Presbyterian Church in Ireland Pension Scheme (2009)
Statement of Investment Principles

Investment Objective

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The **target asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustees will monitor the actual asset allocation versus the target weight and the ranges set out in the table below.

Asset Class	Target Weighting %	Range %	Benchmark
Global Equities	69	60 to 80	FTSE AW - 4Good Global Equity Index
Liability driven investment (LDI) pooled funds			
Matching Core - Long Real	14		Markit iBoxx Real Long Index
Matching Core - Long Fixed	9		Markit iBoxx Fixed Long Index
Property	8	5 to 11	Net-of-fees Composite Property Benchmark

The target asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees' policy is to make the assumption that equities and property will outperform gilts over the long term. However, the Trustees recognise the potential volatility in equity (and to some extent property) returns, particularly relative to the Scheme's liabilities, and the risk that the fund manager does not achieve the targets set. When choosing the Scheme's planned asset allocation strategy the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustees' policy on ethical investment is to have no investment in a company
where all or a substantial part of the business involves alcohol, tobacco, gambling or the arms trade.

RISK MEASUREMENT AND MANAGEMENT

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.

- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.

- The failure by the fund manager to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.

- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.

- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews using asset liability modelling techniques.

The Trustees' policy is to monitor these risks periodically where possible. The Trustees receive periodic reports showing the performance of the individual fund manager versus their target.

IMPLEMENTATION

Kerr Henderson (Consultants and Actuaries) Limited has been selected as investment adviser to the Trustees to provide advice as requested by the Trustees.

The fund manager and investment objectives for the fund manager ("mandate") are as follows:

Fund Name	Objective
Equity	
Legal & General Ethical Global Equity Index Fund	The investment objective of the fund is to track the performance of the FTSE 4Good Developed Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.
LDI pooled funds	
Legal & General Matching Core Fixed Long Series 1	The fund aims to broadly match movements in the Markit iBoxx Fixed Long Index
Legal & General Matching Core Real Long Series 1	The fund aims to broadly match movements in the Markit iBoxx Real Long Index
Property	
Legal & General Managed Property Fund	The fund aims to exceed the AREF/IPD UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.

The Trustees have delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustees and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

- Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees

- Set structures and processes for carrying out their role.
- Select, implement and monitor planned asset allocation strategy.
- Select and monitor investment advisers and fund managers.
- Select and monitor direct investments.

Investment Adviser

- Advise on aspects of the investment of the Scheme assets as requested by the Trustees.
- Advise on this statement.
- Provide required training as requested.

Fund Managers

- Operate within the terms of their written contracts.
- Select individual investments with regard to their suitability and diversification.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

In addition to the statutory requirements above, the Trustees' policy on ethical investment is to have no investment in a company where all or a substantial part of the business involves alcohol, tobacco, gambling or the arms trade.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on an ad valorem basis (as a percentage of funds under management). The level of remuneration paid to the fund manager is reviewed regularly by the Trustees against market rates to ensure the fund manager's interests are aligned with those of the Scheme.

The custodian for the manager's collective investment vehicles is responsible for the safekeeping of the assets held by these vehicles and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.