August 2007 • Issue 21

ITB Pension News

The newsletter for members of The ITB Pension Funds

Summary of the Trustees' Report and Financial Statements 2007

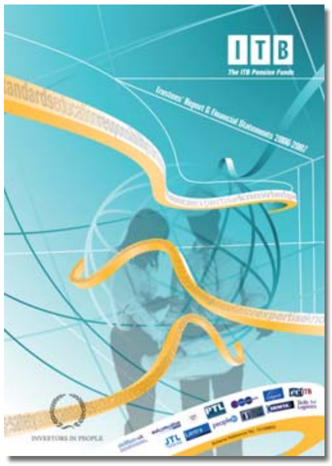
Chairman's Statement

I am delighted to introduce this my first statement as Chairman of the ITB Pension Funds. I am equally pleased to report that under the stewardship of your Trustees the Open Fund remains in a healthy position and in partnership with our Participating Employers who sponsor the Scheme, it continues to offer defined benefit (salary-linked) pension arrangements to current members and is still open to new employees. Notably, this is at a time when many similar schemes in other industries have either been wound-up or closed to new members by their sponsors, because of their concern with the rising and uncertain costs of pension provision associated with salary-linked schemes.

"…the Open Fund remains in a healthy position…"

We continue to operate in an increasingly regulated environment that is becoming ever more challenging and complex as pension schemes become subject to an even broader range of laws, regulations and standards. This pace of legislative change has significantly altered the environment in which pension schemes nowadays operate. As detailed in the March 2006 edition of the Funds' newsletter 'Pension News' the Government introduced in the Finance Act 2004 a unified tax regime that applied to all types of pension scheme from 6 April 2006. It effectively swept away the previous tax rules that stretched across a number of different regimes on benefit provision and replaced them with one new regulatory regime. For the most part it was good news for our members, with perhaps the single most important change being the introduction of the Lifetime Allowance (LTA). This places a capital value on your pension benefits with a limit on total benefits which is £1.6 million with effect from 6 April 2007. In short, if you commenced drawing your pension after 6 April 2006 your pension is multiplied by 20 to arrive at its capital value and if you commenced receipt of pension before then it is multiplied by 25. One significant consequence of this change is that a vast majority of members and pensioners will no longer be subject to any Inland Revenue limits restricting the amount of pension they can receive from the ITB Funds. The preparatory work undertaken for this by your Trustees and the Funds' Office attained the desired result of having all the required changes arising from this legislation being implemented on the due date.

The Pension Protection Fund (PPF), which was introduced by the 2004 Pensions Act, has now been in existence for some two years. It is designed to protect scheme members from the loss of their pension rights in the event that a sponsoring employer becomes unable to meet its pension obligations to its pension scheme. However, the benefits available from the PPF have certain limitations applying. The PPF is funded by an annual levy which it imposes on all pension schemes, part of which is on a risk based assessment and is important because an employer's high risk assessment would result in a higher levy being due to the PPF. I am happy to report that the ITB Open and Closed Funds PPF levy is at the lower end of the payment scale reflecting the view that the ITB Funds are regarded as being at the lower end of the risk scale for pension funds.



Additionally, scheme trustees are now being required to monitor the financial strength of sponsoring employers and their individual ability to meet their ongoing contribution obligations to their pension schemes is one of the main requirements of The Pensions Regulator (the UK regulator of work-based pension schemes, whose top priority is to tackle risks to members' benefits in UK pension schemes). This, amongst other things, involves us considering our Participating Employers' credit worthiness and their risk of insolvency, which we regularly do with our specialist advisers in this area of financial analysis. *cont. on page 2*

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Chairman's Statement

cont. from page 1 I am able to report that during the last review year all the Participating Employers continued to meet their contribution requirements to the ITB Pension Funds and there has been no matter to report to the Pensions Regulator. However, given the economic climate in which our Participating Employers operate, employer solvency cannot be taken for granted and thus will remain a key issue for your Trustees as we are keen to ensure that the Open Fund remains in a healthy condition.

The Open Fund's investment portfolio turned in a year of reasonable results on the back of mixed investment returns on the equity content of the portfolio, which represents its largest sector and the gains from its investments overall helped to underpin the financial position of the Scheme. The Closed Fund also achieved a satisfactory return on its portfolio of investments. These investments are, in the main, in Government index-linked stock aimed at matching the pension liabilities as they arise for pensioners and deferred members, as there are no active members in the Closed Fund.

The Trustees' Statements of Investment Principles (SIP) sets out our approach on the investment of the assets of the two funds. We normally review these statements at least once every year and are required to consult with the Participating Employers before changing and adopting any new investment strategy. The current SIPS can be found on the ITB Pension Funds website at **www.itb-online.co.uk**.

However, whilst the investment gains made during the year have been a very welcome contribution to the overall growth in the Funds' assets, the advice of the Scheme Actuary is that it needs to be balanced by the need to increase the value of the liabilities as a result of people living longer. The impact of using assumptions that the membership will live longer translates to pensions having to be paid for longer which usually means an increase in costs. It underscores the risk of change that schemes are continually exposed to which is outside the control of scheme trustees.

Your Trustees are committed to maintaining the security of members benefits and evaluating changes such as these that have a financial impact on the Funds is a key responsibility.

Moreover, after receiving a number of requests from our Employers to introduce greater flexibility in relation to their future contribution costs by way of new lower cost pension options, we agreed to the establishment of a new lower cost salary-linked section to the Open Fund (the 2007 Section) to compliment the existing Old and New Sections. In doing so, your Trustees recognise the increased cost of pension provision may be a significant problem for some Participating Employers businesses and the need for those Employers to maintain their funding positions in order to continue to provide salary-linked pension benefits under the Open Fund.

This flexibility extended to allowing greater cost sharing with Old Section members as well as the Employers ability to switch current Old Section members to New Section benefits for future pensionable service, therefore, allowing Employers greater scope to voluntarily make decisions based on their individual circumstances. By taking early measures to maintain the funding position of the Open Fund, its long term viability can be better maintained during a period that is generally acknowledged to be challenging for salary-linked schemes.

Decisions such as these are not taken lightly, but importantly we must keep in mind that it is the Employers' commitment to the provision of salary-linked pensions as well as strong investment performance which provides the income to fund the pension benefits provided.

The Pensions Act 2004 and the Scheme Funding Regulations of 2005 set out the requirements for a new funding regime for defined benefit pension schemes by introducing Scheme Specific Funding arrangements to apply to actuarial valuations of pension schemes. These are intended to encourage pension schemes to increase funding levels and requires Trustees to use prudent assumptions in deciding the scheme contribution rates and where necessary to seek additional contributions from Employers. Your Trustees and the Participating Employers are required to agree to key elements of the funding of schemes to ensure that there are sufficient and appropriate assets to meet the benefits accrued at the valuation date and in so doing lessen the possible risk of calls on the Pension Protection Fund in the event of an Employer's insolvency.

"…investment gains made during the year… needs to be balanced by the need to increase the value of the liabilities as a result of people living longer."

Preparatory work has commenced on the triennial valuation of the Open Fund to be carried out as at 31 March 2007. The conclusion of the process is expected early next year and once approved a summary will be published in an edition of 'Pension News'. This valuation will be the first to be conducted under the Scheme Specific Funding regime and it will necessitate a new funding method to be adopted and for the Trustees to set prudent assumptions. Utilising prudent assumptions in the valuation process is consistent with the established practice of your Trustees.

The financial assessments that we have had carried out on the Open Fund in the intervening period since the last formal valuation have shown the Fund to be well placed on an ongoing basis. However, this position is exposed to the risk of changes in interest rates and market values of investments as well as inflation and, as previously mentioned, the increasing longevity of Scheme members.

As required by the new legislation, the assumptions and method to be used for a valuation will be set by your Trustees with advice from the Actuary. These are then incorporated into a Statement of Funding Principles for the consideration of Participating Employers.

The triennial valuation of the Closed Fund as at 31 March 2006 was completed during the year and it too was the first valuation of the Closed Fund to be subject to the new Scheme Specific Funding regime. The results disclosed a surplus of £20.8 million of assets over liabilities and your Trustees applied the maximum permitted by the Rules to provide special increases in pensions for pensioners, deferred pensions and dependants of the Closed Fund payable with effect from 1 January 2007. These increases are in addition to the annual pension increases paid to both the Closed and Open Funds, which for this year was 3.6% based on the increase in the Retail Price Index, where these uplifts will be paid from April 2007.

After undergoing a programme of further upgrading the Funds' website facilities 'ITB Online' **www.itb-online.co.uk** and 'MyITB' **www.myitb.com** have been deployed and provide an even more comprehensive service for all categories of membership. These facilities form an integral part of your Trustees' commitment to member communication. The 'ITB Online' site is an easily accessible resource for information about the Funds and the new key feature of this site is the individually tailored content it provides. Amongst the new features of our interactive pension modelling website 'MyITB' are the new facilities which enable deferred members to model their pension and create instant on-line benefit statements in a similar manner to active members and pensioners to check on-line versions of their monthly payslips, annually issued P60's and check the amount of their spouse's pension that could become payable. The 'MyITB' site employs access security measures of internet banking standards and includes a variety of anti-fraud measures in order to protect the integrity of our members' information.

In this and all other matters of the Funds' operations it is important for me to give special mention to the Funds' Office staff headed by their Director, Vincent Gordon. In them we have a vital but small team of committed individuals who provide us all with tremendous support and their role is critical in a service business such as the ITB Pension Funds. Their contribution is highly appreciated.

The year has been characterised by a number of significant actions which have helped position the Funds more favourably for the future and I have been fortunate indeed to work with fellow Trustees who take decisions objectively and in the interests of the Funds. Their diverse and wide ranging business experience has proved invaluable and I would like to express my gratitude to all of them for their assistance throughout the year.

Lastly, I reserve special mention for George Beveridge, who, on 31 March 2007 stepped down from his role as Employers' Deputy Chairman after serving the Funds for over 12 years. It has been my privilege to have worked with George on the Board of Trustees for 5 years. We also served together on the Management Panel and Investment Committee. His strategic thinking and depth of knowledge and experience have all been important to the development of the Funds. On behalf of the Board I would like to thank him for the tremendous contribution he has made to the Funds and wish him a long and happy retirement.

As we move into another year it is never easy to totally predict the challenges that the Funds' and your Trustees will face. There are of course core areas that will retain our focus, such as maintaining a resilient performance from the Funds' investments. However, we conclude the current year with the Funds being well positioned and underpinned with a solid financial profile and a secure funding platform.

PETER ROGERSON OBE
Chairman of Trustees

6 July 2007

Financial Summary

	Closed fund £'000	Open fund £'000
Value of Funds at 31st March 2006	**223,087**	**591,682**
Income		
Contributions	-	8,259
Transfer values received	-	74
Income from investment	5,326	10,777
Total income	**5,326**	**19,110**
Expenditure		
Pensions and other benefits	(11,604)	(22,056)
Transfer values paid	(7)	(180)
Administration expenses	(519)	(863)
Pension Fund Levy	(24)	(82)
Total expenditure	**(12,154)**	**(23,181)**
Balance deducted from value of Funds brought forward	(6,828)	(4,071)
Net movement in market value of investments and realised gain movements	4,950	34,327
Value of Funds at 31st March 2007	**£221,209**	**£621,938**

Board of Trustees

The Trustees are individuals who administer the ITB Pension Funds in accordance with the Trust Deed and Rules for the benefit of the Members. The Trust has been set up independently from the Participating Employers businesses. The ITB Pension Funds are controlled by 18 Trustees consisting of nine Employer, seven Member and two Pensioner Trustees.

The Trustees are as follows:

Peter Rogerson, OBE ***E***
(Chairman)
Nominated by:
ConstructionSkills[1]
(Deputy Chairman of ConstructionSkills)

Jonathan Swift ***E***
(Deputy Chairman)
Nominated by:
Lantra
(Deputy Chairman of Lantra)

Ken Potter ***M***
(Deputy Chairman)
Nominated by:
JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Finance Director of JTL)

David Barnett ***P***
Nominated by:
Open Fund Pensioners
Previously Road Transport ITB
(Retired – Formerly Director General of RTITB)

Professor Tom Cannon ***E***
Nominated by:
CAPITB plc
Skillfast-UK Limited
(Chief Executive Officer of Ideopolis International)

Peter Crowther ***M***
Nominated by:
Cogent SSC Limited
(Skills Development Team Leader for OPITO[2])

Neil Davis ***E***
Nominated by:
Engineering Construction ITB
(Managing Director of Crawford Hafa Ltd)

John Edwards ***M***
Nominated by the Trade Union for:
Engineering Construction ITB
(Consultant, Product Development and Occupational Standards for ECITB)

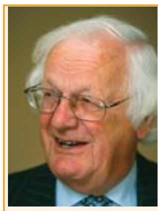
Bob Hanks ***E***
Nominated by:
Polymer Industry Education and Training Trust Limited
Automotive Skills Limited
Skills for Logistics
(Managing Director of Ian Burg Plastics Ltd)

Denis Hird ***E***
Nominated by:
JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Chief Executive of JTL)

Peter McCulloch ***M***
Nominated by Trade Union for:
ConstructionSkills[1]
(Company Development Adviser for ConstructionSkills)

Horace Parker ***P***
Nominated by:
Closed Fund Pensioners
Previously Printing and Publishing ITB
(Retired – Formerly Advisory Services Manager for PPITB)

Madge Moore ***M***
Nominated by:
Lantra
(National Director - England for Lantra)



D'Arcy Payne ***E***
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance *(Vice President of Science, Engineering and Manufacturing Technologies Alliance)*

Clare Fisher-Smith ***E***
Nominated by:
Cogent SSC Limited
(Financial Controller for Cogent SSC Limited)

Trevor Oliver ***M***
Nominated by:
Polymer Industry Education and Training Trust Limited
Automotive Skills Ltd; CAPITB Plc
Skillfast-UK Limited
Skills for Logistics
People 1st
(Technical Adviser for Polymer Industry Education and Training Trust Limited)

Simon Tarr ***E***
Nominated by:
People 1st
(Finance Director of People 1st)

Tim Mahoney ***M***
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance
(Cross Sector Funding Adviser for Science, Engineering and Manufacturing Technologies Alliance)

KEY: ***E*** - Employers' Trustees
M - Members' Trustees
P - Pensioners' Trustees

[1]ConstructionSkills is the trading name of Construction ITB.
[2]OPITO is the trading name of Cogent Sector Services Limited.

Changes to the Trustees

Member Trustees

Peter Crowther was duly appointed to commence a term as members' Trustee for Cogent SSC Limited with effect from 6 October 2006 succeeding Neville Gall who left service on 15 September 2006.

Tim Mahoney was duly appointed to become the Members' Trustee for Science, Engineering & Manufacturing Technologies Alliance with effect from 7 July 2006, succeeding Allan Whatmore who retired from service on 30 April 2005.

Employer Trustees

George Beveridge, the Employers' Trustee for Cogent SSC Limited retired from service on 31 March 2007. (Succeeded by Clare Fisher-Smith on 6 July 2007).

There were no other changes to the composition of the Board of Trustees during the year.

Chairman

The period of office of Peter Rogerson OBE as Chairman is due to end on 31 March 2009.

Deputy Chairmen

George Beveridge retired from office as Deputy Chairman (Employers) on 31 March 2007. He was succeeded in the role by Jonathan Swift on 1 April 2007.

The period of office of Ken Potter as Deputy Chairman (Members) is due to end on 31 December 2008.

Trustee Training – Induction and Updating Knowledge

All new Trustees undertake an induction program shortly after becoming a Trustee. The aim of this programme is to introduce new Trustees to the Funds' business, its operations and its governance arrangements. The induction programme includes meetings with the Director and Senior Managers at the Funds' Office in Watford. Upon appointment new Trustees are issued with personal copies of all the Funds key documentation. Also, special arrangements are made for new Trustees to attend training courses arranged by outside providers. In addition, all Trustees regularly undergo a process to identify their training needs. Based on this assessment, relevant training courses are then organised throughout the year.

Meetings

A meeting of all the Trustees is normally held at least four times a year where they are presented with detailed information by the Director, the Funds legal and actuarial advisers and by two Committees – the Investment Committee and the Management Panel – serving the Trustees. On these occasions matters of significance such as those concerning legal, actuarial, investment and administration are discussed and decisions made.

Committees

The Investment Committee, the Management Panel and the Salaries Committee are formally set up by resolution in accordance with the Rules and have carefully defined remits.

Investment Committee

The Investment Committee's remit covers the financial and investment aspects of the Funds. They are assisted as appropriate in these roles by the Trustees' Investment and other professional advisers.

During the year to 31 March 2007 the members of this committee were: Mr PG Rogerson OBE (Chairman); Mr G Beveridge; Mr KJF Potter (Joint Deputy Chairmen); Mr DC Barnett; Mr SCV Tarr; Mr J F Swift (Trustees).

Effective 1 April 2007, Jonathan Swift became one of the two Joint Deputy Chairman of the Investment Committee, following George Beveridge's retirement.

Management Panel

The Management Panel is a committee established by the Trustees to carry out research and investigation into pension matters not dealt with by the Investment Committee, making appropriate recommendations where necessary.

During the year to 31 March 2007 the members of this panel were: Mr PG Rogerson OBE (Chairman); Mr G Beveridge; Mr KJF Potter (Joint Deputy Chairmen); Mr RS Hanks (Trustee).

Effective 1 April 2007, Jonathan Swift became one of the two Joint Deputy Chairman of the Management Panel, following George Beveridge's retirement.

Salaries Committee

The Salaries Committee was established by the Trustees to deal with Human Resource issues affecting staff employed by the ITB Pension Funds on behalf of the Trustees.

During the year to 31 March 2007 the members of this committee were: Mr PG Rogerson OBE (Chairman); Mr G Beveridge (Deputy Chairman); Mr RS Hanks (Trustee).

Effective 1 April 2007, Jonathan Swift replaced George Beveridge on the Salaries Committee following his retirement on 31 March 2007.

Officers and Advisers at 31 March 2007

Officers

Director	Vincent Gordon APMI
Accountant	Dave Faulkner FCA
Communications & Benefits Manager	Dennis Matthews APMI

Advisers

Actuary	Government Actuary
Solicitors	Mayer, Brown, Rowe & Maw LLP
Investment Managers	Barclays Global Investors Limited
	Fidelity Pensions Management Limited
	Morley Fund Management Limited
	Schroder Investment Management (UK) Limited
	Henderson Global Investors Limited
Property Investment Managers	Fletcher King
Investment Advisers	Watson Wyatt Limited
	Mellon Analytical Solutions Europe Limited
Custodians	JP Morgan Chase Bank
	Barclays Global Investors Limited
	Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK LLP

**Officers from top:
Vincent Gordon
Dave Faulkner
Dennis Matthews**

Participating Employers

The Participating Employers comprise two Statutory Training Boards and eleven Companies, which are in the main commercial enterprises and, along with their wholly owned subsidiaries, are the Successor Bodies that have replaced former Statutory Training Boards.

During the year the following changes occurred: Road Haulage & Distribution Training Council withdrew from the ITB Pension Funds. The date of termination was 31 May 2006.

Skillfast-UK Limited applied to become a Principal Successor Body participating in the ITB Pension Funds in its own right. It had previously been a Subsidiary Successor Body under the auspices of CAPITB plc. The Trustees' approved this application and Skillfast-UK Limited became a Principal Successor Body with effect from 7 July 2006.

Science, Engineering and Manufacturing Technologies Alliance (SEMTA) established the National Skills Academy for Manufacturing Ltd (NSAM). With effect from 8 December 2006, NSAM became a wholly owned subsidiary of SEMTA.

The Participating Employers at the Scheme year end, each of which must be a Statutory Training Board or a Successor Body to a Training Board, are shown opposite:

Automotive Skills Limited

CAPITB plc

Subsidiaries: Global Resource Management PLC;
RTITB Limited.

Cogent SSC Limited

Subsidiaries: OPITO[1];
Skills Assurance Services Limited.

ConstructionSkills[2]

Engineering Construction ITB

JTL

Lantra

People 1st

Polymer Industry Education and Training Trust Limited

Science, Engineering and Manufacturing Technologies Alliance

Subsidiaries: EMTA Awards Limited;
Metals Industry Skills and Performance Limited (MetSkill);
Training Publications Limited;
National Skills Academy for Manufacturing (NSAM).

Scottish Electrical Charitable Training Trust

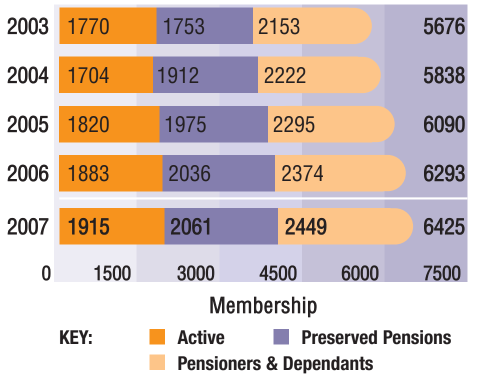
Skillfast-UK Limited

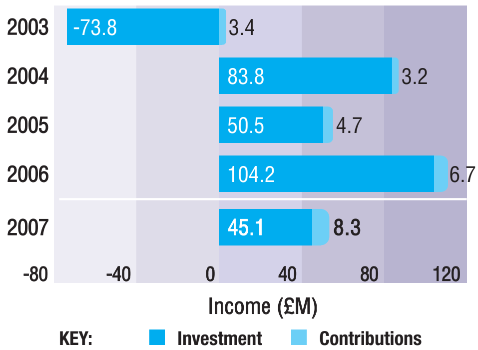
Skills for Logistics

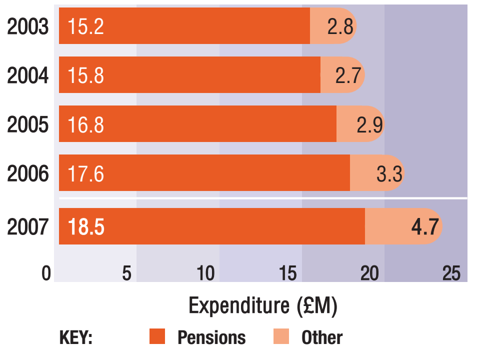
[1]OPITO is the trading name of Cogent Sector Services Limited.
[2]ConstructionSkills is the trading name of Construction ITB.

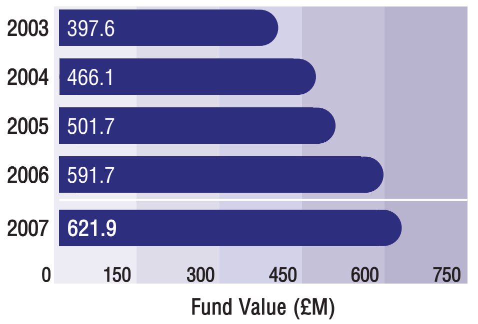
Five Year Summary

Open Fund

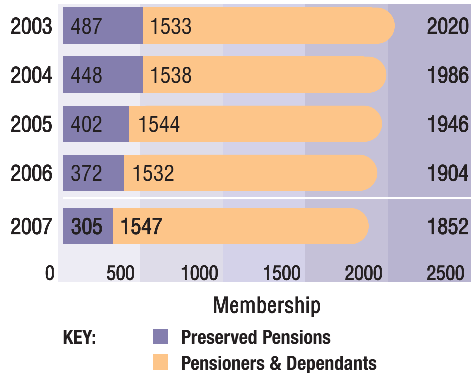


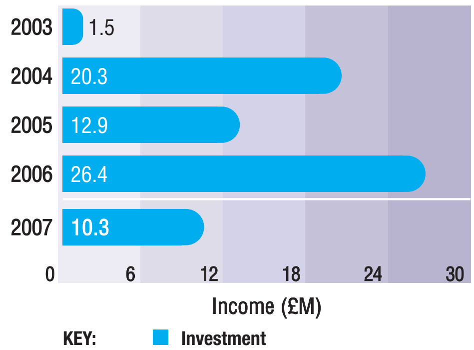


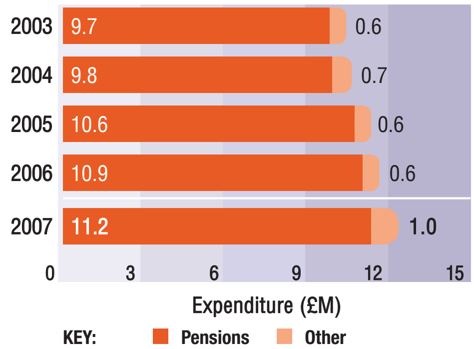


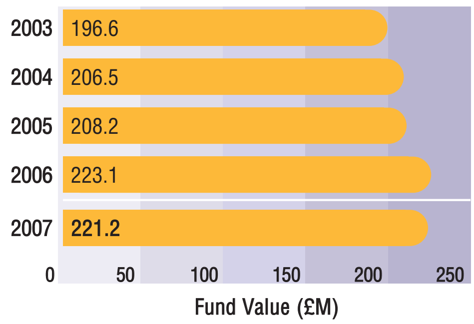


Closed Fund









Summary Funding Statement

The ITB Pensions Fund (Open Fund): Summary Funding Statement for Period ending 31 March 2004

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. The valuation of the Open Fund as at 31 March 2007 will be the first to be carried out under the new Scheme Funding requirements.

The last ongoing funding valuation

The most recent funding valuation of the Open Fund on the Minimum Funding Requirement (MFR) showed that on 31 March 2004 the funding position was as follows:

Assets	£466.1 million
MFR Funding level	The assets of the Scheme are over 120% of the amount of the liabilities of the Scheme.

The Scheme was also valued on an ongoing basis, with the results allowing a reduction in contributions for members and most employers.

The estimated amount as at 31 March 2004 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £529.7 million. Therefore, the Scheme was 88% funded on a full solvency basis as at 31 March 2004. Inclusion of this information does not imply that the Participating Employers are thinking of winding-up the scheme.

Change in funding position

The position will have changed since the previous summary funding statement was issued. The Scheme valuation as at 31 March 2007 is currently being carried out and the funding position will be considered in detail when the valuation results are available.

Payment to the participating employers

There has not been any payment to the Participating Employers out of Scheme funds in the last twelve months.

How the Scheme operates

How is my pension paid for?

The Participating Employers pay contributions to the pension Scheme so that the Scheme can pay pensions to Scheme members when they retire. Active members also pay contributions to the Scheme, and these are deducted from gross pay.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to an agreement with the Participating Employers on future contributions.

The importance of the Participating Employers' support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, success of the plan relies on the Participating Employers continuing to support the Scheme because:

- the Participating Employers meet the administrative expenses of running the Scheme;
- the funding level can fluctuate, and when there is a funding shortfall, the Participating Employers will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the Participating Employers will need to put in more money.

What is the Scheme invested in?

The Trustees' strategic target (which will be subject to periodic variation) is to invest in a broad range of assets subject to asset class limits as follows:

UK Equities	25%
Overseas Equities	25%
Fixed Interest	20%
Index Linked	10%
Property	15%
Alternative Investments	5%

Additional information

The Schedule of Contributions. This shows how much money is being paid into the Scheme.

Actuarial Valuation - The full report following the actuary's check of the Scheme's situation as at 31 March 2004.

The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (you should have been given a copy of the booklet relevant to the Section you are in when you joined the Scheme, but a further copy can be requested).

An Annual Benefit Statement – If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension, or visit www.myitb.com to view online benefits statements and model your pension.

Summary Funding Statement

The ITB Pensions Fund (Closed Fund): Summary Funding Statement for Period ending 31 March 2006

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. This statement is based on the first actuarial valuation of the Closed Fund to be carried out under the new Scheme Funding Requirements.

The last ongoing funding valuation

The most recent funding valuation of the Closed Fund showed that on 31 March 2006 the funding position was as follows:

Assets	£223.1 million
Liabilities	£202.3 million
Funding level	110%

As a result, no further contributions were required.

The results of the valuation enabled the Trustees to make a flat rate discretionary increase of 3.6% to Closed Fund benefits with effect from January 2007.

The Scheme Actuary assessed that as at 31 March 2006 the assets of the Scheme were very likely to be sufficient to pay for the liabilities in full if the Scheme had started to wind up at that date. Inclusion of this information does not imply that the Participating Employers are thinking of winding up the Scheme.

Change in funding position

The actuarial valuation of the Closed Fund as at 31 March 2006 was the first to be carried out under the new Scheme Funding requirements, which replaced the Minimum Funding Requirement. There are a number of differences between the Scheme Funding and MFR valuations, for example the Scheme Funding valuation includes a 10% additional margin for risk in the liabilities to increase the security of benefits. Therefore, the surplus disclosed as at 31 March 2006 is not directly comparable with the previous MFR funding level in excess of 120% which was quoted in last year's statement.

The flat rate discretionary increase of 3.6% to Closed Fund benefits with effect from January 2007 will reduce the funding level, but the funding level is expected to remain comfortably in excess of 100% following this increase.

Payment to the employers

There has not been any payment to the Employers out of Scheme funds in the last twelve months.

How the Scheme operates

How is my pension paid for?

The Employers and employees have historically paid contributions to the pension Scheme so that the Scheme can pay pensions to Scheme members when they retire. There are no longer any contributing members in the Closed Fund.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to a conclusion on whether the Scheme is adequately funded and if any further action is needed.

What is the Scheme invested in?

The Trustees' policy is to invest the majority of the Funds' assets in Index Linked Gilts to match the liabilities of the fund as they come due. The reserve assets are invested in a broad range of assets the majority of which are expected to be equities. Cash is held to pay the most imminent liabilities.

Additional information

Actuarial Valuation - The full report following the actuary's check of the Scheme's situation as at 31 March 2006.

An Annual Benefit Statement – If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension, or visit www.myitb.com to view online benefit statements and model your pension.

Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office at Watford. A list of more detailed documents which provide further information is shown below. Most of the documents are available on the Funds' information website 'ITB Online' (**www.itb-online.co.uk**).

Members of the Scheme can also use the Funds' secure, modelling website 'MyITB' (**www.myitb.com**) to estimate their own benefits.

The Statement of Investment Principles. This explains how the Trustees invest the money paid into the scheme.

The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2007.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

Investment Report

Statement of Investment Principles (SIPS)

The Pensions Act 1995, as amended, sets out certain requirements for Trustees of pension schemes to prepare SIPS that govern their investment decisions. Whilst the ultimate power and responsibility for deciding investment policy rests solely with trustees, they are expected to consult with participating employers about the preparation of SIPS. The ITB Pension Funds Trustees do this and they also seek advice from their investment consultants, investment managers and actuarial advisers on the broad investment principles governing the investment policy of the Funds.

The SIPS are normally reviewed at least once a year. The full versions of SIPS can be viewed by accessing the ITB website on **www.itb-online.co.uk** or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolios of investments. Their appointments are reviewed by the Trustees annually in light of quarterly monitoring of the performance and investment process.

The Trustees' investment strategy aims, over the long term, to achieve good investment growth while maintaining a secure funding position for the Open Fund. Although an overall long term strategic asset allocation is agreed by the Trustees, the Investment Managers are given individual benchmarks. The active managers are permitted to diverge from these benchmarks within policy guidelines which are determined periodically by the Trustees in conjunction with their Investment Advisers. The guidelines are reviewed by the Trustees' Investment Committee at regular quarterly meetings.

As the Closed Fund has no current Participating Employers with active Members an investment strategy has been adopted whereby the liabilities have been broadly matched by an underlying portfolio of index-linked gilts. Because of the surplus in the Closed Fund a portfolio representing the reserve assets has been established and placed in a range of investments comprising global equities and bonds.

No individual shareholding forms more than 5% of the total value of each Fund's investments with the exception of the BGI Aquilla Life UK Equity Index Fund which represents 21.8% of the Open Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Funds do not invest in any of the Participating Employers' businesses.

No investment represents more than 3% of the share capital of the Company concerned.

Pension Increases

The method by which increases apply to pensions in payment from the ITB Pension Funds is as follows:

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)	The State
Before State Pension Age the Scheme increases **total** pension by:	RPI	RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	**Nil**
After State Pension Age the Scheme increases:			
Excess over GMP by:	RPI	RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	**Nil**
For GMP accrued between:			
6 April 1978 to 5 April 1988 by:	Nil	Nil	**RPI**
6 April 1988 to 5 April 1997 by:	Lesser of 3% and RPI	Lesser of 3% and RPI	**Excess of RPI over 3%**

Enquiries about the Funds, or about entitlement to benefits should be addressed to the ITB Pension Funds, 23 King Street, Watford Herts, WD18 0BJ

Website: www.itb-online.co.uk

E-mail to: pensions@itb-online.co.uk