Trustee Solutions Limited (TSL) was appointed as Sole Trustee of the Dormole Limited Toolbank Scheme 275218000h (the Plan) on 22 May 2019.

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Dormole Limited Toolbank Scheme 275218000h (the "Plan") is required to produce a yearly statement (which is signed by an authorised representative of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members’ funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 January 2019 to 31 December 2019.

TSL has prepared this statement in conjunction with the Principal Employer of the Plan, Dormole Limited to comply with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Plan is an earmarked defined contribution (DC) pension scheme where all the benefits are secured by an insurance policy. The Plan is closed to new members but open to future contributions from members and the company. Each member builds up his or her own individual pension fund under the insurance policy.

The statement is based on our understanding of how the Plan was governed for you as members during the period 1 January 2019 to 31 December 2019. Please note that the Trustee is now generally working towards commencing the winding-up of the Plan in the relative short term and more information about this will be provided at the appropriate juncture.

**Our knowledge and understanding**

In the period to 21 May 2019, the Trustees were:

- John Christie – Chair
- Steve Clemson and Neil Dineen

Trustees are required to demonstrate knowledge and understanding of the key documents, principles and requirements relating to their function.

In the relevant period to the 21 May 2019 (before the current Trustee TSL was appointed and involved in the Plan), we understand that the Trustees considered actions taken individually and collectively as a Trustee board, and the professional advice available, and concluded that their combined knowledge and understanding enabled them to properly exercise their functions as Trustees. The Trustees concluded
that they were compliant but the details are unknown and TSL have instead attempted to ensure, from the point it took over, it was following the guidance, set out below.

Trustee Solutions Limited (TSL) was appointed as sole Trustee from 22 May 2019. TSL is a company providing independent professional trustee services.

Trustees are required to demonstrate knowledge and understanding of the key documents, principles and requirements relating to their function. The Trustee must:

- Be conversant with the trust deed and rules of the Scheme, and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally,
- Have, to the degree that is appropriate for the purposes of enabling the Trustee properly to exercise his or her functions as a trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.
- The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding.

Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

All the directors of TSL meet the general legal and regulatory requirements regarding conversance and knowledge and understanding because they are experienced pensions staff from within Pinsent Masons LLP. All directors of TSL have substantial experience in providing guidance on all aspects of pensions to trustees, companies, members, insurers and other organisations. They are either qualified solicitors or pensions managers and as such have to undertake continued professional development under their professional body's governance of the Solicitors Regulatory Authority or the Pensions Management Institute.

The Trustee is required to commit to completing training by attending regular training sessions or by personal study. Pinsent Masons LLP provides general training to the Trustee on pensions law, recent regulatory guidance and aspects of the Trustee Knowledge and Understanding requirements. During the year these are some of the training sessions the Trustee attended; pensions essentials training covering governance and risk in the areas of administration, investment, member engagement and legal/regulatory issues, freedom and choice, Chair's Statements and bulk transfers. There was also training on environmental, social and corporate governance (ESG), cyber security and data subject access requirements. All other training relates to topical items which all directors of TSL are required to attend. A register of attendance at training sessions is kept. The directors of TSL have completed the Pensions Regulator’s Trustee Toolkit (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). The Trustee also has to comply with their continued professional development requirements of their professional body which is submitted and assessed annually by the relevant body (Solicitors Regulatory Authority or the Pensions Management Institute).

Processes are in place for the appointment of new trustee directors to TSL

Key aspects of this include:
Appointments to TSL provide a mix of complementary skills.

Attending external training events to enhance their knowledge and understanding.

Upon appointment TSL obtains all the relevant Plan documentation and familiarises itself with the contents. TSL undertook this on appointment in 2019.

Creating and monitoring a training record with the support of the professional advisers. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

The Trustee Identifies any knowledge gaps by self assessment and also assessing what is on the Plan's agenda and technical guidance is sought from Pinsent Masons LLP who have pension development lawyers who give technical guidance and arrange any bespoke training required. If needed any specific Plan issues are addressed with our advisers who deliver bespoke training.

The Trustee plans for future training by completing an annual evaluation of the knowledge and understanding in order to identify areas of training and advice that should be covered in the immediate future.

The Plan's professional advisers have experienced teams that specialise in advising trustees of pension schemes. Their advice and training on the Plan combined with the general training record helps the trustees to demonstrate a working knowledge of the plan's rules, trustee policies, pension and trust law, and the funding and investment of occupational DC plans. The policy is that the trustees and the plan's professional advisers review the appropriateness of policies, practices and the plan's rules to ensure that the latest legislative requirements and regulatory standards are met and the plan documents are up to date and fit for purpose.

The Trustee is familiar with and has access to copies of the Plan's governing documentation, including the Trust Deed & Rules (together with any amendments) and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases.

Taking into account the knowledge and experience of the Trustee with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as Trustee of the Plan properly and effectively. Further, the Trustee considers that the Trustee has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties. This has been assessed by the Trustee having passed the Regulator's Trustee Toolkit, having confirmation from their professional body (the Solicitor's Regulatory Authority) of continued professional development. In relation to the Plan the Trustee identified an issue with regard to reviewing the investment default arrangement during the year and instigated a review.
The default investment arrangement

The Plan is not used as a qualifying scheme for auto-enrolment.

Members of the Plan who do not choose an investment option are placed into the Phoenix Life International Fund managed by Aberdeen Asset Investments Limited (part of the Aberdeen Asset Management Group). As of 31 December 2019, all members have been and are invested in the default investment option.

The Trustee is responsible for the Plan’s investment governance, which includes setting and monitoring the investment strategy for the Plan’s default arrangement.

In the Plan year the objective was to help you achieve a good outcome from your pension savings. The Trustee recognised that members have differing investment needs and that these may change during the course of members’ working lifetimes.

Accordingly the Trustee made available a range of investment funds alongside the default. It was recognised that members may not feel qualified to make investment decisions without support. As such a range of investment funds were made available, including a default investment option for members who do not select individual funds.

Members have the option to invest in 13 other funds as well as the default fund. All the funds are managed by Aberdeen Asset Investment Limited. Details of these funds can be found in Appendix 1 but in summary are:

<table>
<thead>
<tr>
<th>American Fund</th>
<th>International Fund (the default)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Fund</td>
<td>Japan Fund</td>
</tr>
<tr>
<td>Ethical Fund</td>
<td>Managed Fund</td>
</tr>
<tr>
<td>European Fund</td>
<td>Property Fund</td>
</tr>
<tr>
<td>Fixed Interest Fund</td>
<td>Security Fund</td>
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<tr>
<td>High Income Fund</td>
<td>Selective Fund</td>
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<tr>
<td>Indexed Investment Fund</td>
<td>Guaranteed Basis</td>
</tr>
</tbody>
</table>

The default investment option is the Phoenix AL Pensions International Fund ("International Fund") managed by Aberdeen Asset Investments Limited (part of the Aberdeen Asset Management Group). As of 31 December 2019, all members have been and are invested in the default investment option.

The objective of the International Fund as defined on the Phoenix Life website is "to provide long term growth from investment in an actively managed portfolio of securities invested worldwide. The portfolio not only includes the established markets, such as those in the US and Western Europe, but also the emerging markets of the Far East and Latin America."

The previous trustees reviewed the default investment option in 2015 which was understood to comply with the Pensions Regulator DC Code Section 17(2) of the Pensions Act 2008. The next review was due to take place in Q3 2018. As the trustees intended to wind up the scheme, they did not consider a further review of the default investment strategy to be cost-effective given that the same conclusion was likely to be reached. The project to wind up the scheme was expected to commence in September.
2019 and the members offered the opportunity to transfer their fund into an arrangement that offers pension flexibilities and better value for money. The Trustee received legal advice that a further review of the default investment strategy was required and the default investment option was reviewed on 4 September 2019.

The review was undertaken by Mercer LLC (Mercer) and covered the default investment performance and strategy review. The Company has confirmed its intention to wind-up the Plan and transfer out the assets to another scheme. Due to this the scope of the review was limited to an overview of the current arrangements including the default fund, fund range and charging structure, the performance of the current default fund and a high level demographic analysis/membership profiling. As the Plan has less than 100 members the Trustee had not produced a Statement of Investment Principles (SIP) and as a result Mercer were unable to consider the aims and objectives of the default arrangement as part of this review. However the Trustee has just received further advice which confirms that a SIP is now required because there is a default investment fund. The SIP will be prepared and published on the same site as this statement in the near future.

Mercer have advised that the accumulative performance of the fund over 5 years to 30 June 2019 has been strong but with significant drawdowns in value at times which were broadly reflective of the equity market movements. The Trustee was advised that the charges for the fund are very high and not in line with current charging structures for similar plans.

When considering the investment suitability Mercer took into account the membership split (actives and deferred members), asset split, average pot size by member status and distribution of pot sizes and age. The membership is significantly mature with two-third of members aged 55 or over and all members aged 48 or over.

The International Fund is primarily an actively managed global equity fund (c96.5% of the fund is invested in equities as at 30 June 2019) with small allocations to property, 'other assets' and cash. Default member's invest 100% of their savings in the fund until retirement.

Mercer view the current default option as sub-optimal and, due to lacking sufficient asset class diversification, contains substantial equity risk and almost no downside protection to both short term volatility nor prolonged equity downturn in markets. Mercer's preferred approach would be for a strategy to be adopted that has increased asset class diversification in the growth phase and an element of lifestyling as members approach retirement. The Trustee's response to the advice they received from Mercer is set out below.

Recent review

Having considered the advice, the Trustee is satisfied that the default remains appropriate for the short term due to the following reasons:

- The Plan is arguably a 'top up' arrangement for executives and directors at the Company as all but one member also holds benefits in another scheme sponsored by the Company which is the main occupational pension provision provided and is used for auto-enrolment purposes.
- You have the option to self-select investments to suit your own risk profile should you so wish.
• The Trustee does intend to assess the suitability of the investment arrangements that members will move to and how they compare to the current offering and taking appropriate advice when it is clear the investment arrangements the Company proposes in conjunction with the wind-up of the Plan.

• The Trustee has so far delayed potentially changing the investment arrangements as the expectation is that timescales for the wind-up would become clear in early 2020. This has been delayed due to the Covid 19 pandemic but nevertheless there is an expectation for timescales to be forthcoming by the end of 2020.

In the meantime you receive annual statements detailing where your funds are invested and have access information to the investment options using Phoenix Life's helpline.

Details of performance of the default fund can be found using this link:


Core financial transactions

Trustees are required to make sure that core financial transactions in the Plan are processed promptly and accurately. This includes investing your contributions, allocating your investments, paying benefits and transferring funds into and out of the Plan.

Phoenix Life (formerly known as Abbey Life) administers the Plan, including processing core financial transactions, on our behalf. Contributions are paid annually every January. TSL was appointed as Trustee on 22 May 2019 after the annual contributions had been paid in January 2019.

The Plan's administrator Phoenix Life has taken steps to try and ensure that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. This includes the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries. Other than the contributions being paid in January which the Trustee understands were paid on time there were no other core financial transactions during the year from 1 January 2019 to 31 December 2019.

In the relevant scheme year, the governance process included:

• Phoenix Life administering the Plan in line with service level agreements, which cover the accuracy and timeliness of all core financial transactions.

• Phoenix Life having a governance structure in place to target the prompt and accurate processing of core financial transactions.

• Phoenix Life monitoring the Plan’s assets, a team responsible for processing contributions and peer review of financial transactions.

• The Trustee monitoring Phoenix Life’s performance against these agreements by interaction with Phoenix Life and member feedback. Correspondence to members is sent via the Trustee and thereby the Trustee is able to monitor performance.
The Trustee is reasonably satisfied that Phoenix Life has a governance structure in place to target the prompt and accurate processing of core financial transactions. The Trustee is satisfied that transactions were processed accurately and promptly.

Charges and transaction costs

Investment costs such as annual management charges and any transaction costs can have a material impact on your pension savings.

In the relevant Plan year the Trustees’ policy was to:

- Request information that sets out the member-borne administration and investment fees for the Plan’s funds.
- Assess whether these represent good value for members.

The default investment option has a total annual management charge of 0.75% per annum. There are other investment options, which also attract an annual management charge of 0.75% per annum. The charges are as follows:

- Initial management charge – this is deducted each time you make a contribution. The contribution(s) is used to buy units in your chosen fund(s). Units are bought at the buying price and sold at the selling price. The difference between these prices is a charge for expenses and is currently 5% with a rounding of no more than 0.1p.

- Capital unit/initial guarantee charge – capital units are bought with the contributions paid in the first two years and in the first two years of any increase in contributions above the previous highest amount. All further regular contributions will be used to purchase accumulator units. Capital units and initial guaranteed basis holdings bear an additional charge of 3.5% per annum.

- Monthly contribution charge – 3% charge for contributions less than £400.

- Policy charge – A policy charge of £1.30 a month/£13.00 per annum is deducted from the life assurance premium fund when the pension contribution falls below £15.00 a month/£150.00 per annum, within the capital unit/initial guaranteed paying period, which is 24 months.

- Standard allocation plan – If you have a regular contribution plan 100% of the contribution paid is used to buy units in your fund(s). This increases by 3% in the last 15 years before your nominated retirement age (NRA).

- Maximum allocation plan – The regular contributions that are paid to the maximum allocation plan which are used to buy accumulator units are enhanced depending on how long left until your NRA. These enhancements range from 105% for policyholders with one year left until they plan to retire at age 50, through to 169% for policyholders with 60 years left until they plan to retire at age 75. This increases by 3% in the last 15 years before your NRA. The value of any units bought on a maximum allocation basis will not be included in the benefit fund payable on death.

- Additional contributions – If you wish to pay an additional one-off contribution, 105% of each contribution is allocated to units in your chosen fund(s). If you have chosen a maximum allocation plan these percentages will
be increased in line with the enhanced maximum allocation rates. All additional contributions paid after your NRA are allocated at 105%.

- Bonus units - When you reach your NRA your benefit fund from regular contributions will be increased by a 3% bonus allocation

- Life assurance benefit, ill health benefit and initial protection benefit – there are other charges that may arise if these benefits are selected - TSL understands that these benefits do not apply but are seeking clarification from Phoenix Life

- Transfer/early retirement charge – If you transfer your policy to another provider before retirement or retire earlier than your NRA the full fund value will not be available. Phoenix will make a charge which takes into account how long you have left before you were due to retire and the type of units you have allocated to your plan. The charge that Phoenix apply to the capital units is higher than that to the accumulator units. If you are aged 55 or over and wish to access your pension savings before your normal retirement date, the amount of any transfer or early retirement charge applied by Phoenix Life for early exit will be no more than 1% of the retirement fund value.

- Death benefit charge – the benefit fund payable on death during the term of the plan will not include the value of any capital units unless income protection benefit is included in your plan and the value of any maximum allocation units.

All charges are subject to review each year and may increase if the cost of managing your policy increases. Any variable charges stated apply until 5 April 2021 after which they will be subject to changes. Phoenix Life have stated that any increase in charges on your policy will be reasonable and proportionate. This statement is set out in more detail in Appendix 2 which also shows the costs and charges.

Transaction costs are costs that fund managers pay when buying, selling, borrowing or lending the assets that make up the Plan’s assets. Unfortunately, we are not in a position to share the transaction costs for the Plan as Phoenix Life has failed to provide the information. The Trustee has requested the information from Phoenix Life but the Trustee has not been able to obtain them within the required timescales but we are working with Phoenix Life so these can be disclosed on a publicly available website when made available. We therefore hope analysis to be included in any future statement.

**Cumulative Illustration**

Trustees are required to present the costs and charges typically paid by a member as a “pounds and pence figure”. The DWP has prepared a sample table for this purpose which is set out below, duly adapted and populated in accordance with the DWP guidance using Plan specific information.

Phoenix Life have provided illustrations showing projected values for various funds that the members are eligible to invest in. The projected values are shown in today’s money so do not need to be reduced further for the effect of future inflation. Inflation is assumed to be 2% each year and the values shown are estimates and not guarantees. The starting pot size is assumed to be £27,000 and the projected growth rate for each fund is as follows:
The illustration is set out below. The illustration provided by Phoenix Life stated that the Plan does not have a default investment fund however, this is not the case the default fund is the International Fund. Certain other details could not be obtained from Phoenix Life for example the contribution rate assumed in the illustration, whether the pot size of £27,000 was representative of the average pot size and clarification over the effect of the charges. The Trustee has tried to obtain this information from Phoenix Life but at the date of publication has not received a response. The Trustee is taking steps to obtain the information.

Unfortunately we do not have enough information to confirm if these illustrations are in line with the DWP guidance.

Value for members

Trustees are required to assess whether the charges mentioned above represent good value for members. Good value means different things to different people at different times. However, achieving the right balance between costs, fund performance,
communications, and the quality of plan administration and customer service is important – low costs do not necessarily mean better value for members.

In the Plan year the following areas were considered when assessing value for members:

- Costs
- Fund performance
- The design of the default arrangement and how this affects the membership
- Plan administration
- Online engagement and tools
- Member service and communications.

**Costs** – concerns that the charges applied to member funds are comparatively high and the charges are not in line with current charging structures for trust based plans.

**Fund performance** – the default fund has yielded positive returns in previous years and during 2019 up to Q4 which then saw a fall in equities in the first quarter of 2020 due to market reaction to the Covid 19 pandemic. However the Trustee has been advised that the default fund does not have sufficient asset diversification.

**Plan administration** – concerns that the Plan’s administration is not as strong as it should be is based on errors that occurred in earlier years that have been corrected.

**Online engagement and tools** – there are no online engagement or tools that members can use to model their pension savings.

**Member service and communications** – concerns at the quality of service that members receive from Phoenix Life. Communications are not always clear, timely or accurate.

In conclusion, the charges, when considered alongside the areas above, do not represent good value for members and so we have decided it is in the members’ interests to wind up the scheme and transfer members’ benefits to a pension scheme that offers better value for members. The transfer and wind up is expected to commence during 2020.

**Information for members**
If you have any questions about this statement or the Plan generally, please contact Dianne Taylor – Senior Pensions Officer:

Trustee Solutions Limited, 55 Colmore Row, Birmingham, B3 2FG
0121 626 5740 | Dormole@pinsentmasons.com

This statement has been produced in agreement with the Principal Employer Dormole Limited.

**Terry Ritchie**  
**Trustee Chair and Director of Trustee Solutions Limited**

**Date**: 31 July 2020