

# STATEMENT OF INVESTMENT PRINCIPLES

**Church of Scotland Pension Scheme for  
Ministers and Overseas Missionaries (“the  
Scheme”)**

**August 2026**



## Background

The Scheme previously comprised of three sub-funds; the Main Fund, the Widows' & Orphans' Fund, and the Contributors' Fund. The employers are the Ministries Council and the World Mission Council.

## 1. Introduction

This document constitutes the Statement of Investment Principles for the Scheme. It has been prepared by the Trustees of the Scheme, having considered advice from the investment adviser and the scheme actuary. It has been prepared in accordance with section 35 of the Pensions Act 1995 and associated regulations, and it is reviewed each year or after any significant change in investment policy.

## 2. Objectives

The Trustees are responsible for the stewardship of the Scheme's assets. Their main objectives are to ensure that:

- All beneficiaries receive the benefits to which they are entitled under the rules of the Scheme
- There are sufficient assets to meet the Scheme's liabilities as they fall due.

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.

## 3. Investment policy

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.

The Trustees appoint, monitor the performance of, and remove investment managers. They set and oversee asset allocation policy and direct how cash flow requirements are met, adjusting the Scheme's assets, as necessary. The Trustees monitor, review and recommend changes to policies in respect of investment, corporate governance, ethical, and socially responsible investment and engagement.

## 4. Investment strategy

The Trustees received advice on the suitability of purchasing a buy-in policy in April 2026, 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 ("L&G") to cover any additional expenses. Details of this allocation are shown below.

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

## 5. Investment Risks

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.

## 6. Realisation of investments

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.

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.

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.

## **7. Responsible Investment**

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.

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.

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.

## **8. Other Matters**

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

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.

The Trustees are reliant on the Sponsor 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 Company and periodic independent covenant assessments.

## **9. Effective decision making**

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information, and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

Therefore, all investment decisions are discussed with assistance from the Scheme's investment advisor, where appropriate, before decisions are taken by the Trustees.

## **10. Additional Voluntary Contributions (AVCs)**

The Scheme's AVC plan is invested with Standard Life. The day-to-day management of the underlying investments of the fund and the declaration of bonuses is the responsibility of Standard Life. Along with monitoring the long-term performance of the fund, the Trustees consider the underlying risks at regular intervals.