Toolbank Retirement Benefits Scheme

Chair's Statement

Contents

We the trustees of the Toolbank Retirement Benefits Scheme (the scheme) have prepared this statement to comply with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

This statement must cover:

- the default arrangement investment strategy
- processing of core financial transactions
- costs and charges
- value for members
- trustees' knowledge and understanding.

The scheme is a hybrid pension scheme with a defined benefit (DB) section which is closed to new members and future accrual. The defined contribution (DC) section is also closed to new members but is open to future contributions from existing members.

Both the DB and DC sections include arrangements for members who have paid or are paying additional voluntary contributions (AVCs). During the year an AVC fund for a deferred member in the DB section was held with Utmost Life & Pensions (Equitable Life up to 31 January 2020). AVCs in the DC section are invested in the main DC section funds.

The statement explains how we govern the DC section and AVCs of the scheme for you as members. It covers the period from 1 February 2019 to 31 January 2020 (the scheme year).

The trustees will publish this statement on the Aviva site hosted by our administrators, Aviva plc, in a domain that can be accessed publicly using a search engine. Members will be notified of the statement's availability by a letter issued to each member.

1 The default arrangement investment strategy

The statement of investment principles (SIP) for the default arrangement investment strategy is attached as appendix 1.

Our objective is to help you achieve a good outcome from your pension savings. We understand that members have differing investment needs and these may change during the course of members' working lifetimes.

We regard it as our duty as trustees to make available a range of investment funds that enables you to tailor a strategy to your own needs, if you wish to. We also recognise that you may not see yourself as qualified to make investment decisions without support. As such we have made available a range of investment strategies, including a default investment strategy. If you choose an investment strategy your pension contributions and any AVCs you pay will be invested in that strategy. If you do not choose an investment strategy your pension contributions and any AVCs you pay will be invested in the default investment strategy.

1.1 Our default investment option

The default investment option is SmartPath.

The aims and objectives of the default arrangements are (in broad terms):

- To offer members a pre-built retirement strategy to plan for retirement;
- To establish a default investment option that invests in a growth phase and gradually de-risks members' investments starting eight years before their selected retirement age with a target of income drawdown at retirement;
- To have funds managed by investment managers believed to be of high quality;
- To provide a framework that allows the most efficient fund switching possible.

In designing the current default investment option, we have considered the balance between risk and expected returns with our aim being to ensure that the fund delivers the best possible outcome for the majority of members at retirement. In particular, when reviewing the investment strategy of the default investment option, we consider risk against the changeability of investment returns and varying retirement outcomes for members. We also consider the risk of misaligning investments with the retirement benefits targeted by the default investment option. We factor in the nature of the scheme's membership including recent experience of their chosen retirement options and the likelihood of the future options members will choose at retirement.

1.1.1 Procedure for review of the default arrangement investment strategy and its performance

The statement of investment principles (SIP) for the default arrangement attached as appendix 1 was most recently reviewed during Q3 of 2019 and then signed on 1 August 2019. The SIP sets out the principles governing how decisions about investments must be made. It sets out the trustees' policy on such things as choosing investments and risk and return.

A standard procedure is used for reviewing the default option to ensure that sufficient time is devoted to the review.

The standard procedure entails:

- input from the investment advisers;
- an initial report from the investment advisers covering the extent to which performance is consistent with the aims and objectives of the default arrangement SIP and the extent that the strategy and returns are consistent with these aims and objectives; and
- further input at trustee meetings and by way of further reports as required;
- input from the trustees once they have reviewed the reports to challenge and confirm the advisers' recommendation(s).

The trustees need to review the scheme's statement of investment principles at least every three years and whenever there has been a significant change in investment policy or member demographics. At their meeting on 18 June 2019 the trustees asked that both the DB and DC SIPs be amended to ensure consistent descriptions of agreed environmental, social and governance (ESG) policies.

Full trustee sign-off is required before recommendations are agreed and implemented, due to the importance of the review.

1.1.2 Review of the default investment strategy during the scheme year

No formal trustee review of the default strategy took place during the year. The most recent review concluded in 14 March 2018 and resulted in the changes implemented in November 2018 that are described in detail in last year's chair's statement.

In addition to the above, elements of the investment governance of the scheme have been delegated to Mercer Workplace Savings (MWS). This includes strategic and tactical asset allocations along with manager selection. On an annual basis MWS review the continued appropriateness and suitability of the investment solutions underlying the scheme. A review was undertaken in August 2019. The outcome of this review resulted in some changes to the underlying allocations in the Mercer Growth Fund and the other Mercer risk profiled funds. However, the construction of the target date funds, and the use of the Mercer blended funds within them, remained unchanged. This review was presented and discussed at the trustee meeting on 26 September 2019.

1.1.3 Review of the default investment performance during the scheme year

We review the performance of the scheme's investment funds every quarter by considering investment reports produced by our advisers at our trustee meetings. We believe our review in 2018, the ongoing work undertaken by MWS and this quarterly monitoring confirms that that the default investment option returns are consistent with our objectives of providing members with a pre-built retirement strategy that invests for growth before de-risking nearer to retirement as it targets income drawdown.

In the default strategy around 60% of members' money is in the growth phase. This element of the portfolio (Mercer Growth Balanced Risk) performed well over the year and has excellent five-year performance. The de-risking stage uses a range of target date funds. These have performed in line with expectations. The return pattern over one and three years is consistent with the gradual reduction of risk as the members approach their selected retirement date.

1.2 Additional voluntary contributions (AVCs)

The DB section of the scheme had closed AVCs managed by Equitable Life. On 1 January 2020 the AVCs were transferred to Utmost Life as part of the closure of Equitable Life. When the with profits funds at Equitable Life were closed and assets transferred to Utmost Life on 1 January 2020, the assets were initially invested in the Utmost Secure Cash Fund for six months to 30 June 2020. After 30 June 2020 the assets are being gradually moved to Utmost's Investing by Age Journey strategy over a six-month period.

The trustees are in the process of determining whether a deemed default investment arrangement has been created as a result of this transfer and once confirmed the trustees will take all necessary action such as producing a default SIP. The trustees currently do not operate default investment arrangements in relation to closed AVC policies. All members with AVCs in these policies have, therefore, selected how these funds are invested from the fund range that is made available.

For this reason, the trustees believe the disclosures required regarding default investment arrangements are not applicable to these closed AVCs and the statement of investment principles does not contain wording relating to AVC default investment arrangements.

2 Processing of core financial transactions

We are required to make sure that core financial transactions in the scheme are processed promptly and accurately throughout the scheme year. Core financial transactions include investing your contributions, allocating your investments, paying benefits and transferring funds into and out of the scheme.

The trustees recognise that delay and error can cause significant losses for members. They can also cause members to lose faith in the scheme which may in turn reduce their propensity to save and thereby impair future outcomes. We therefore operate measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed both promptly and accurately.

2.1 How we ensure that core financial transactions are processed promptly and accurately

We have appointed Aviva to administer the DC section of the scheme, including processing core financial transactions, on our behalf. We monitor Aviva's performance by reviewing governance reports at each trustee meeting. Mercer are our professional advisers. They have a workplace savings team that operates a contractual arrangement with Aviva and the team escalates concerns to us. This helps us to ensure that core financial transactions are processed promptly and accurately.

We have service level agreements in place with Aviva set by Mercer, our advisers, which require the administrator to meet all the service levels. The service level agreements set out the range of services to be delivered and the expectations around the accuracy and timeliness of all core financial transactions including contributions processing, investment transactions and payments in and out. The service level agreements also cover areas such as website availability, scheme documentation and member helpline services.

Our advisers review compliance with the service level agreements (SLAs) and can adjust them with Aviva. During the year, we monitored Aviva's performance against these agreements by reviewing quarterly governance reports provided by our advisers.

Most SLA measures achieved levels above target and where they fell below, they were still within tolerance levels. Total platform level (Website and Helpline) SLAs ranged between 95.6% and 98.2%. Total scheme-specific SLAs (member processes such as investment transactions, payments in and out, contribution processing) ranged between 97.4% and 100% on a monthly basis (averaging 99.5%). The trustees were satisfied that Aviva were maintaining the level of service expected of them during the year.

Overall the service level agreements for the prompt and accurate processing of core financial transactions have been met as demonstrated in the quarterly governance reports. The helpline did not meet its SLA target for three quarters but did not breach its SLA failure point. The trustees confirmed with Mercer's MWS team that it was monitoring the situation and working with Aviva to remedy it.

We reported in 2018 that some member contributions had not been deducted and paid across entirely in accordance with the scheme rules. The remedial plan that we put in place continues. Some members opted to pay their additional contributions, matching the employer's additional contributions, in monthly instalments. The monthly instalments for some members will run until 2023.

Aviva provided its own annual assurance report AAF 01/06 as at 31 December 2019 after the year end in order for the trustees to assess Aviva's internal controls. The trustee received this in July 2020 and plan to review it at the next trustee meeting in September 2020.

Aviva's AAF 01/06 report demonstrates that they have a robust governance structure in place to ensure the prompt and accurate processing of core financial transactions. This includes daily monitoring of the scheme's bank account, a dedicated team responsible for processing contributions and peer review of all financial transactions. Our professional advisers also review this structure with Aviva. We are satisfied with the controls and risk management in place, which we monitor at each trustee meeting and look to improve on a continuous basis.

Mercer has provided the trustees with its AAF 01/06 report for 2019, which they will consider alongside the Aviva report mentioned above. The report concluded with reasonable assurance that Mercer has a sound control environment appropriate to its pension operations.

2.2 Disaster recovery plans

Disaster recovery plans are in place to ensure that where there is physical damage to the property or premises of Aviva, the data will continue to be available, accurate and secure, that core scheme financial transactions can continue to be processed accurately and promptly. Computer hardware and software is maintained and data will regularly be backed up and tested.

2.3 Contribution processing

Each month the Company sends a file to Aviva which details the contributions that have been deducted and paid to the scheme for each member. The contributions are paid ahead of the statutory deadline and this is monitored by the Trustees through the quarterly governance reporting. Aviva will also notify the Company if contributions cannot be allocated. All contributions have been paid within statutory deadlines this year.

During the year, the trustees asked the scheme auditor:

- to check that a sample of members' contribution deductions between December 2013 to December 2018 had been made in line with scheme rules and that the timing and amounts paid were in line with legislative requirements;
- to check that Aviva's administration manual was consistent with the scheme deed and rules, and
- to check a sample of DC retirements and transfers out between January 2012 and December 2017 to compare the value of the retirement benefits or transfer value, respectively, to the value of the members' funds using investment information provided by Aviva.

The outcome of this review will be reported in next year's statement.
Ultimately, based on the monitoring processes described above and the output from those processes, the trustees believe that core financial transactions were processed promptly and accurately during the scheme year.

2.4 AVCs

The DB section has AVCs for one deferred member. The AVCs are a closed arrangement and no contributions are paid into the funds. There were no payments to members for these AVC arrangements during the scheme year. The balances and transactions are audited by the scheme's auditor at the end of each scheme year and are compared to statements from the AVC provider. The AVCs were transferred from Equitable Life to Utmost Life on 1 January 2020.

The trustees also note that the member participating in this AVC arrangement receives an annual benefit statement in line with statutory provisions confirming the amounts held in the member's account and the movements in the year. The AVC provider reports any delay in settling benefits to the trustees; no significant concerns have been raised.

3 Costs and charges

Investment costs such as annual management charges and any transaction costs can have a material impact on your pension savings. We receive regular reports from our investment advisers setting out the investment fees for the scheme's funds. We then assess whether these represent good value for members in line with statutory guidance.

3.1 Administration charges

In all DC pension schemes, members pay charges for a range of services associated with scheme governance and management, investment, administration and communications. Charges known as the annual management charge are deducted as a percentage of member pots. Minor additional expenses such as audit and legal fees are also incurred to form a total expense ratio (TER).

Note All the funds named in tables 3.1.1, 3.1.2 and 3.1.4 below are prefixed Aviva Pension Mercer. For example the full name of the first fund listed below is Aviva Pension Mercer Growth/ Balanced Risk. The first three words have been omitted from the fund names shown so that the essence of each fund is clearer.

3.1.1 Default investment option

The default investment option has an investment growth phase for members who are more than eight years from retirement age. The total annual management charge for this phase is 0.49% per annum of a member's assets. The total annual management charge for members in the pre-retirement phase (within eight years of retirement age) ranges from 0.50% to 0.55% per annum, depending on how close a member is to retirement age. The default investment option now targets income drawdown at retirement. Details of the applicable charges are set out below.

Fund name	Total expense ratio	Transaction costs
Growth / Balanced Risk	0.49%	0.1698%
Target Drawdown 2028	0.49%	0.1702%
Target Drawdown 2027	0.50%	0.1651%
Target Drawdown 2026	0.52%	0.1600%
Target Drawdown 2025	0.53%	0.1550%
Target Drawdown 2024	0.54%	0.1499%
Target Drawdown 2023	0.55%	0.1448%
Target Drawdown 2022	0.55%	0.1302%
Target Drawdown 2021	0.54%	0.1156%
Target Drawdown 2020	0.54%	0.0999%

3.1.2 Alternative retirement options targeting annuity or cash (non-default arrangements)

The scheme offers two alternative retirement options, one targeting a cash benefit and the other targeting annuity purchase. Details of the applicable charges are set out below.

Fund name	Total expense ratio	Transaction costs
Growth / Balanced Risk	0.49%	0.1698%
Target Annuity 2028	0.49%	0.1702%
Target Annuity 2027	0.49%	0.1488%
Target Annuity 2026	0.47%	0.1275%
Target Annuity 2025	0.46%	0.1062%
Target Annuity 2024	0.45%	0.0851%
Target Annuity 2023	0.44%	0.0641%
Target Annuity 2022	0.42%	0.0440%
Target Annuity 2021	0.42%	0.0239%
Target Annuity 2020	0.42%	-0.0056%
Target Cash 2028	0.49%	0.1702%
Target Cash 2027	0.48%	0.1519%
Target Cash 2026	0.46%	0.1337%
Target Cash 2025	0.45%	0.1156%
Target Cash 2024	0.43%	0.0976%
Target Cash 2023	0.42%	0.0759%
Target Cash 2022	0.40%	0.0542%
Target Cash 2021	0.39%	0.0325%

The trustees are making efforts to obtain charges and costs for the Aviva Pension Mercer Target Cash 2020 Fund which were unavailable at the time of writing. No member assets were invested in this fund/strategy during the scheme year.

3.1.3 Core funds

There is a range of core funds that you can choose from, which our investment adviser has rated highly. The annual management charges for these funds range from 0.39 to 0.49% per annum.

3.1.4 Self-select funds (non-default arrangements)

There are also additional funds, which attract annual management charges between 0.31% and 1.20% per annum. Details of these charges are set out below.

Fund name	Total expense ratio	Transaction costs
Active Emerging Markets Equity	1.20%	0.4490%
High Growth / Higher Risk	0.50%	0.1698%
Growth / Balanced Risk (without retirement de-risking)	0.49%	0.1698%
Moderate Growth / Moderate Risk	0.50%	0.1299%
Diversified Retirement	0.51%	0.1297%

Fund name	Total expense ratio	Transaction costs
Defensive / Lower Risk	0.45%	0.0799%
Passive Over 5 Year Index Linked Gilt	0.32%	0.0638%
Passive Shariah	0.59%	0.0510%
Inflation Linked Pre-Retirement	0.36%	0.0272%
Passive Overseas Equity (currency hedged)	0.34%	0.0190%
Passive Emerging Markets Equity	0.54%	0.0137%
Cash Retirement	0.37%	0.0109%
Cash	0.32%	0.0109%
Annuity Retirement	0.40%	0.0038%
Pre-Retirement	0.36%	0.0017%
Passive Overseas Equity	0.31%	-0.0012%
Passive Over 15 Year Gilt	0.32%	-0.0325%

3.2 Transaction costs

In all DC pension schemes, a further layer of costs is incurred when contributions are invested. Aviva have a duty to provide transaction cost information to the trustees. Transaction costs are costs that fund managers pay when buying, selling, borrowing or lending the assets that make up the scheme's assets. Transaction costs should be calculated via the so-called "slippage methodology" which measures the market value prior to a trade, and the value of the assets once the trade has been made. These costs are set out in the table above.

The trustees note that there are challenges in assessing transaction costs. Particularly, there are currently no industry-wide benchmarks nor related methodology for transaction costs leading to some curious results, most notably negative transaction costs. These can occur when timing differences mask some or all of the costs of a transaction. The trustees will continue to monitor developments in assessing and benchmarking these costs and seek to have them applied in future value assessments.

Trustees are required to present the costs and charges typically paid by a member as a "pounds and pence figure".

In preparing illustrations to support the disclosure of charges to members, we aim to produce the range of illustrations required to comply with the regulations and also to enable members to understand the cumulative effect over time that charges and costs have on their benefits. Aviva have sought input from the Department for Work and Pensions (DWP) regarding their preparation of the illustrations that we have used. Our illustrations take account of the statutory guidance.

Cumulative illustrations in respect of the default arrangement and self-select arrangements are set out below. The illustrations have been populated in accordance with the DWP guidance using scheme specific information and real terms investment return gross of costs and charges.

Taking key elements in turn:

- **Duration:** We have assumed a 50-year term to comply with the requirement in paragraph 52 of the statutory guidance to base the term on the youngest member to the date of their retirement;
- **Pot size:** We have chosen to illustrate a starting pot size of zero as this is typical of the starting pot size of the youngest member. We have not illustrated the median pot size as the youngest members do not hold the median pot size when they join the scheme. Taking a median pot size approach would overstate both projected benefits and the charges taken over the term to retirement;
- **Contributions:** The scheme contains members with a wide range of salaries so we have not used an average, medial or modal contribution rate. We have illustrated a contribution of £100 per month to allow members to calculate the approximate impact of charges based on their own circumstance;
- **Range of funds:** To ensure that we cover a sufficient range of funds with different rates of charge and return we have illustrated:
    - most expensive fund
    - cheapest fund
    - highest growth rate fund
    - lowest growth rate fund
    - five most popular funds.

3.3 Cumulative illustrations of the costs of the default and self-select arrangements

3.3.1 What is this illustration for and how could it help you?

The information in this document shows you how costs and charges can affect your pension savings. This information can help you plan for your retirement. The figures shown in it are not personal to you and do not show the actual pension benefits you could get from the pension scheme.

Your pension scheme benefits depend on many things such as contributions from you or your employer, how your investment funds have performed, and costs and charges. You may get back less than you put in.

3.3.2 How charges affect your pension scheme's investment funds

On pages 11 and 12 the tables show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. The table on page 11 shows typical funds for your pension scheme. The table on page 12 shows funds with different growth rate assumptions and charges.

Under each investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two you can see how much the charges over the years will impact your pension fund. So, for example, if you started your pension at age 30 and expect to retire at 65, the figures at the end of year 35 would give an idea of what a monthly investment of £100 might produce based on the assumptions about growth rate and costs and charges. The next page lists some further assumptions.

Illustration of the effect of cost and charges for typical funds
within the Toolbank Retirement Benefits Scheme

Aviva Mercer fund name		Growth/ balanced risk		Target drawdown 2023		Target drawdown 2024		Target drawdown 2026		Cash retirement	
Aviva Mercer fund id		FPMIP3P		FPMETD3P		FPMETD4P		FPNBMTD2026		FPMECARP	
Assumed growth rate %		4.6%		3.0%		3.2%		3.4%		1.5%	
Assumed costs & charges %		0.76%		0.79%		0.79%		0.78%		0.38%	
Projected £ value before costs and charges		↓		↓		↓		↓		↓	
Projected £ value after costs and charges			↓		↓		↓		↓		↓
at end of year →	1	1,200	1,190	1,190	1,180	1,190	1,190	1,190	1,190	1,180	1,180
	2	2,420	2,400	2,390	2,370	2,390	2,370	2,390	2,380	2,350	2,340
	3	3,670	3,630	3,590	3,540	3,600	3,550	3,610	3,560	3,510	3,490
	4	4,950	4,870	4,790	4,720	4,810	4,740	4,830	4,760	4,650	4,620
	5	6,250	6,130	6,010	5,890	6,040	5,920	6,070	5,950	5,790	5,730
	10	13,200	12,700	12,200	11,700	12,300	11,800	12,400	11,900	11,300	11,100
	15	20,800	19,600	18,500	17,400	18,700	17,700	19,000	17,900	16,500	16,100
	20	29,300	27,000	24,900	23,000	25,400	23,500	25,900	24,000	21,500	20,800
	25	38,700	34,900	31,500	28,500	32,300	29,300	33,200	30,000	26,300	25,100
	30	49,000	43,300	38,300	34,000	39,500	35,000	40,700	36,100	30,800	29,200
	35	60,500	52,300	45,300	39,400	46,900	40,700	48,600	42,200	35,100	33,000
	40	73,200	61,900	52,400	44,600	54,600	46,400	56,800	48,400	39,200	36,600
	45	87,300	72,000	59,700	49,800	62,500	52,100	65,400	54,500	43,200	39,900
	50	103,000	82,900	67,200	55,000	70,700	57,700	74,400	60,700	46,900	43,000

Assumptions

It's important to understand how much or how little difference charges make to your pension pot. We can't predict exactly what will happen so we've had to make some assumptions. The values shown in the tables above and on the next page are estimates and not guaranteed.

These assumptions are:

- We've assumed someone doesn't have anything in their pension pot when they start saving. Contributions are assumed to be paid £100 monthly increasing in line with assumed earnings inflation of 2.5% each year;
- The figures illustrate the future pension pot value in `today's money' which means they take inflation into account by discounting values at 2.5% a year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in `today's money';
- Transaction costs may not have been included where data was not available from the fund managers.

Illustration of the effect of cost and charges for funds with different growth rates and charges within the Toolbank Retirement Benefits Scheme

Aviva Mercer fund name		Cash		Passive over 15-year gilt		Passive emerging markets equity		Active emerging markets equity	
Aviva Mercer fund id		FPMCASHP		FPMP15GP		FPMPEMEP		FPMAEMEP	
Assumed growth rate %		1.5%		2.5%		5.0%		5.0%	
Assumed costs & charges %		0.33%		0.29%		0.55%		1.68%	
Projected £ value before costs and charges		↓		↓		↓		↓	
Projected £ value after costs and charges			↓		↓		↓		↓
at end of year →	1	1,180	1,180	1,190	1,180	1,200	1,200	1,200	1,190
	2	2,350	2,340	2,370	2,370	2,430	2,420	2,430	2,390
	3	3,510	3,490	3,560	3,540	3,700	3,660	3,700	3,600
	4	4,650	4,620	4,750	4,720	4,990	4,930	4,990	4,820
	5	5,790	5,740	5,930	5,890	6,310	6,220	6,310	6,040
	10	11,300	11,100	11,900	11,700	13,400	13,000	13,400	12,300
	15	16,500	16,100	17,800	17,400	21,500	20.500	21,500	18,800
	20	21,500	20,900	23,700	23,100	30,500	28,800	30,500	25,600
	25	26,300	26,300	29,700	28,600	40,700	37,800	40,700	32,500
	30	30,800	29,400	35,600	34,100	52,300	47,700	52,300	39,800
	35	35,100	33,300	41,500	39,500	65,300	58,500	65,300	47,300
	40	39,200	36,900	47,500	44,800	79,900	70,400	79,900	55,100
	45	43,200	40,300	53,400	50,100	96,500	83,500	96,500	63,200
	50	46,900	43,500	59,300	55,300	115,000	97,900	115,000	71,600

3.3.3 Some important things to remember

Your scheme will offer other funds to those illustrated, with different growth potential and different charges, and may also offer some form of lifestyling investment approach. If you have selected the lifestyling investment approach your pension pot will automatically be moved into different funds as you approach your retirement date and your scheme literature will provide details of how this works. As the individual funds used in a lifestyling approach have different growth potential and different charges, the overall growth rate and overall charge will change over time.

For these reasons, we have shown a range of funds with a range of charges which are available to you and which could apply to your pension pot during the life of your plan. A personal projection of your pension pot is included in your annual benefit statement and you should read that to get an individual view of your projected pension benefits. You'll also find details of the actual charges applicable to your funds in your scheme literature.

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The figures shown here:

- Shouldn't be used to make investment decisions. If you need to do that, we recommend that you take financial advice;
- May not be relevant to your personal circumstances. Your money may be invested in different funds, for example.

The illustrations were supplied by Aviva and the information above is only intended to be illustrative and members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices. In particular, the values shown are estimates based on a number of assumptions and are not guaranteed. Members should refer to www.aviva.co.uk/scheme/toolbank for more context about the characteristics (as opposed only to cost) of investment options and take independent financial advice as appropriate when making decisions.

3.3.4 AVCs

The DB section AVCs were invested in Equitable Life's With-Profits Fund up to 31 December 2019 and then subsequently invested in Utmosts's Secure Cash Fund from 1 January 2020. The charges and transaction costs for Equitable Life's With-Profits Fund for the year to 31 December 2019 are shown below (annual costs were disclosed by Equitable Life on a quarter end basis so the trustees were unable to obtain costs and charges relating only to the 1 February 2019 to 31 December 2019 period).

	Fund management charge (p.a.)	Total transaction cost
Equitable Life With-Profits Fund	1.00%	1.04%

The Utmost Secure Cash Fund charges 0.50% p.a. for annual management. We have not received the transaction cost information for the period from 1 January 2020 to 31 January 2020. However, the trustees will continue to request this information from Utmost at regular intervals along with disclosure of the reasons why the information hasn't been produced so far. The trustees will report on any missing data as soon as the information is available on the fund's website and the data will also be included in the Chair's statement for 2020/21.

4 Value for members

We 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 scheme administration and customer service is important – low costs do not necessarily mean better value for members.

4.1 Process

The standard process for the value for members assessment is as follows:

- The trustees and their advisers review the assessment methodology to ensure it remains consistent with legal requirements, regulatory expectations, industry practice and any lessons learned from previous assessments;
- The trustees take advice on the review process from their advisers;
- The advisers are asked to assess value for money by reference to the agreed assessment methodology, publicly available information and any other benchmarking information available.

4.2 Considerations

When carrying out the value for member assessments we considered:

- costs
- fund performance
- scheme administration
- online engagement and tools
- member service and communications.

The trustees appointed an external consultant, Mercer Ltd, to benchmark the scheme's charges for value and to assess also the quality of the services to which the charges relate.

Mercer reported that the Trustees can reasonably rate the plan as good value overall in relation to member borne costs and charges using price and performance criteria. Specifically, it advised the following in relation to charges and quality:

Costs – we are happy that the estimated investment costs applied to member funds overall (ranging from 0.14% to 0.35% p.a.) are at or below the median range of fees (ranging from 0.15% to 0.76% p.a.) for comparable funds based on the scheme's size and demographics.

Fund performance – we can confirm that the default and core funds have met or outperformed their targets set by our professional advisers. In particular, the default investment option has produced returns of 19.1%, 7.9% and 9.4% over 1, 3 and 5 years when compared to the respective benchmarks of 4.8%, 4.7% and 4.6%.

Scheme administration – we believe the overall performance of Aviva's administration service in 2019 was satisfactory. Evidence to support this conclusion includes the quarterly governance reports, improved member feedback, changes in key personnel leading to improvements and efficiencies, and the administration manual reflecting the scheme rules.

Online engagement and tools – we feel that Aviva's platform provides a good variety of tools and the ability for members to manage their investments. Evidence to support this conclusion includes an online portal where members can view the value of their fund and switch their investments, a retirement forecasting tool that allows members to see their estimated retirement income and a retirement planning tool that lets members select the level of retirement lifestyle they expect compared to their estimated retirement income.

Member service and communications – the trustees continually assess and review the DC pension provision to members and are committed to improving member communications and understanding member needs. As a result, the trustees believe that they provide positive member service and communications. Evidence to support this conclusion includes; access to customer service helplines and financial education webcasts and material, a company HR and pensions service that can answer member queries, company funded financial advice for members retiring, and pension education workshops.

We consider that the charges, when considered alongside the areas above, represent good value for members.

Members cannot drawdown their funds within the scheme but must transfer them to another life company. The trustees consider that members will benefit if one entity can manage the growth, pre-retirement and post-retirement phases of their pension. The trustees are now preparing to consult members on transferring DC pension provision to a master trust.

4.3 AVCs

As part of the transition to Utmost, the trustees received investment advice on the suitability of the Utmost Secure Cash Fund and, subsequently, the Investing by Age strategy (the strategy Utmost AVCs will be invested in from 1 July 2020); this included details of the fees for these funds. The trustees continue to assess the value of these fees in future value for members' assessment.

5 Our knowledge and understanding

The scheme's trustees are required to maintain appropriate levels of knowledge and understanding to run the scheme effectively. Each trustee must:

- be conversant with the trust deed and rules of the scheme, the scheme's statement of investment principles and any other document recording policy for the time being adopted by the trustees relating to the administration of the scheme generally;
- have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding and investment of the assets of occupational pension schemes.

In addition, the trustees are also required to explain how their combined knowledge and understanding, together with the advice which is available to them, has enabled them properly to exercise their functions as trustees of the scheme throughout the scheme year.

The trustees have 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.

5.1 The Trustee Board

We recognise the importance of good scheme governance and we are committed to ensuring that we have the right skills collectively to achieve this.

We have been appointed to provide a mix of complementary skills. Some of us have been appointed by the company:

- John Christie

A non-executive director of Dormole Limited (the principal employer to the scheme) and chair of the trustees. John is a chartered accountant and former audit partner and his financial and audit background particularly helps the trustees to fulfil their funding and investment fiduciary duties.

- Steve Clemson

A director of Dormole Limited and long serving trustee. Steve is the managing director of C.A. Clemson & Sons Limited (an employing company of Dormole Limited) and brings extensive commercial experience that strengthens the trustees' relationship with Dormole Limited.

- Jonathan Reynolds – Capital Cranfield Pension Trustees Limited

A professional trustee who is independent of the scheme and Dormole Limited. Jonathan has extensive pensions experience and before becoming a professional trustee spent many years advising pension schemes on governance and investment matters. Jonathan is a trustee of several DB and DC pension schemes and is able to offer sound guidance to the other trustees.

Other trustees have been nominated by members of the scheme.

- Andy Skinner

A director of Biz Power Tools Limited (an employing company of Dormole Limited) and an active scheme member. Andy's background in sales and business development assists the trustees in their relationship with advisers and scheme members. As a scheme member, Andy helps the trustees to act in the best interests of members.

- Nic Hale

A retired sales and marketing manager of Toolbank (an employing company of Dormole Limited) and a pensioner scheme member. Nic's experience of contributing as an active scheme member and moving through the retirement process enables him to assist the trustees in communicating member options and improving their scheme experience.

During the scheme year, the trustees were supported by a scheme secretary.

- Pensions manager

Up until 31 August 2019 Rick Lower was group pensions manager of Dormole Limited. Rick's background is in pension administration, secretarial services and in-house pensions management. Rick oversaw the organisation of each trustee meeting, ensured the scheme's governance activities were carried out and the trustees' knowledge and understanding requirements were met. Rick resigned with effect from 31 August 2019. Pinsent Mason Pensions Services was appointed to replace Rick with effect from 12 August 2019 to cover the services of pensions manager and scheme secretary. Pinsent Mason Pensions Services' contact details are at the end of this statement.

5.2 How we have ensured good knowledge and understanding during the scheme year

5.2.1 Trustee training programme

The training programme includes training on trustee powers, responsibilities, legislation, scheme rules, internal controls and investments. It is co-ordinated by the scheme secretary and is delivered by our advisors. This is effective because it ensures the trustees are reminded of their responsibilities and are kept up to date with the latest legislative requirements.

The Trustees undertook a number of activities during the year that involved detailed consideration of pensions and trust law, the scheme's governing documents and investment principles. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Discretionary powers which covered exercising of trustee discretion over death benefits payable including case studies (March 2019)
- Trustee responsibilities covering trustee powers, balance of powers, governance and administration (June 2019)
- General Data Protection Regulation (GDPR) policies and practices (June 2019)
- Investment training on environmental, social and governance (ESG) factors (June 2019)
- Essential pensions legislation including how legislation interacts with the scheme rules and an overview of member benefits and options (September 2019)
- New requirements on additional policies (including ESG) in the Statement of Investment Principles. The SIP was updated prior to 1 October 2019.

In addition, the Trustees receive regular updates from their advisers on the latest regulatory requirements and industry trends; in particular they are provided with a quarterly 'DC news & views' by their DC adviser which is included in the trustee meeting packs with topics discussed at the meeting where relevant.

The training programme is based on the results of the trustees' self-assessment where knowledge gaps or improvements have been identified. Further detail on this process is set out below.

5.2.2 Training record and self-assessment

We have created, maintain and monitor a training record with the support of the scheme's professional advisers. This lists the training completed by each trustee and is reviewed quarterly to ensure it is up to date.

Any knowledge gaps identified by either these reviews or annual self-assessment are addressed with our advisers who deliver bespoke training.

During the year the Trustees assessed their performance with the help of their scheme secretary and in line with their scheme objectives and calendar. They each answered the following questions:

- In what areas have we made most progress as a trustee board over the last two years?
- What have we done well?
- What are the main lessons learned that we should take into the next two years?
- What areas of our effectiveness should we focus on as a Board in the next two years?
- What do we value most about trustee X?
- Trustee X is most effective when…
- Trustee X would be more effective by…

The trustees reviewed the outcome of their assessment in December 2019 and as a result held an away day in February 2020 when Mercer, their advisor, provided training on buy-ins and buy-outs and their implications. The Trustees received an update on master trusts at the away day.

Trustees are also able to attend external training events to enhance their knowledge and understanding.

5.2.3 New trustee induction process

John Christie and the scheme secretary take responsibility for ensuring that new trustees receive a comprehensive induction. This is carried out internally and covers:

- overview of DB and DC sections
- scheme funding
- scheme DB and DC investment strategies
- trustee and company balance of powers
- contributions and member journey
- retirement outcomes.

There were no new member nominated or employer nominated trustees appointed during the scheme year.

New trustees also have the opportunity to attend a new trustee training session led by a professional adviser. This covers the following:

- Scheme funding
- Scheme investments
- DC governance

New trustees are required to complete The Pensions Regulator's (TPR's) online trustee toolkit within six months of becoming a trustee. All trustees have completed TPR's trustee toolkit including its DC modules.

5.2.4 Advisers

The scheme's professional advisers have experienced teams that specialise in advising trustees of occupational pension schemes. They provide us with actuarial, investment, consultancy and legal advice, and with training.

Advisers provide us with significant support at trustee meetings and outside the trustee meeting cycle in respect of current issues and issues on the horizon. This helps to inform the topics for our trustee training programme.

5.3 How we demonstrate a good working knowledge

The trustees have access to the services of a range of professional advisers. All trustee decisions are supported by professional advice where required, including professional advisers attending trustee meetings. Advice from our advisers and training, combined with the training record and new trustee induction process described above, helps to give the trustees a good working knowledge of:

- the scheme's trust deed and rules
- the scheme's statement of investment principles (SIP)
- trustee policies
- pension and trust law
- the funding and investment of occupational DC schemes.

In particular:

- The trustees and the scheme's professional advisers regularly review the appropriateness of policies, practices and the trust deed and rules to ensure that they meet the latest legislative requirements and regulatory standards and that scheme documents are up to date and fit for purpose;

- A review of the register of interests is undertaken at each trustee meeting;
- In the scheme year the trustees reviewed and updated as necessary their General Data Protection Regulation (GDPR) policy and privacy notice, and internal dispute resolution procedure (IDRP) process. The policy and process are reviewed annually. The privacy policy and data protection policies were reviewed in June 2020 and the IDRP will be reviewed in September 2020;
- The trustees' investment advisor attends all trustee meetings which helps to support a working knowledge of the SIP and the relevant principles of funding and investment of occupational pension schemes;
- A review of the SIP (as described later in the statement) is undertaken with professional advisers, which supports a working knowledge of the current document. During the scheme year the SIP was reviewed and updated to take into account the environmental, social and governance (ESG) requirements;
- All trustees are expected to read and understand the scheme's key documents and current policies;
- The trustees' legal adviser, Pinsent Masons, attends trustee meetings to provide updates and training which helps to support a working knowledge of the law relating to pensions and trusts. During the scheme year Pinsent Masons provided training on trustee powers, trustee responsibilities and benefit options. In addition Pinsent Masons and Mercer each provide regular briefings on current issues including legal changes affecting pensions.

All of this means we have the combined knowledge and understanding to properly exercise our roles and responsibilities as the trustees of your scheme:

- we are able to challenge and question advisers, committees and other delegates effectively
- trustee decisions are made in accordance with the scheme rules and in line with trust law duties
- trustees' decisions are not compromised by such things as conflicts.

The Trustees undertook a board effectiveness review in December 2019. This concluded that scheme governance would be strengthened were each agenda item to include an executive summary and were the trustees to meet occasionally less formally between their quarterly meetings when topics needed to be explored more fully, for example buy-outs.

Considering

- the range of experience of the trustees
- training to address needs identified through self-assessment
- induction training
- advice from professional advisers

we are confident that our combined knowledge and understanding enabled us to properly exercise our functions as trustees throughout the period.

6 Information for members

If you have any questions about this statement or the scheme generally, please contact Pinsent Masons Pensions Services, secretary to the trustees:

The Secretary, Pinsent Masons Pensions Services,
55 Colmore Row, Birmingham, B3 2FG

0121 626 5740

dormole@pinsentmasons.com

This statement has been produced in agreement with the other trustees of the scheme.

You can find the latest Chair's statement on the Aviva website at https://vfm.aviva.co.uk/toolbank/.

John Christie

John Christie
Chair of the trustees of the Toolbank Retirement Benefits Scheme

24 August 2020