STATEMENT OF INVESTMENT PRINCIPLES

Church of Scotland Pension Scheme for Staff

February 2025

Church of Scotland

Introduction

1 This document is the Statement of Investment Principles (the “SIP”) made by the Trustees of the Church of Scotland Pension Scheme for Staff (the “Scheme”) in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Trustees will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustees took advice from a suitably qualified firm and consulted the Social Care Council (CrossReach) and the Central Services Committee of the Church of Scotland (“the Employers”). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

Investment Policy

3 The Trustees set investment policy. They consult with the Employers and take advice from their scheme actuary and investment adviser. The investment policy is kept under review and updated (when necessary) following each actuarial valuation or significant change in circumstances.

4 The Trustees delegate responsibility for developing and implementing investment policy to the Investment and Funding Sub-Group (IFSG). The IFSG appoints, monitors the performance of, and removes investment managers. It sets and oversees asset allocation policy and directs how cash flow requirements are met, adjusting the Scheme’s assets, as necessary. The IFSG monitors, reviews and recommends changes to the Trustees’ policies in respect of investment, corporate governance, ethical and socially responsible investment and engagement.

Investment objectives

5 The primary investment objective of the Trustees is to seek to ensure the Scheme is able to meet the benefit payments promised as and when they fall due.

6 The Trustees consider financially material factors when making investment decisions, which are considered over a period that reflects the length of time over which the Scheme will need to pay benefits. The time horizon of the assets is expected to match the liabilities, with the buy-in policy expected to provide matching payments as they are due.

Investment strategy

7 The Trustees received advice on the suitability of purchasing a buy-in policy in December 2024, which is expected to secure the members’ benefits. The policy is with the UK insurer ‘Just’, who invest in a range of assets in line with the risk profile of their annuity business. Following the buy-in, the Trustees maintain a surplus cash balance in a Sterling Liquidity Fund with Legal and General Investment Management (“LGIM”) to cover any additional expenses. Details of this allocation are shown below.

Remaining Invested Assets	Benchmark	Expected return	Percentage Holding	Annual Management Charge ("AMC")
LGIM Sterling Liquidity Fund	SONIA	Expected to return in line with the benchmark	100%	0.125% p.a.

Investment Risks

8 The Trustees acknowledge that by purchasing a buy-in policy with Just, the majority of investment risks have been transferred to the insurer. However, an element of risk does remain - these risks may include the following:

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through Investment Manager and Insurer guidelines with respect to cash and counterparty management. In respect of the Buy-in contract, this risk has been mitigated by the Trustees taking advice on the insurer's covenant, which raised no "red-flags". In addition, the Financial Services Compensation Scheme provides an extra level of security should the insurer fail.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Manager.

Manager risk - The risk that the Investment Manager fails to meet their stated objective is addressed through monitoring. In monitoring the performance of the Investment Manager, the Trustees measure the returns relative to the benchmark. Given the Scheme is only invested in a pooled cash fund, we expect this risk to be relatively small.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position is addressed through the purchase of a buy-in policy with a reputable insurance provider which is expected to match the payments of the benefits due.

Realisation of Investments

9 The Scheme has secured a buy-in insurance policy which provides payments to cover the benefits due to be paid from the Scheme; the policy itself is not a realisable asset. The Trustees also have an allocation to a cash fund in order to meet anticipated expenses.

10 The Trustees recognise that these non-buy-in assets may need to be realised for a number of unanticipated reasons at any time. They have considered how easily

these investments can be realised and believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will monitor closely the extent to which realisable assets are held and will ensure they are sufficient so that the level is not expected to prejudice the proper operation of the Scheme.

11 The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Responsible Investment

12 When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

13 The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long-term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s Investment Manager and insurance provider.

14 As the Scheme invests in a single pooled cash fund, the Trustees retain no voting or engagement rights. The Trustees have no voting or engagement rights in respect of the buy-in policy.

Other matters

15 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

16 The Trustees recognise that its largest risk is the failure of Just to provide the benefits to members and monitors this risk in conjunction with its advisers.

17 The Trustees are reliant on the Employer to finance the expenses of the Scheme and to underwrite the liabilities secured with the insurer. It assesses the value of this covenant by receiving regular financial updates from the Employer and periodic independent covenant assessments.

Additional Voluntary Contributions (AVCs)

18 The Scheme’s AVC plans are invested with Scottish Widows and Standard Life. The day-to-day management of the underlying investments of each fund and the declaration of bonuses is the responsibility of Scottish Widows and Standard Life. Along with monitoring the long-term performance of each fund, the Trustees consider the underlying risks at regular intervals.

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