

Statement of Investment Principles

For the Pension and Assurance Scheme for Lay Employees of the Methodist Church

Effective from: 26 September 2024 (approved at Trustee Board Meeting)



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustee of the Pension and Assurance Scheme for Lay Employees of the Methodist Church.

It sets out our policies on various matters governing investment decisions for the Pension and Assurance Scheme for Lay Employees of the Methodist Church (“the Scheme”), which is a Defined Benefit (“DB”) Scheme.

This SIP replaces the previous SIP dated 25 July 2023.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

2. Investment objectives

The primary objective for the Scheme is to ensure that the benefit payments are met as they fall due. These benefits are secured in full by the Scheme’s bulk annuity policy with Aviva Life and Pensions (“Aviva”).

Our investment objective for the AVCs is to make available a suitable range of investment options to meet members’ risk / return objectives.

3. Investment strategy

We, with the help of our advisers and in consultation with the employer, reviewed the investment strategy in 2024, taking into account the objectives described in Section 2 above.

In April 2024, we purchased a bulk annuity policy with Aviva to fully insure the defined benefit pension liabilities.

The Scheme's residual assets outside of the buy-in are held in the Trustee bank account and in a Deposit Fund with Epworth Investment Management Limited ("Epworth").

4. Implementation of the investment arrangements

Before entering into a bulk annuity policy with Aviva and investing monies in a Deposit Fund, we obtained and considered proper written advice from our investment adviser as to whether the investments were satisfactory.

We have signed a contract with Aviva Life and Pensions UK to hold a bulk annuity policy in respect of the defined pension liabilities of all members.

We recognise that we have limited influence over Aviva's investment practices because assets are held in a bulk annuity policy. It was our responsibility to ensure that Aviva's investment approaches were consistent with our policies before the decision to select Aviva as the insurer was made.

5. Realisation of investments

The bulk annuity policy insures the benefits due to all members of the Scheme.

Scheme expenses will be met from the Scheme's bank account and sponsor contributions as and when necessary.

6. Financially material considerations and non-financial matters

We considered how ESG factors (including but not limited to climate change) should be addressed when selecting Aviva as the insurer, and reviewed how Aviva are taking account of these issues in practice in our decision.

We recognise we now have a limited influence on the Scheme's approach to ESG, ethics, and other financially material considerations now that a bulk annuity policy has been purchased to insure all member benefits. The parameters of the policy

limit the scope for significant incorporation of ESG factors. However, we expect Aviva to take account of these considerations in its decisions.

When making decisions on investments, we referred to our Responsible Investment Policy, which describes our approach in this area in more detail. We believe that this Policy is consistent with the views of members and will not be financially detrimental to the Scheme.

We also took into account some non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the decision to select Aviva as the insurer. A detailed description of the non-financial matters taken into account is also contained in the Trustee Responsible Investment Policy.

7. Voting and engagement

As the majority of the Scheme's assets are held in a bulk annuity with Aviva, the Trustee has limited influence over the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

However, in selecting Aviva as the insurer, we sought to appoint an insurer that has strong stewardship practices and that aligned with our priority ESG themes. We review the themes regularly and update them if appropriate.