

# The General Dental Council 1970 Pension and Life Assurance Plan

DB Section

**Statement of Investment Principles**

August 2023

## 1 Introduction

This Statement of Investment Principles has been drawn up by the Trustee of the General Dental Council 1970 Pension and Life Assurance Plan ('the Plan') in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

## 2 Decision Making Process

### 2.1 The Trustee

The investment of the Plan's assets is the responsibility of the Trustee and the Plan Rules give the Trustee broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustee's policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustee recognises that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustee board meets regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, the Trustee addresses 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; and
- the Plan's Investment and Funding Objectives.

### 2.2 The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant also monitors and reports on the performance of the pooled funds selected.

Broadstone Corporate Benefits Limited has been appointed as Investment Consultant to the Trustee on the basis that the Trustee believes them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such Schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

## 2.3 The Employer

The Trustee will consult with The General Dental Council (the 'Employer') as part of the process for deciding on their investment strategy.

## 2.4 Delegation

The Trustee has a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated under the Financial Services and Markets Act 2000.

The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.

# 3 Investment Objectives

## 3.1 Funding Objective

The primary funding objective of the Plan is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Plan members as and when these fall due.

## 3.2 Investment Objectives

The Trustee's high level objectives with regard to investing the Plan assets are to:

- Achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.
- Ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- Take into account the strength and interests of the Sponsoring Employer in relation to the size and volatility of the Sponsoring Employer's contribution requirements.

The Trustee understands, following discussions with the Sponsoring Employer, that it is willing to accept a degree of volatility in their contribution requirements in order to reduce the long-term cost of the Plan's benefits.

## 3.3 Performance Objective

The Investment Managers have each been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

# 4 Investment Strategy

The last full investment strategy review was conducted in April 2023.

Currently, the Plan's assets comprise an insurance policy with Aviva and investments in pooled funds.

#### 4.1 Insurance Policy Asset

The insurance policy provides investment returns on a with-profits basis and includes a small element of embedded guaranteed annuity rates which are considered more generous than open market rates. At retirement, member's pensions have been secured through the purchase of annuities held in the insurance policy to take advantage of the guaranteed annuity rates. It is intended that the small remaining element of the insurance policy with embedded annuity rates will be extinguished when a suitable opportunity arises. New pensions are paid directly by the Plan from cash flow, income or through the disinvestment of non-insurance assets. No new money will be invested in the Insurance Policy Asset.

#### 4.2 Non-insurance assets

The Trustee and Sponsor intend to safeguard the Plan's obligations by arranging a bulk annuity in the near future. Consequently, the investment strategy has been adjusted to protect the Plan's funding position against the premium that would be payable to secure the liabilities of the Plan with an insurer.

Given their investment objectives, the Trustee has agreed the following strategic asset allocation:

	Strategic Asset Allocation	Control Range
Multi Asset Credit	16.0%	+/- 5.0%
Investment Grade Credit	28.0%	+/- 5.0%
Liability Driven Investments	54.0%	+/- 5.0%
Cash	2.0%	+/- 5.0%

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustee is satisfied that the funds selected are consistent with their investment objectives and that the range agreed is sufficiently robust to allow easy adjustment between the funds as the risk appetite changes and the Plan matures.

## 5 Liquidity, Cash Flow and Rebalancing

Member's pensions will be secured through the purchase of annuities held in the insurance policy to take advantage of the guaranteed annuity rates and will be until all funds in the insurance policy have been used.

The Trustee is mindful of the need to periodically consider rebalancing the assets of the Plan in line with the Plan's strategic benchmark asset allocation.

The Trustee will monitor the Plan's actual asset allocation on a regular basis and will decide on a course of action which may involve redirecting cash flows, a switch of assets or taking no action, taking into account advice from the Investment Consultant.

## 6 Expected Return

The Trustee expects the return on assets to be consistent with the investment objective and investment strategy outlined above.

The Trustee expects to generate a return over the long-term of c.0.7% per annum (net of expenses) above a portfolio of long-dated UK Government bonds (which are considered to change in value in a similar way to the Plan's liability values). This return is a 'best estimate' of future returns that has been arrived at given the Plan's longer term asset allocation and in the light of advice from the Investment Consultant.

## 7 Investment Managers

### 7.1 Platform Provider

The Trustee has appointed Mobius Life Limited ("the Platform Provider") to provide a platform for the Scheme Assets. The Platform Provider is regulated by the Financial Conduct Authority and the Prudential Regulation Authority and has been selected in order to effect cost and operational efficiencies in the management of the assets. The Trustee utilises Mobius Life to access Legal & General Investment Management and TwentyFour Asset Management fund investments. The Trustee entered into a contract with Mobius Life in January 2020.

### 7.2 Investment Managers

The Trustee utilises a number of Investment Managers to manage the assets of the Plan. The Investment Managers are regulated under the Financial Services and Markets Act 2000.

The Trustee has decided to invest in pooled funds, other collective investment vehicles, and cash. The Plan does not invest directly in stocks, shares, bonds, derivatives etc.

The Trustee has decided to invest in pooled funds because:

- the Plan is not large enough to justify direct investment in equities or bonds on a cost-effective basis
- pooled funds allow the Plan to invest in a wider range of assets, which serves to reduce risk
- pooled funds provide a more liquid form of investment than certain types of direct investment

The table below details the Plan's Investment Managers and the date they were appointed:

Manager	Asset Class	Fund	Inception date
LGIM	Investment Grade Credit	Active Corporate Bond – Over 10 Year Fund	April 2023
LGIM	Cash	Sterling Liquidity Fund	October 2022
LGIM	LDI	Matching Core Real Long Fund	February 2019
LGIM	LDI	Matching Core Fixed Long Fund	February 2021
TwentyFour	Multi-Asset Credit	Strategic Income Fund	January 2020

The Investment Managers appoint individual custodians to hold the securities owned by the Plan.

## 8 Investment Monitoring

The Investment Consultant periodically attends Trustee meetings in order to report on the Investment Managers' activity and performance, to outline their views on future investment conditions and to answer any questions the Trustee may have.

The platform provider provides the Trustee with monthly reports setting out a valuation of the funds on the platform.

The Investment Managers will supply the Investment Consultant with sufficient information when requested in order to monitor financial and non-financial performance.

### 8.1 Review of Investment Manager

The Trustee will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Scheme's investments based on an evaluation of performance against the objectives set out in this document

### 8.2 Information from Investment Manager

The Investment Managers will supply the Trustee with sufficient information each quarter to enable them to monitor financial and non-financial performance.

## 9 Portfolio Turnover Costs

The Trustee expects the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

## 10 Corporate Governance

The Trustee wishes to encourage best practice in terms of activism. The Trustee accepts that by using pooled investment vehicles, the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustee expects the Plan's Investment Managers to adopt a voting policy that is in accordance with best industry practice.

## 11 Responsible Investment

The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the ESG integration capability of its Investment Managers.

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects its Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of its investment managers.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustee expects the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

## 12 Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

## 13 Incentivisation of Investment Managers

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustee does not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

## 14 Employer Related Investments

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

## 15 Risks

The Trustee recognises that a number of risks are involved in the investment of the assets of the Plan. They have identified the following principle risks which have the potential to cause deterioration in the Plan's funding level:

- **Solvency risk:** The risk that the fund has insufficient assets to meet all its liabilities as they fall due
- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors
- **Manager risk:** The failure by the Investment Managers to achieve the rates of investment return assumed
- **Liquidity risk:** The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities
- **Custodian risk:** The risk of failed or inadequate performance by the custodian
- **Concentration Risk:** The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets
- **Political risk:** The financial risk that a country's government will suddenly change its policies
- **Sponsor risk:** The possibility of failure of the Plan's sponsoring employers



- **Counterparty risk:** The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Plan

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustee is to monitor, where possible, these risks on a regular basis. The Trustee therefore considers:

- The actual funding level versus the Statutory Funding Objective
- Actual performance versus the Plan's investment and funding objectives
- Investment Managers' performance versus their respective benchmarks and targets
- Any significant issues with the Investment Managers that may impact their ability to meet investment performance objectives set by the Trustee

## 16 Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The Platform Provider is paid a fee on the basis of the assets held on the platform. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

## 17 Best Practice Principles

In October 2008, the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made in 2007 by the National Association of Pension Funds (NAPF) (now known as the Pensions and Lifetime Savings Association). This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting

The Trustee periodically reviews their compliance with the best practice Principles. The Trustee believes that they comply with the spirit of the Principles. There may be some instances of deviation from the published Best Practice Guidance' on the Principles where the Trustee believes this to be justified.

## 18 Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

**Agreed by the Trustee of the General Dental Council 1970 Pension and Life Assurance Plan**

**Date: 31 August 2023**