosing Investments: The Trustee has appointed three investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business: FIL Pensions Management ("Fidelity"), Newton Investment Management Ltd ("Newton") and Legal & General Investment Management Limited (LGIM).

The Trustee has appointed each of its investment managers to deliver a specific benchmark or performance target, which overall will align to deliver the broader Fund investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives, and management parameters. The Trustee has invested in pooled funds with each manager. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Fund. The Trustee is satisfied that the pooled funds selected in conjunction with the above appointments are consistent with the objectives of the Fund, particularly in relation to diversification, risk, expected return and liquidity.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustee periodically reviews the fees paid to all its managers against industry standards.

The Trustee recognises the long-term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Fund objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. The Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated. All mandates are subject to ongoing review against their continued appropriateness within the investment strategy.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

The Trustee monitors its managers performance against their respective benchmarks or targets on a quarterly basis over a long-term time horizon. Managers are expected to provide explanation for any significant deviations away from benchmark or target.

A summary of the Fund's investment mandates, and the respective benchmarks and targets is included in the appendix.

Kinds of investment to be held: The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash and property either directly or through pooled funds. The Fund managers may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Fund.

Balance between different kinds of investments: The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each asset sector the chosen manager may maintain a portfolio of stocks through direct investments or other vehicles appropriate to their pooled fund's objectives.

Covenant: The investment strategy is dependent upon a firm financial commitment of the United Reformed Church to support the Scheme, as an active arrangement, open to new entrants and accrual of new benefits.

Risk: The Fund is exposed to several risks which pose a threat to meeting its objectives. The Trustee assesses its capacity to take investment risk by considering the ongoing funding position and sponsor's covenant, obtaining advice from the Scheme Actuary and Investment Consultant. The chosen asset allocation and managers reflect the trustees' risk appetite. The principal risks affecting the Fund are:

Funding Risks:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities, e.g. the risk that unexpected inflation increases the pension and benefit payments and Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Trustee measures and manages financial mismatch in two ways. As indicated above, they have set a strategic asset allocation benchmark for the Fund. They assess risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. They also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.
The Trustee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.
The Trustee seeks to mitigate systemic risk through a diversified portfolio of assets, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset Risks:

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their objectives.

The Trustee measures and manages asset risks as follows. They provide a practical constraint on Fund investments deviating greatly from the intended approach by investing in a range of investment products each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustee's expected parameters. By investing across a range of assets, including quoted equities, property and bonds, the Trustee has recognised the need for access to liquidity in the short term. In appointing several investment managers, the Trustee has considered the risk of underperformance by any single investment manager.

The Trustee does not expect managers to take excessive short-term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long terms basis.

Other Provider Risk:

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee takes professional advice and considers the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

Expected return on investments: Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the Actuary in funding the Fund.

Realisation of investments: The majority of the Fund's investments may be realised quickly if required. Property, which represents approximately 10% of total Fund assets at the date of writing, may be difficult to realise quickly in certain circumstances.

Portfolio Turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Fund reporting year.

Environmental, Societal and Governance (ESG), Ethical and Responsible Investment: The Trustee seeks to be a responsible investor in terms of the Stewardship Code.

a) **Financially Material Considerations**. The Trustee recognises that ESG and ethical considerations are among the factors which investment managers will take into account when selecting investments for purchase, retention or sale of equity and property assets. The Trustee believes that strict application of ESG processes based upon sound business ethics will have a financially beneficial impact upon long term returns for the invested funds and the mandates reflect these objectives. The managers have produced statements setting out their policy in this regard. The managers have been delegated by the Trustee to act accordingly. The Trustee has selected the Sustainable Global Equity Fund managed by Newton in the expectation that this will be managed in a manner broadly consistent with the United Reformed Church's guiding principles on ethical investment, as updated from time to time. The impact of climate change factors is explicitly included in the ESG analysis for equity investments and for a selection of property holdings. The Trustee firmly believes that this focus is a key aspect of management of environmental risk and therefore protection of returns on assets.

b) **Non-financial matters**. The managers are aware of the United Reformed Church's guiding principles on ethical investment which takes into account the views of both members, beneficiaries, the sponsor and others. While managers may take account of this, given the objectives of the scheme, the Trustee has not considered any non – financially material factors in the development and implementation of their investment strategy and has given discretion to Newton Asset Management to take account of all financially material factors including, specifically, the impact of ESG factors in the implementation of their mandate. The Trustee understands that the strategy pursued by the managers takes account only of financially material considerations.

Exercise of Rights (including Voting rights) and Stewardship: The Trustee has delegated the exercise of rights, including voting rights in relation to assets that attract voting rights, to the managers of the pooled equity fund on the basis that voting power will be exercised by them with the objective of managing conflicts of interest, encouraging good corporate governance, preserving and enhancing long term shareholder value and mitigating financial risks. While the Trustee delegates the exercise of Voting Rights and Stewardship to the investment managers, it monitors and regularly engages with them to ensure their application of this responsibility is complementary to the objectives of the mandate and supportive of active engagement where issues appear not to be being addressed by the investee. All voting and engagement is reported to and monitored by the Trustee to ensure that no inconsistent management activity by Newton, or the investee, occurs to allow any apparent controversies to be actively pursued. The Trustee separately considers any conflicts of interest arising in the management of the Fund and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Additional Voluntary Contributions (AVCs): The Trustee gives members the opportunity to invest additional contributions in the Fund and benefit from an investment return which reflects the performance of the fund.

Signed for and on behalf of the Trustee of the

United Reformed Church Ministers' Pension Fund

Formally Approved by the Trustee at Trust Board Meeting held on 24th September 2020.

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Trustee **Trustee**

Signed for and on behalf of the United Reformed Church

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Appendix 1 – Myner's principles

The following sets out a summary of the 6 revised Myner's principles on governance of pension schemes.

PRINCIPLE	DESCRIPTION	BEST PRACTICE GUIDANCE	TRUSTEE TOOLS
1. Effective Decision Making	Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.	The board has appropriate skills for, and is run in a way that facilitates effective decision making. There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions. It is good practice to have an investment subcommittee to provide the appropriate focus and skills on investment decision-making. There is an investment business plan and progress is regularly evaluated. Consider remuneration of trustees. Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).	TPR's Trustee Toolkit and other training material. Publication of best practice guidance / templates e.g. in relation to business plans, scheme structures etc. TPR guidance on conflicts of interest. Publication of industry-average lay trustee remuneration.
2. Clear Objectives	Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and	Benchmarks and objectives are in place for the funding and investment of the scheme. Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.	TPR guide on covenant assessment. TPR Trustee Toolkit. IMA Pension Fund Disclosure Code. Marathon Club Guidance for Long-Term Investing.

PRINCIPLE	DESCRIPTION	BEST PRACTICE GUIDANCE	TRUSTEE TOOLS
	clearly communicate these to advisers and investment managers.	Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates. Consider the strength of the sponsor covenant.	
3. Risk and Liabilities	In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	Trustees have a clear policy on willingness to accept underperformance due to market conditions. Trustees take into account the risks associated with their liabilities valuation and management. Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. Trustees have a legal requirement to establish and operate internal controls. Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.	TPR guide on working with the employer. Code of practice No 3 on Funding Defined Benefits. Code of practice No 9 on Internal Controls. TPR guidance on longevity.
4. Performance Assessment	Trustees should arrange for the formal measurement of the performance of the	There is a formal policy and process for assessing individual performance of trustees and managers.	Trustee 'Key Performance Indicators'. TPR's Trustee Toolkit.

PRINCIPLE	DESCRIPTION	BEST PRACTICE GUIDANCE	TRUSTEE TOOLS
	investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings). The chairman addresses the results of the performance evaluation. State how performance evaluations have been conducted. When selecting external advisers take into account relevant factors, including past performance and price.	Assessing consultant's performance 'toolkit' e.g. model balanced scorecard etc.
5. Responsible Ownership	Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such	Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles. Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers. Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company. Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.	Statement of Investment Principles. ISC Statement of Principles. Supporting statement for investment consultants on the ISC principles.

PRINCIPLE	DESCRIPTION	BEST PRACTICE GUIDANCE	TRUSTEE TOOLS
	responsibilities.		
6. Transparency and Reporting	Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.	Reporting ensures that: - the scheme operates transparently and enhances accountability to scheme members; and best practice provides a basis for the continuing improvement of governance standards.	Statement of Investment Principles Including statement of funding principle. Websites / helplines (for larger schemes). Annual report and accounts. Best practice on quality disclosure and reporting.

Fund strategic asset allocation

Following a review of the investment strategy during 2017 the Trustee adopted the following strategic benchmark which it believes is consistent with the Fund's objectives and is appropriate for the Fund:

Asset Class	Allocation	Benchmark Index
Global Equities	30.0%	MSCI All Country World Index
Index-Linked Gilts	60.0%	FTA Index-Linked Gilts Over 5 Year Index
Property	10.0%	IPD – All Balanced Property Fund Index
Total	**100%**	

Investment manager arrangements

Equities

The equities within the Fund are managed by Newton on an active basis. The Fund invests in the Newton Sustainable Global Equity Fund. Newton's performance objective is to exceed the benchmark return by 2% p.a. (before fees) over rolling five-year periods. The benchmark is as follows:

Asset Class	Benchmark Allocation	Benchmark Index	Range
Global Equities	100%	MSCI All Country World Index	100%

Index-Linked Gilts

The index-linked gilts within the Fund are managed by Legal & General on a passive basis. The Fund invests in the Legal & General Over 5 Year Index Linked Gilts Index Fund. The benchmark is as follows:

Asset Class	Benchmark Allocation	Benchmark Index	Range
Index-Linked Gilts	100%	FTA Index-Linked Gilts Over 5 Year Index	100%

Legal & General's performance objective is to match the benchmark.

Property

The property within the Fund is managed by Fidelity on an active basis. The Fund invests in the Fidelity UK Real Estate Fund. The benchmark is as follows:

Asset Class	Benchmark Allocation	Benchmark Index	Range
Property	100%	MSCI UK PFI – All Balanced Property Funds Index.	100%

Cashflow

The Fund requires a flow of monies from its managers to help support the payments of member benefits when they fall due. The amounts will be varied from time to time according to the Funds needs following discussions with the Chief Financial Officer of the Church who projects the expected cash flows. The Fund will receive all dividend payments from the Fidelity Real Estate Fund and distributions from Newton and

LGIM and the balance of the requirement will be split between the Funds other assets in proportions agreed with Hymans Robertson, the Investment Advisor, from time to time.

AVC

AVC's are offered to Ministers and are invested through the Fund with Ministers earning a guaranteed annual investment return based upon to the average return earned on the Fund's assets over the previous five years.

Advisers

The investment adviser to the Trustee is Hymans Robertson LLP. Hymans Robertson provides the following investment services:

- The provision of advice on setting the investment strategy, to meet the primary objectives of the Trustee;
- Advice on investment manager structure and on the appointment of investment managers as and when necessary;
- The ongoing appraisal of the appointed investment managers;
- Assistance to the Trustee in the review of the Statement of Investment Principles.
- Guidance on rebalancing assets among respective funds.