

The General Dental Council 1970 Pension and Life Assurance Plan

Additional Voluntary Contributions – Defined
Contribution (DC) Top Up Section

Statement of Investment Principles

September 2020

The General Dental Council 1970 Pension and Life Assurance Plan

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. Additional Voluntary Contributions – Defined Contribution (DC) Top Up Section

2.1 Objectives

The Trustee aims to provide a range of pooled funds which members can choose to invest in. In addition, the Trustee has designed a default lifestyle arrangement for those members who do not wish to make an investment choice.

The Trustee considered specific objectives in setting the default investment strategy, they are as follows:

- To meet perceived needs of the broad cross section of membership.
- The likelihood of the default strategy providing a reasonable return above inflation over the long term.
- The Trustee recognises that the default strategy will represent a trade-off between achieving sufficient expected growth versus the spread of returns and risk of capital loss.

2.2 Default Fund

If members do not wish to make a decision as to where to allocate their funds they will automatically be invested in the Lifestyle Programme. If a member has not selected a retirement age, the default lifestyle strategy will assume a retirement age of 65 years.

2.3 'Lifestyle Programme' for the Additional Voluntary Contributions and the Defined Contribution Top Up Section

The Trustee offers a Lifestyle investment strategy for those members who do not make their own selection.

After taking advice, the Trustee has selected a lifestyle approach for the default arrangement. The lifestyle strategy has been designed with reference to a typical member.

This means that so long as the members are wholly invested in the BlackRock Aquila Connect (50:50) Global Equity Index Fund at the time the programme starts, then starting 5 years before their retirement their fund will gradually be moved into the BlackRock Aquila Connect 15+ Year Corporate Bond Index Fund and Cash Fund as indicated in the table below:

The General Dental Council 1970 Pension and Life Assurance Plan

Fund / Years to Retirement	5	4	3	2	1	0
BlackRock Aquila Connect (50:50) Global Equity Index Fund	100.0%	80.0%	60.0%	40.0%	20.0%	0.0%
BlackRock Aquila Connect Over 15 Year Corporate Bond Index		15.0%	30.0%	45.0%	60.0%	75.0%
Cash		5.0%	10.0%	15.0%	20.0%	25.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

It is possible for members to join the 'Lifestyle' scheme either at their inception into the Plan or at any time once they are a member.

2.4 Range of Funds

The Trustee has selected a range of funds in which members may choose to invest.

The selection was chosen in order to ensure members are able to meet their personal needs. In choosing investment options, it is the policy of the Trustee to consider:

- An appropriate range of asset classes, including alternative assets.
- The suitability of the possible styles of investment management and the need for diversification.
- The suitability of each asset class for defined contribution schemes.
- The need for appropriate diversification.

Members may alternatively select the Lifestyle arrangement in which to invest.

The table below contains a summary of the funds which are available for investment with Aviva (formerly Friends Life).

Fund	Benchmark	Ongoing Charges
Stewardship Managed	ABI Pension Fund 'Mixed Investment 40% to 85% Shares' Sector Median.	0.50%
Cash	LIBID (7 day)	0.50%
Multi-Asset Index Growth Fund	ABI Pension Fund 'Mixed Investment 40% to 85% Shares' Sector Median.	0.50%
BlackRock UK Equity Index (Aquila Connect)	FTSE All-Share Index	0.50%
BlackRock (50:50) Global Equity Index (Aquila Connect)	Composite Index 50% of FTSE All-Share Index and 50% Overseas Equities	0.50%
BlackRock Over 15 Year Corporate Bond Index (Aquila Connect)	iBoxx £ Non-Gilts, Over 15 Years Index	0.50%
Ninety One Cautious Managed	FTSE All-Share Index	1.40%

The General Dental Council 1970 Pension and Life Assurance Plan

2.5 Expected Returns

The Trustee expects each of the funds selected to perform in line with their respective benchmark objectives.

2.6 Platform Provider

The Trustee has appointed Aviva (formerly Friends' Provident Life & Pensions Limited) to manage the Additional Voluntary Contributions and Defined Contribution Top Up Section assets. AVIVA is regulated under the Financial Services and Markets Act 2000 and has been selected in order to effect cost and operational efficiencies in the management of the assets.

The Trustee entered into a contract with Aviva in April 2005.

3. 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

The General Dental Council 1970 Pension and Life Assurance Plan

- 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

4. General Investment Principles

4.1 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 holds assets with these managers through the Platform Provider. 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 Investment Managers appoint individual custodians to hold the securities owned by the Plan.

4.2 Exercise of Voting Rights

The Trustee cannot usually directly influence the managers' policies on the exercise of investment rights (such as voting and engagement) where the Trustee holds assets in pooled funds. This is due to the nature of these investments.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code, and is supportive of the Code. The Trustee understands that investment rights will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the Code, and which are provided to the Trustee from time to time.

4.3 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

The General Dental Council 1970 Pension and Life Assurance Plan

(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.

The Trustee has also made available to members in the AVC/DC Section a self-select option, where members can choose to invest in a fund with a stewardship focus.

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.

4.4 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.

4.5 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.

4.6 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 General Dental Council 1970 Pension and Life Assurance Plan

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.

4.7 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.

4.8 Investment Monitoring

The Trustee employs Broadstone to assist them in monitoring the performance of the fund options provided to members and Investment Manager. The Trustee receives quarterly reports from the Investment Manager and meet with their representatives periodically to review their investment performance and processes. The Trustee and Broadstone will monitor the Investment Manager's performance against its performance objectives.

4.9 Fee Structures

The Platform Provider and Investment Managers are paid a management fee on the basis of assets under management which are reflected in the Platform Provider's unit price. The 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.

4.10 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 believe 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.

For and on behalf of the Trustee of the General Dental Council 1970 Pension and Life Assurance Plan

Date