

# *Addendum to the Statement of Investment Principles*

**For the United Reformed Church Ministers' Pension Fund**

**Effective from: September 2025**

**This addendum to the Statement of Investment Principles (“SIP”) for the United Reformed Church Ministers' Pension Fund (the “Scheme”) has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.**



# Part 1:

## *Investment governance, responsibilities, decision-making and fees*

**We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.**

### 1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer (the "Church", as employer for pensions purposes);
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers;
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended);
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- reviewing the SIP and modifying it as necessary.

We have delegated consideration of certain investment matters to an investment sub-committee ("ISC"), although any decisions remain our responsibility. The terms of reference for the ISC detail its responsibilities.

### 2. Bulk annuity provider

Until the Scheme is formally wound up, the Trustee will remain ultimately responsible for ensuring pension benefits are paid. The bulk annuity provider's responsibility is to pay the benefits secured under the bulk annuity contract accurately and on a timely basis.

### 3. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change, and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

## 4. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- assisting us with reviews of this SIP.

## 5. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

## 6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

## 7. Working with the sponsoring employers

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the Church's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the Church, we believe that better outcomes will generally be achieved if we work with the Church collaboratively.

# Part 2:

## Policy towards risk

### 1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time;
- the bulk annuity contract agreed with Just, which is intended to secure all the benefit payments promised under the Scheme;
- the residual assets; and
- the Scheme's cash flow requirements.

### 2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

#### Risk of inadequate returns

A key objective is that the Scheme's buy-in policy provides the appropriate cashflows to meet the members' benefits. The risk of insufficient return has been considered in formulating the investment strategy.

#### Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Scheme's assets. The Scheme's buy-in policy is designed to meet member benefits as they fall due. We monitor the Fund's buy-in provider, Just,

underlying asset allocation periodically to ensure we are comfortable that assets are appropriately diversified across the portfolio.

#### Counterparty risk

There is a risk of default by the insurance company providing the buy-in policy. This risk is mitigated by the nature of the regulatory regime it operates under.

#### Interest rate and inflation risk

The value of the buy-in policy is subject to interest rate and inflation risk. However, the policy is matched to the Scheme's benefit payments and so these risks are not expected to impact the objective of paying members' benefits in full.

#### Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

#### Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice.

#### Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

#### Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. Member benefits are now covered in full by Just, the insurer. For any additional expenses that may arise, we believe that this risk is managed by maintaining an appropriate degree of liquidity by holding a small proportion of the Scheme's assets in a money market fund.

### **Valuation risk**

Some of the Scheme's assets (such as those held in the Sterling Liquidity fund) can be valued regularly based upon observable market prices. For other assets (such as the legacy property allocation), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property.

We consider exposure to valuation risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate given the bulk annuity contract agreed with Just is intended to cover all benefit payments under the Scheme.

### **Other non-investment risks**

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected). The Scheme has mitigated this risk through a buy-in transaction with Just.
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

# Part 3:

## *Investment manager arrangements*

Details of the investment managers are set out below.

### **Legal & General Asset Management (“L&G AM”)**

The Scheme’s non-insured assets are in pooled funds with L&G AM, who is responsible for appointing custodians for the assets of the funds. The Trustee does not have a direct relationship with the custodian. All funds are priced weekly, open-ended and unlisted.

### **Liquidity Fund**

The Scheme invests in bonds through a pooled fund called the Sterling Liquidity Fund.

The objective of the fund is to provide capital stability and a return in line with money market rates whilst providing daily access to liquidity and providing an income. The Fund seeks to maintain a AAA rating, which is the highest fund rating available. The Fund promotes a range of environmental and social characteristics.

### **Fidelity International Limited Pensions Management**

#### **Property – legacy allocation**

The Scheme also holds a legacy allocation to the Fidelity UK Real Estate Fund. The Trustee submitted a request to fully redeem this allocation in October 2023 and due to market conditions the timeframe for Fidelity to return the proceeds to the Trustee are uncertain.

### **Additional Voluntary Contributions**

Prior to buy-in, members who held AVCs in the Fund were paid a return linked to Scheme-return.

Under the buy-in arrangements, members who had AVCs in the Scheme at the point of buy-in have kept the linkage between their AVCs and preserved pension benefits: this means that, if they wish, they will be able to convert the AVC funds to tax-free cash lump sums at retirement.

Just offer members two DC options for preserved AVCs funds. The Trustee is currently considering options for preserved AVC funds.

# *Part 4:*

## *Monitoring and engaging with managers on engagement*

This section sets out our effective system of governance (“ESOG”) in relation to stewardship. This includes monitoring the engagement activities that our investment managers undertake on our behalf, engaging with them regarding our expectations in relation to stewardship, and encouraging improvements in their stewardship practices. We will review this ESOG periodically, and at least triennially.

### **Manager selection**

We aim to appoint investment managers that have strong responsible investment skills and processes. We therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code.

When selecting new managers, we consider our investment consultant’s assessment of potential managers’ capabilities in this area. If we meet prospective managers, we usually ask questions about responsible investment, focusing on our stewardship priorities.

### **Implementation statement**

Following the end of each Scheme year, we prepare a statement which explains how we have implemented our engagement policies during the year. We publish it online for our members to read.