

# Pensionnews

## Chairman's Review

The scheme year ending 31 March 2017 has once again seen a number of noteworthy events that will either directly or indirectly affect the ITB Pension Funds.

The first matter I want to mention is Jonathan Swift standing down as both a Trustee and Chairman of the ITB Pension Funds effective 31 March 2017. Jonathan has been a Trustee since 1 April 2002 and the Chairman since 1 April 2012. As I take over the responsibilities of the Chairman, I would like to pay tribute to Jonathan for the integrity and dedication he brought to the role. Under his stewardship, the Trustee Board was able to deal successfully with the numerous challenges the Funds faced over recent years, many of which have stemmed from legislative or financial sources. He leaves the ITB Pension Funds in a good position. On behalf of the Trustee Board, the staff and members of the ITB Pension Funds I wish Jonathan a long and happy retirement.

There have also been numerous important external events, many of them a surprise to the politicians and pundits who are paid to comment on such matters. In June 2016, the UK voted in a referendum to leave the European Union. This had considerable and widespread implications for UK politics and economics, both in the long and short term as the value of the pound fell sharply, along with long term interest rates. However, having fallen in value in the days immediately after the referendum result, UK equities staged a significant and relatively long lasting rally ending the scheme year at impressive levels, contributing to a strong investment return for the year.

A further notable effect of the referendum result was the resignation of David Cameron as Prime Minister, to be replaced by Theresa May as part of a sequence of events resulting in her triggering Article 50 to start the process of leaving the EU and calling a general election for 8 June 2017.

The result of the election saw a Conservative Government returned to power with a reduced number of seats, faced with a number of complex challenges, not least of which is the need to negotiate Britain's exit from the EU.

It is against this background that the ITB Pension Funds saw a number of significant internal developments, some of which I will highlight below, with further information contained in the main body of the report.

## Actuarial

You may be aware from media coverage that defined benefit pension schemes face a challenging environment. The issues to be dealt with are varied, but they include historically low long term interest rates and increasing life expectancy. The latter is good news for individuals, but puts a strain on pension schemes because pensions have to be paid for longer than previously assumed.

During the year the Trustees, the Watford Funds' Office and a number of our advisers, were involved in completing the formal triennial valuation of the Open Fund as at 31 March 2016. A formal valuation is the process by which the financial health of a pension scheme is assessed and future contribution requirements determined. The valuation was conducted by the Scheme Actuary, Martin Clarke of the Government Actuary's Department (GAD), who advises the Trustees on assumptions about factors such as long term interest rates, membership mortality rates and the return on the Fund's assets, to estimate if the Open Fund will be able to provide all the current and future benefits due to be paid.

The outcome of the previous valuation as at 31 March 2013 was that the Fund had a deficit which required most of the employers to pay deficit reduction contributions in addition to the normal ongoing contributions.

However, as a result of a combination of these deficit reduction payments along with positive investment returns, plus CITB moving its staff to the DC Section for future service, I am pleased to report that the 31 March 2016 valuation has disclosed a small surplus.

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## Chairman's Review (cont.)

Against a background of continuing low interest rates and the majority of other DB schemes remaining in deficit, this is a very positive development. As at the 2016 valuation date, the DB Section of the Open Fund was once again fully funded on an ongoing basis.

### Open Fund Defined Benefit (DB) Investment Strategy

The Trustees have a policy of seeking to de-risk the Open Fund's investment strategy over the next 15 years or so and to move to a position where the Fund has sufficient lower risk assets to pay the benefits as they fall due, without requiring contributions from the employers.

In line with this strategy the Open Fund (DB Section) was able to move assets from higher risk categories to lower risk, liability matching investments on two occasions during the scheme year. Consequently, the de-risking strategy is now ahead of schedule and well on track to achieve the long-term target.

The Trustees, along with their investment advisers, are constantly seeking opportunities to increase the security of benefit payments from the Fund given the uncertainty of markets and increasing life expectancies.

We have taken professional advice on the best ways to protect the Fund and improve benefit security. The advice from our advisers during the year was that there were market opportunities to invest in annuities from an insurance company and to hold them alongside the Fund's other investments. Using this approach, the Trustees are still responsible for paying members pensions, but the risk of paying pensions longer than previously assumed will be insured, this is called a "buy-in". Indeed, the Trustees have already successfully used a similar approach in 2011 to significantly improve security for the ITB Closed Fund.

I can report that, following a rigorous selection process, in October 2016 the Trustees purchased two annuity policies for the Open Fund. The first was a medically underwritten policy covering the highest value pensioners with Just Retirement Limited and the second covers a portion of the remaining pensioners with Pension Insurance Corporation.

### The Defined Contribution (DC) Section

In recent years, most ITB employers have changed their policy on pension provision by only offering new employees membership of the Open Fund DC Section. During the scheme year, the majority of the employers have undergone a process of consultation and agreement with their existing DB Section members to move them to the DC Section for future service. The effect of this is that there are now very few active members in the DB Section of the Open Fund, with most members now accruing future benefits in the DC Section. The members affected will have been advised by their employer of the terms of the move to the DC Section.

The ITB Open Fund employers are following a well-established trend, as the UK has seen a significant move from DB to DC pension provision in recent years and in line with this, greater regulatory attention has focused on DC pension arrangements.

In July 2016, the Pensions Regulator issued a revised version of the DC Code of Practice – setting out the requirements and standards of governance and administration that Trustees of occupational DC schemes are recommended to attain. The Trustees assessed the Open Fund against the requirements of the revised Code and were pleased to conclude that the Fund was compliant with all of the key recommendations.

### The Closed Fund

The last formal Closed Fund actuarial valuation was in 2015 and the next one will be as at 31 March 2018.

However, every year the Government Actuary's Department conduct an interim review to check that the financial position of the Closed Fund has not changed to the extent that action is required. GAD is in the process of conducting the 2017 review, but I can report that the last completed review as at 31 March 2016 confirmed the Fund to be in good financial shape and well positioned to provide members with all their promised benefits.

### Employer Covenant

For the ITB Trustees the strength of the employers' covenant is an important factor when formulating decisions about the appropriate actuarial assumptions and investment strategy for the Open Fund DB Section. As it is such a key element of our risk assessment process, we have appointed an independent firm to advise on covenant strength and to report to us on each employer's financial position and business prospects. We work hard to understand the issues confronted by our sponsoring employers as they react to the economic and business environment. An important activity for the Trustees is to monitor their ability to meet their funding obligations to the Fund.

We reported last year that the Industrial Training Boards, CITB and ECITB, were in discussions with Government about how the apprenticeship levy proposals will affect their operations. CITB's covenant is important as it is by far the largest employer participating in the ITB Pension Funds.

However, during the year the Government announced a review of the future role of CITB and ECITB. The Trustees felt it was important that any decisions regarding the future of the two ITBs are made with a clear understanding of the implications for the ITB Pension Funds and so with this in mind, we wrote to the relevant department conducting the review. Our input was welcomed by Government and we await future developments.

## Skills for Logistics

It was reported last year that one employer, Skills for Logistics, had ceased trading and gone into liquidation. This action triggered a Section 75 debt of £2.1m; essentially the amount required from the company to meet its share of the Fund's unfunded benefit obligations. The liquidators are continuing to attempt to recover as much as possible of the company's debt to the ITB Pension Funds and other creditors. As is frequently the case with insolvent liquidations, there are a number of complex legal and financial issues to be resolved before the case is completed. However, from the information we have received to date, the Fund is likely to receive only a relatively small percentage of what it is owed.

## Trustees

The breadth of business experience, skills and diversity of thought on the Trustee Board makes a real and positive contribution to the success of our decision making on the varied and complex issues the Trustees have to contend with. I am, therefore, grateful for the support and input of my fellow Trustees.

While I have already mentioned Jonathan Swift's departure from the Trustee Board, a number of my other colleagues have also left during the scheme year or shortly afterwards. These include; Simon Tarr, the employer nominated Trustee for People 1st, Rob Sweeney the member nominated Trustee for CITB, Roisin Boyer the member nominated Trustee for People 1st and Phillip Jeffries the member nominated Trustee for ECITB.

I would like to formally thank them all for their service and contribution over the years that they acted as Trustees and wish them well for the future.

I also welcome to the Trustee Board the new Trustees replacing those leaving; Nigel Titchen as the employer member Trustee for Lantra and Brian Wisdom, the employer nominated Trustee for People 1st. We are also in the process of completing the appointments of new member nominated Trustees for CITB, ECITB and People 1st.

## Governance

The ITB Trustees have long regarded the subject of governance as a high priority. The operation and authority delegated to the three key trustee sub-committees; the Management Panel, the Investment Committee and the Salaries Committee, is reviewed regularly.

The question of conflicts of interest is likewise taken very seriously and is the first item of business at every Trustee Board and sub-committee meeting. We have a clear policy for identifying and managing conflicts that all my fellow Trustees are aware of and support.

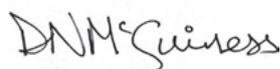
## Funds' Staff

The Funds' Office Chief Executive and Director, Vincent Gordon, and the rest of the team at the Funds' Office once again made a significant contribution to our operational success. The team strive for high standards of management and administration to provide the desired level of service to all members of the Trustee Board, the Funds' employers and to you the members, active, retired or yet to draw benefits. On behalf of my fellow Trustees I would like to thank the team for their support.

## Outlook

The Trustees feel that this past scheme year has again been an eventful one and this current year looks likely to continue in a similar vein. Political and economic uncertainty continues to influence markets and the general environment in which the Funds have to operate but we shall continue to monitor and review our investment strategy with a focus on achieving our long-term self-sufficiency target.

Many of the issues we will have to deal with are externally generated and completely outside of our control. Nonetheless, the ITB Pension Funds can approach these challenges in the best financial shape we have been in for many years.



**David Newell McGuinness**  
30 June 2017



# 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 Trustees, seven Member Trustees and two Pensioner Trustees. The Trustees at the financial year end were as follows:

## Employers' Trustees



**David Birtwistle**  
Nominated by:  
Science, Engineering  
and Manufacturing  
Technologies Alliance  
(Remuneration Committee  
Member for SEMTA)





**John Dearden**  
Nominated by:  
CAPITB Limited  
(Retired Chief Executive of  
CAPITB Limited)

CAPITB Ltd



**Terry Lazenby, MBE**  
Nominated by:  
Engineering  
Construction ITB  
(Retired Chairman of ECITB)





**John McDonald**  
Nominated by:  
OPITO Limited  
(Managing Director for OPITO  
Limited)





**Newell McGuiness**  
(Chairman from  
1 April 2017)  
Nominated by:  
Scottish Electrical  
Charitable Training  
Trust (SECTT)  
(Managing Director of SELECT)





**Tony Pringle**  
Nominated by:  
Cogent SSC Limited  
(Director of TPPLAST Ltd)





**Peter Rogerson, OBE**  
(Deputy Chairman-  
Employers)  
Nominated by:  
Construction ITB  
(Retired Deputy Chairman of  
Construction ITB)





**Jonathan Swift**  
(Chairman to  
31 March 2017)  
Nominated by:  
Lantra  
(Retired Deputy Chairman  
of Lantra)





**Brian Wisdom**  
Nominated by:  
People 1st  
(Former Chief Executive  
Officer for People 1st)



## Members' Trustees



**Roisin Boyer**  
Nominated by:  
People 1st  
(Head of HR for People 1st)





**Phillip Jefferies**  
Nominated by:  
Engineering  
Construction ITB  
(Regional Account Manager –  
EDP and SE&E)





**Martin McManus**  
Nominated by:  
Cogent SSC Limited  
(Policy & Standards Manager  
– Nuclear)





**Sarah Parkin**  
Nominated by:  
Scottish Electrical  
Charitable Training  
Trust (SECTT),  
CAPITB Limited,  
OPITO Limited  
(Finance/Administration Manager  
for SECTT)

CAPITB Ltd






**Jas Sall**  
Nominated by  
the Trade Union  
'Unite' for:  
Science, Engineering  
and Manufacturing  
Technologies Alliance  
(External Quality Assurer for  
SEMTA)





**Robert Tabor**  
Nominated by:  
Lantra  
(Director of Lantra Awards)



## Pensioners' Trustees



**Maurice Alston**  
Nominated by:  
Closed Fund Pensioners  
Previously Chemical  
and Allied Products ITB  
(Retired – formerly Senior  
Training Adviser Chemical and  
Allied Products ITB)



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

The Trustees present their annual report together with the financial statements for the year ended 31 March 2017. The financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

## Funds Constitution

The ITB Pension Funds, consisting of the Open and Closed Funds, is set up under a Trust Deed and Rules and administered by a Board of Trustees, comprising Member (including Pensioner) Trustees and Employer Trustees. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The assets of the Funds are separate from those of its Participating Employers and are held in trust by the Trustees, to apply them for paying pensions and other benefits in accordance with the Trust Deed and Rules.

## Funds Structure

The Open Fund consists of four separate sections:

- the original section of the Open Fund, known as the 'Old Section'
- the 'New Section', which was introduced on 1 September 2003
- the '2007 Section', which was introduced on 1 January 2007, and
- the 'DC Section', which was introduced on 1 April 2012.

Employees of Participating Employers may join the Open Fund subject to eligibility conditions and elections made by Employers. The benefits received by members are determined by elections made by the Employers. Six Employers have elected not to offer further DB benefits from the following dates:

- ECITB from 6 April 2016
- CITB from 1 January 2017
- Lantra from 1 February 2017
- Cogent SSC Ltd (and subsidiaries) and OPITO Ltd from 1 April 2017, and
- People 1st (and subsidiaries) from 1 May 2017.

The Closed Fund has no Participating Employers paying contributions, and it is predominantly invested in an insurance policy intended to match its liabilities.

## Trusteeship

### Appointment and Removal of Trustees

Normally, based on the current number of Participating Employers, the ITB Pension Funds is governed by 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees. Details of the Trustees in office at the year-end are shown on page 4.

Of the nine Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest average number of active members at each triennial 31 December have a right to nominate an Employer Trustee for the three years commencing on the following 1 April (or such shorter period as the Trustee Board may determine), irrespective of annual changes in active membership numbers in the period following appointment. The next head-count date is 31 December 2018. Where an Employer has one or more wholly-owned subsidiaries, those subsidiaries have no right to nominate Trustees, but the members in their employ are added to the Principal Employer's members for qualification purposes. Any successor bodies to a previous Training Board may join for the purpose of Trustee nomination and, if necessary, tally their combined membership for qualification.

The remaining Employers not large enough to appoint a Trustee on their own will co-operate in nominating a Joint Employers' Trustee. However, the only Employer that currently falls into the smaller Employer category under the Rules is CAPITB.

Active members employed by each of the six Employers with the largest number of members are entitled to nominate one Trustee each by ballot.

The exception to this is where an Employer recognises a Trade Union for negotiating terms and conditions of service. The Trade Union concerned then nominates the Trustee. The active members of all remaining Employers elect one further Joint Members' Trustee by ballot.

All Trustees are normally expected to serve a minimum of three years on the Trustee Board, subject to there being no change in any Employer's status from Large to Small Employer for nominating a Trustee at the next 31 December head-count. If so, the period of Trustee appointment will come to an end as at the following 31 March.

Open Fund pensioners and members with preserved pensions, who are not also active members of the DC Section, nominate a Trustee by ballot, as do such members in the Closed Fund.

A Trustee may resign at any time and will automatically vacate office if he or she ceases to fulfil the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The Trustees have the power by resolution to terminate a Trustee's appointment if, in their opinion, the individual concerned has been guilty of misconduct, or is otherwise unfit or unable to carry out his or her duties.

To comply with the Charges & Governance Regulations 2015, the Funds' Employer Trustees must be appointed by an open and transparent process (OTP). Consequently, any appointment or re-appointment of an Employer's Trustee of the Funds will be undertaken under an OTP and moreover, all newly appointed Trustees will have a maximum tenure of 10 years.

### Changes to the Trustees

#### Employers' Trustees

Gordon McNeil, the Employer Trustee for OPITO Ltd, tendered his resignation as Trustee on 19 February 2016. After OPITO had undertaken an OTP John McDonald was appointed to succeed Gordon McNeil on 1 April 2016.

David Birtwistle, the Employer Trustee for SEMTA, retired by rotation on 8 April 2016 and following an OTP was reappointed to serve a further term of office from 9 April 2016.

Simon Tarr, the Employer Trustee for People 1st, resigned as a Trustee on 1 September 2016. Following an OTP Brian Wisdom was appointed on 7 October 2016 to succeed Simon Tarr as Employer Trustee for People 1st.

The period of office of Jonathan Swift (Chairman of Trustees) as Employer Trustee for Lantra ended on 31 March 2017. Following an OTP Lantra nominated Nigel Titchen as its Employer Trustee, who was subsequently appointed as Trustee on 1 April 2017.

#### Members' Trustees

Reg D'Souza, the Member Trustee for SEMTA left the service of SEMTA on 31 March 2016 and Jas Sall was nominated by the trades union, Unite, to succeed him as Members' Trustee and was appointed on 1 April 2016.

As a Large Employer determined by the active member head-count as at 31 December 2015, the active membership of Cogent SSC Ltd was eligible to nominate a Members' Trustee. Following a nomination process of Funds' members at Cogent SSC Ltd, Martin McManus was appointed as Members' Trustee on 1 July 2016.

Rob Sweeney, the Member Trustee for CITB, left the service of CITB and resigned as a Trustee on 8 March 2017. David Wake was nominated by the trades union, Unite, to succeed him as a Members' Trustee and was appointed on 30 June 2017.

Roisin Boyer, the Member Trustee for People 1st, left the service of People 1st and resigned as a Trustee on 30 April 2017. Arrangements are being made to appoint a replacement.

Phillip Jefferies, the Member Trustee for ECITB, left the service of ECITB and resigned as a Trustee on 21 July 2017. Arrangements are being made to appoint a replacement.

## Trustees Report (cont.)

### Joint Members' Trustees

CAPITB Ltd, OPITO Ltd and SECTT were classified as Small Employers under the Rules as a result of the active membership head-count as at 31 December 2015, and the active members of those companies were able to nominate one of their number for the position of Joint Members' Trustee. The nominated candidate, Ms Sarah Parkin of SECTT, was subsequently appointed as Joint Members' Trustee with effect from 1 April 2016.

### Chairman of Trustees

In the nomination process for Chairman of Trustees to succeed Jonathan Swift, Newell McGuinness, the Employer Trustee for

SECTT, stood unopposed and was appointed Chairman as of 1 April 2017.

### Meetings

Trustees normally meet at least four times a year.

### Committees

The Trustees have appointed the following committees – an Investment Committee, a Management Panel and a Salaries Committee. The Investment Committee meets at least four times a year. The Management Panel meets as frequently as is required by the projects it is delegated to undertake. The Salaries Committee meets at least once a year.

## Officers and Advisers

### Officers

#### Chief Executive and Director

Vincent Gordon FPMI

#### Funds' Accountant

Dave Faulkner FCA (retired May 2016)

Mike Thorpe ACA (appointed June 2016)

#### Pensions Administration Manager

Chris Bettles DipPMI

### Advisers

#### Actuary

Martin Clarke FIA Government Actuary's Department

#### Auditor

Moore Stephens LLP

#### Covenant Adviser

CVR Global LLP

#### Investment Adviser and Performance Monitor

Lane Clark & Peacock LLP

#### Solicitors

Mayer Brown International LLP

#### Investment Managers

Allianz Global Investors GmbH

BlackRock Investment Management (UK) Ltd

Capital International Portfolios

Fidelity International

Fletcher King

GMO Funds PLC

Insight Investment Management (Global) Ltd

Investec Asset Management Ltd

Just Retirement Ltd (appointed 11 October 2016)

Legal & General Assurance Society Ltd

(DC Section and AVCs)

Longview Partners Investments (terminated  
14 December 2016)

Pension Insurance Corporation PLC

Prudential Retirement Income Ltd (AVCs)

Royal London Mutual Insurance Society Ltd (AVCs)

Ruffer LLP

Schroder Investment Management (Luxembourg) S.A.

#### Custodians

JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

## Participating Employers

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

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 below:

CAPITB Limited

Cogent SSC Limited

#### Participating Subsidiaries:

Cogent Skills Services Limited

Science Industry Assessment Service Ltd

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

#### Participating Subsidiaries:

National Skills Academy for Retail

Skillsmart Retail UK Ltd

Science, Engineering and Manufacturing  
Technologies Alliance

#### Participating Subsidiaries:

Excellence, Achievement and Learning Limited

Metals Industry Skills and Performance Limited

Training Publications Limited

National Skills Academy for Manufacturing

Scottish Electrical Charitable Training  
Trust



Vincent Gordon  
FPMI

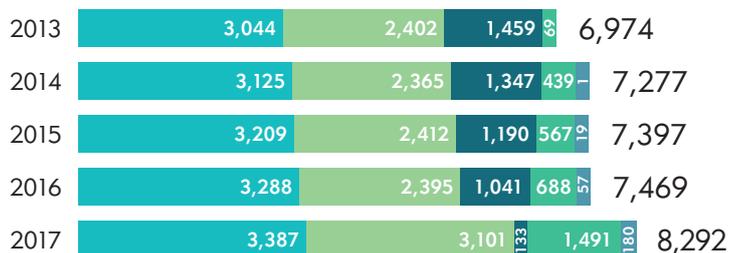


Chris Bettles  
DipPMI

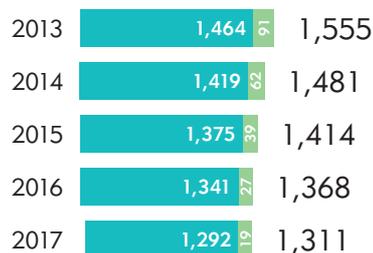


Mike Thorpe  
ACA

## Open Fund - Membership

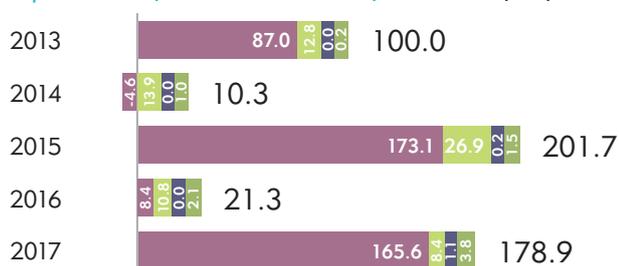


## Closed Fund - Membership



KEY: PENSIONERS & DEPENDANTS DEFERRED (DB) ACTIVE (DB) ACTIVE (DC) DEFERRED (DC)

## Open Fund (DB & DC Sections) - Income (£m)

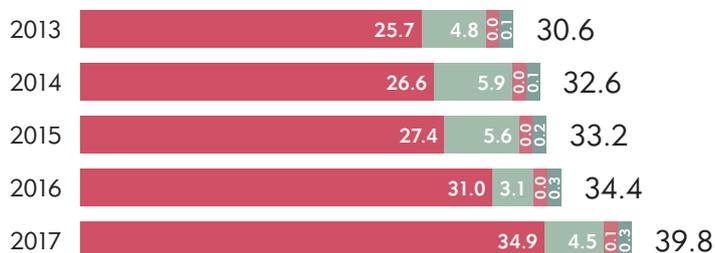


## Closed Fund - Income (£m)

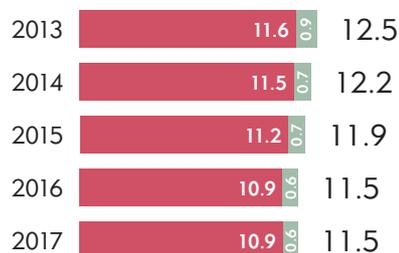


KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC) INVESTMENT CLOSED FUND

## Open Fund (DB & DC Sections) - Expenditure (£m)

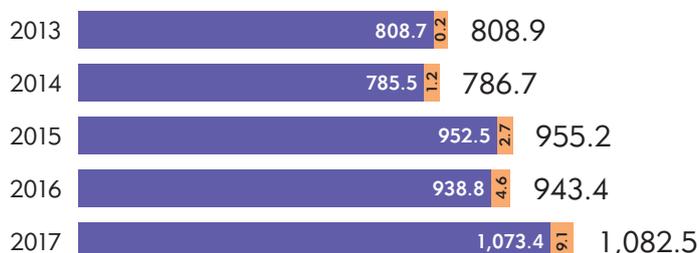


## Closed Fund - Expenditure (£m)



KEY: PENSIONS (DB) OTHER (DB) PENSIONS (DC) OTHER (DC)

## Open Fund (DB & DC Sections) - Fund Value (£m)



## Closed Fund - Fund Value (£m)



KEY: OPEN FUND (DB SECTION) OPEN FUND (DC SECTION) CLOSED FUND

# Summary Funding Statements

## The ITB Pension Funds (Open Fund DB Section): Summary Funding Statement for period ending 31 March 2016.

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 latest actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the valuation.

### The last ongoing funding valuation:

The most recent funding valuation of the Open Fund showed that on 31 March 2016 the funding position was as follows:

Assets	£942.2 million
Liabilities	£932.5 million
Funding Level	101%

The estimated amount as at 31 March 2016 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding-up (full solvency) was £1,215.8 million. Therefore, the Scheme was 77% funded on a full solvency basis as at 31 March 2016. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind-up the scheme.

### Change in funding position:

The funding level remained at 101% between 31 March 2015 and 31 March 2016.

## 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 its 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 Scheme 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
- 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 targets, as at 31 March 2016, as follows:

Global Equities	17%
Alternative Investments	23%
Property	8%
Bonds/Liability Driven Investments	50%
Cash	2%

## The Pensions Regulator:

The Pensions Regulator reviews funding of defined benefit pension schemes and has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

## Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office in 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](http://www.itb-online.co.uk)).

- Additional documents available on request or in some cases on the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk)
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Schedule of Contributions: This shows how much money is being 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 2017.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2016.
- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they 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.

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

## The ITB Pension Funds (Closed Fund): Summary Funding Statement for period ending 31 March 2016.

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 latest actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the valuation.

### The last ongoing funding valuation:

The most recent funding valuation of the Closed Fund showed that on 31 March 2015 the funding position was as follows:

<b>Assets</b>	<b>£74.3 million</b>
<b>Liabilities</b>	<b>£38.3 million</b>
<b>Surplus</b>	<b>£36.0 million</b>

In April 2011, the Trustees insured the Scheme's benefits through an insurance policy. This policy provides payments to the Scheme intended to cover benefit payments to members. The actuarial valuation of the Scheme excluded the insurance policy and the liabilities covered by it to the extent that they offset each other.

As a result of the valuation surplus, no further contributions were required. The Trustees decided to use some of the surplus to increase all members' benefits in early 2016.

Had the Scheme started to wind-up on 31 March 2015, the Scheme Actuary assessed that the assets would have been sufficient to meet the liabilities of the Scheme in full on a solvency basis at that date. This assessment is based on the understanding that the terms of the Trustees' insurance policy would remain appropriate in a wind-up. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind-up the scheme.

### Change in funding position

The Scheme Actuary carried out an interim review of the Closed Fund as at 31 March 2016. The purpose of that review was to assess how the Scheme's funding position had changed over the previous year.

The interim review showed that the surplus decreased from £36.0 million to £25.4 million between 31 March 2015 and 31 March 2016. This decrease in surplus was principally due to the granting of the increase in members benefits in early 2016.

## 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 its members when they retire. There are no longer any contributing members in the Closed Fund.

The majority of the Scheme's benefits are now covered by an insurance policy. This means the Scheme receives payments to cover most of the members' benefits and the Scheme only needs to ensure it has enough assets to cover the differences between the policy payments and members' benefits.

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 majority of the Scheme's assets are held in the insurance policy. The remaining funds are invested in a broad range of assets, including index-linked gilts, equities and cash.

## The Pensions Regulator:

The Pensions Regulator reviews funding of defined benefit pension schemes and has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

## Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office in 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](http://www.itb-online.co.uk)

- Additional documents available on request or in some cases on the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk)
- 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 2017.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2015.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2016
- If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension.

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

# Financial Summary 2017

	Closed Fund £'000	Open Fund DB £'000	Open Fund DC £'000
<b>Value of the funds as at 31 March 2016</b>	<b>189,151</b>	<b>938,782</b>	<b>4,566</b>
Income: contributions	0	8,368	3,824
Transfers from other schemes	0	0	83
Income from Investments	11,749	15,712	0
<b>Total Income</b>	<b>11,749</b>	<b>24,080</b>	<b>3,907</b>
Pensions and other benefits	(10,926)	(34,913)	(187)
Transfer values paid	0	(2,956)	(192)
Administration expenses	(575)	(1,501)	(37)
Pension Levy	(3)	(25)	0
<b>Total expenditure</b>	<b>(11,504)</b>	<b>(39,395)</b>	<b>(416)</b>
<b>Income less expenditure for the year</b>	<b>245</b>	<b>(15,315)</b>	<b>3,491</b>
Net change in market value of investments	12,663	149,925	1,005
<b>Value of Funds at 31 March 2017</b>	<b>202,059</b>	<b>1,073,392</b>	<b>9,062</b>

## Statements of Investment Principles (SIPs)

The Pensions Act 1995 sets out requirements for trustees of pension schemes to prepare and maintain a written statement of the principles that govern decisions about scheme investments. While the ultimate power and responsibility for deciding investment policy rests solely with the trustees, they must obtain and consider the written advice of a qualified investment adviser and consult the employer.

The Funds' SIPs can be viewed on the ITB website, [www.itb-online.co.uk](http://www.itb-online.co.uk), or can be obtained by requesting a copy from the Funds' Office.

Investment strategy is reviewed at least every three years, when the results of full triennial actuarial valuations are known, and will be reviewed more frequently if necessary. The strategy is monitored each quarter by the Investment Committee, which reports quarterly to the Trustee Board. The Open Fund DB section estimated funding position is monitored each day to ensure the asset allocation remains in line with the strategy, as documented in the SIP, to reduce risk when the opportunity arises.

A report reviewing institutional investment – the Myners Report – set out principles for DB pension scheme investment, which were issued in a revised format in 2008. The Trustees consider that the Funds are currently mostly in compliance with the Myners principles, and have taken action, where appropriate, to integrate the principles into working practices and procedures. In March 2017, the Pensions Regulator issued further guidance on defined benefit pension investment. The Trustees are taking advice about whether any changes to investment policy and practice are necessary as a result of the new guidance.

The Trustees have also reviewed the Pensions Regulator's revised Code of Practice No.13 – Governance and administration of occupational defined contribution trust based pension schemes, which was issued in July 2016. The code sets out the standards of conduct and practice that is expected of trustee boards in complying with their duties in relation to running a DC scheme. The Trustees consider that the Funds are currently substantially compliant with the code and have taken steps, where appropriate, to achieve full compliance.

## Introduction

This statement has been prepared by the Trustees to demonstrate how the Funds have complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It covers the year to 31 March 2017 and six key areas relating to the Open Fund - Defined Contribution (DC) Section:

- The investment strategy relating to the DC default investment option.
- The financial transactions made within the DC Section.
- The charges and transactions costs within the DC Section.
- The Trustees compliance with knowledge and understanding requirements.
- Appointment of Trustees.
- Membership Engagement.

Where applicable this statement also applies to the Additional Voluntary Contribution (AVC) arrangements.

## 1 DC Default Investment Option

The DC section was introduced in April 2012 and a comprehensive review of the arrangements was concluded in December 2014. The review took into account a membership analysis and the Trustees' view of how membership will behave at retirement. As a result of the review, the current default arrangement was introduced in March 2015. In the first quarter of 2017 the membership of the DC Section increased by 748 members (81%) due to employers switching from defined benefit accrual to defined contribution accrual. The Trustees will perform a full review of the default strategy in 2017, as it is the third anniversary of the last full review and as there has been a significant increase in the membership of the DC Section.

A review of the AVC arrangements with Royal London and Prudential was completed in May 2016. The review was conducted with advice from the Trustees' investment advisers and assessed the financial strength of provider, fund performance, charges and value-for-money, administration and communications. It was concluded that these AVC fund arrangements remained fit for purpose and accordingly the arrangement was left unchanged. The next review is scheduled for May 2019. The Investment Committee monitors the performance of the AVC funds annually.

The Trustees have adopted a Statement of Investment Principles (SIP) which covers both the DB and DC sections of the Funds. The latest DC section SIP dated 31 March

2017 is reproduced in the schedule to this statement. It sets out the investment principles for the DC funds, including the default arrangement.

## 2 Financial Transactions

The Trustees regularly monitor that core financial transactions of the DC Section are processed promptly and accurately. These transactions include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members, and are undertaken on the Trustees behalf by the Funds' DC platform provider, Legal & General Assurance Society Ltd. (L&G), under a policy to administer the Funds' DC assets.

The Trustees work closely with the participating employers to help them understand their responsibilities as regards contributions and sharing information about members. Staff at the ITB Pension Funds (the Funds Office) are in regular communication with the employers about the detail of their obligations in respect of the DC section. The Funds Office is notified by the participating employers of the various percentage of employer and employee contributions due and perform reconciliations to ensure the correct payments are deducted.

All contributions deducted from members pay by the participating employers are paid to L&G by the end of the first week following the end of the calendar month in which they were taken from members' pay, whereas the legislative timescale is within 22 days of the end of the calendar month in which they were taken from members' pay if it is paid by electronic means (or 19 days in any other case). L&G invests the contributions in funds within 24 hours following receipt of contributions, whereas the Pensions Regulator expects contributions to be invested within a maximum of three working days following receipt.

The Trustees review quarterly reporting from L&G, which shows its performance against service level agreements for processing all core financial transactions, including investing contributions promptly on time and within legislative timescales. The Trustees also review the annual AAF 01/06 / ISAE 3402 Assurance Report on Internal Controls issued by L&G which gives independent assurance on the strength of the systems and controls operating within L&G.

Staff at the ITB Pension Funds reconcile L&G's quarterly reports to monthly contribution summaries supplied by the participating employers, to monitor whether contributions have been processed accurately. Any identified errors are rectified quickly and processes at L&G and the employers are reviewed to prevent further similar errors. Contributions to AVC arrangements are monitored in the same way.

Transfers out, fund switches and payments out, both to

and in respect of members, are processed by L&G, on behalf of the Trustees. The promptness of processing these transactions is monitored by the Trustees through the service level performance reporting each quarter. The accuracy of processing of these transactions is monitored by the Funds Office, which reconciles L&G's advance notice of the transactions to separate fund accounting reports.

The Trustees undertake an annual review of the DC Section's governance processes and internal controls, the most recent of which was completed on 31 March 2017, and have confirmed their view that they are in compliance with the Pensions Regulator's DC Code of Practice No. 13. Based on the above, the Trustees are satisfied that the core financial transactions relating to the DC Section and AVCs have been processed promptly and accurately during the year.

### 3 Charges and Transaction Costs

The level of charges and transaction costs for the default arrangement (as measured by the total expense ratio – TER, which includes L&G's platform fee of 0.30% pa) is 0.68% pa, while the equivalent cost of the annuity strategy is 0.58% pa and the cash strategy is 0.68% pa. The level of charges and transaction costs for other funds (as measured by the TER) ranges from 0.38% pa to 1.26% pa. The TER for each fund is stated in the Trustees' Report & Financial Statements.

It is a constant objective of the Trustees that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire. In order to meet this objective, a value for money assessment of the DC arrangements was carried out by the Trustees as part of the comprehensive DC strategy review conducted in December 2014. The Trustees have reviewed the assessment each year since that date. The Trustees considered the extent to which the cost of membership compares against the services and benefits provided by the DC section, which include scheme governance and management, investment, administration and communications services. The review and assessment recognised that the only charges borne by members are the charges deducted from the funds (i.e. the TERs as shown above), while the charges for all other services are borne by the participating employers.

The Trustees' assessment concluded that the TERs are competitive and that the DC arrangements offer members good value for money, after considering the advice of the investment adviser on the level of TERs based on their knowledge of the market as a whole, that members only pay the direct cost charged within the investment funds and all other services are paid for

directly by employers. In addition, the other costs and charges are kept as low as possible by rigorous budgetary control and the charges borne by members are well below the government 'charge cap' of 0.75% pa in respect of default funds.

The Trustees have not been able to obtain separate figures for transaction costs for the DC funds, but the DC Fund Manager is working to develop capability to collate this. The work will deliver in two phases; explicit costs (commissions, taxes, etc.) and implicit costs (slippage costs less the explicit costs). Explicit costs for all the Fund Manager's pension funds are anticipated to be available by the end of 2017 and implicit costs early in 2018.

### 4 Trustee Knowledge and Understanding

The Trustees are expected to meet the requirements for knowledge and understanding, as set out in s247 of the Pensions Act 2004 pertaining to individual Trustees, i.e. that they are conversant with the documents governing the Funds, have knowledge and understanding of pensions and trust law and the principles of funding and investment. The Trustees consider that the overall Funds' training programme satisfies this requirement.

The Trustee board comprises 18 members, either nominated by the participating employer or the employees and pensioners of participating employers. Each Trustee serves for a fixed three-year term, and can be re-appointed following each term. As at 31 March 2017, the average period of appointment is 5 years 7 months - 5 Trustees have been appointed for a year or less, whilst 6 Trustees, including the Chair and the Deputy Chairs, have been appointed for over 6 years. There is a wide spectrum of trustee experience and, therefore, the training programme both keeps the experienced Trustees up to date with pension developments and gives newer Trustees a basis, in line with the minimum requirements, on which to develop their knowledge and experience.

The training programme comprises a number of elements:

- All new Trustees attend an induction programme that introduces the trust's deed and rules, statement of investment principles, statement of funding principles and other Funds policy documents, for example the Funds' management of conflicts of interest policy.
- Every year, each Trustee completes a training needs self-assessment and the Funds Office uses this assessment to identify areas where training is required and prepares a training plan for each Trustee. Through this process Trustees identified investment as a training need and, therefore, attended training on investments provided by an Investment Manager. New Trustees identified a need for a comprehensive

introduction to trusteeship and attended a trustee foundation course provided by the Funds' legal advisers.

- The Funds also provide access to an ITB Funds Trustee website on which all key documentation can be accessed, including the trust's deed and rules, statement of investment principles and statement of funding principles. The website also includes links to training course providers and the Pensions Regulator's e-learning course, the Trustee Toolkit. It is not a requirement of the Funds that Trustees complete the Toolkit, but Trustees are encouraged to do so.
- A formal training session is provided following each quarterly Trustee meeting, that is attended by all Trustees. Sessions during the scheme year included "Lessons for Trustees from the BHS case" and "L&G DC Arrangements".
- Significant training is provided in the form of formal briefings and training provided at Trustee and Investment Committee meetings. This year all Trustees have received briefings on managing conflicts of interests and the triennial actuarial valuation.
- Each year all the Trustees attend a dedicated training seminar. This year, training was provided by the Funds advisers on the meaning of, and the journey to, the Funds long term target of self-sufficiency, the latest 2017 investment strategy review, macro-economic developments, legal responsibilities for DC schemes (including Charges and Governance Regulations 2015, DC Code of Practice and the latest Pensions Bill), a general legal update on legislative changes (including data protection and GMP reconciliation) and a general actuarial update (including the possible impact of latest mortality trends).

All training needs and training received is logged on a central training register that is used by the Funds Office to identify relevant subjects for training, which are then delivered within the framework described above. The Trustees consider that each new individual Trustee will take a year to complete the training to meet the requirements for knowledge and understanding.

The combined training, knowledge and understanding of the trustee board currently enables the Trustees to properly exercise their functions. The combined knowledge of the board includes many years trustee experience and training as described above. Several of the Trustees are current or former senior executives with substantial experience of financial, managerial and governance matters; for example, one of the trustees was a Trustee of a major Master Trust; another of the trustees is an HR Director with substantial pensions

knowledge. Trustees are nominated by participating employers, or employees and pensioners of participating employers, and that ensures detailed knowledge of the participating employers is available to the board, which is useful for interpreting and understanding advice on employer covenant strength, subject to managing conflicts of interest. The Trustees combined knowledge and understanding is also enhanced by the support of the Funds Office. The Funds Chief Executive is a qualified PMI professional of more than 30 years' experience in the pension industry, the Funds Accountant is a Chartered Accountant with 9 years' experience in life insurance and 10 years' experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 40 years' experience in the pension industry. Trustees also have ready access to actuarial advice from the Government Actuary's Department, investment advice from LCP and legal advice from Mayer Brown International. The actuarial and legal adviser attend each Trustee board meeting and the investment adviser attends each Investment Committee meeting. This combined support is part of the combined knowledge that enables the Trustees to properly exercise their functions.

## 5 Appointment of Trustees

The Funds are a relevant multi-employer scheme under the 2015 Regulations. The Funds are therefore subject to a special requirement under Regulation 22, whereby a majority of the Trustees, including the Chair, must be "non-affiliated". For a Trustee to be "non-affiliated", he or she must be appointed via an open and transparent process (OTP); must be independent of the Funds' service providers; and must not have been in office for longer than prescribed periods.

In order to ensure compliance with Regulation 22, the Trustees have, during the scheme year and over the longer term, made arrangements with a view to ensuring that new Trustees are appointed via an OTP as explained below, and have monitored compliance with the conditions as to independence and term of office. Members' Trustees are nominated and appointed by members or by trade unions which represent them, and the Trustees are satisfied that these arrangements meet the OTP requirement. Employers' Trustees are appointed by Employers but, to ensure that the OTP requirement is met, the Trustees stipulate that Employers should follow certain ground rules when making appointments. Under the ground rules, Employers must determine the constituency from which Trustees will be selected and the process used to make the selection, which must involve a panel of at least three individuals; notice as to these matters must be given to people in the constituency and to the Employer's active members (the "interested parties"); the selection must take account of

## Chair's Statement

candidates' fitness and propriety to act as Trustees; the chair of Trustees must be consulted as to the proposed appointment; notice as to the final decision must be given to the interested parties; and the Employer must confirm to the Trustees that the ground rules have been followed.

As regards non-affiliated Trustees appointed or re-appointed during the scheme year, the OTP requirement was met as follows. Jas Sall, Members' Trustee, SEMTA: the selection was made by the trades union Unite which represents active members employed by SEMTA; Martin McManus, Members' Trustee, Cogent SSC Ltd.: the selection was made by active members employed by Cogent SSC Ltd.; John MacDonald, Employer's Trustee, OPITO: OPITO followed the ground rules in making its selection; David Birtwistle, Employer's Trustee, SEMTA: SEMTA followed the ground rules in making its selection; Brian Wisdom, Employer's Trustee, People 1st: People 1st followed the ground rules in making its selection; Nigel Titchen, Employer's Trustee, Lantra: Lantra followed the ground rules in making its selection.

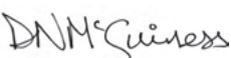
### 6 Membership Engagement

During the scheme year, the Trustees have encouraged members of the Funds to make their views known by operating a website for the Funds which includes a "feedback" button and contact details; by publishing an annual newsletter which is issued to all members who request it (currently 731 members) and which is available on the Funds' website where all members can view it; by liaising with the Pensioners' Association and informally through the Members' Trustees. DC members also have access to L&G's website where comprehensive documentation and guidance on the Funds' DC section is available and which also facilitates direct communication with the L&G administration team.

The contact details of the Funds are as follows:

The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ  
Telephone: 01923 226 264  
E-mail: pensions@itbpen.com  
Website: www.itb-online.co.uk

### Signed by the Chair on behalf of the Trustees

Signed: 

Dated: 27 October 2017

David Newell McGuinness (Chair of Trustees)

## Schedule

### DC Section Statement of Investment Principles – 31 March 2017

#### What is the Trustees' overall investment objective?

The Trustees recognise that members of the Defined Contribution Section may have differing investment needs. These needs may change during the course of a member's working life and members may have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The Trustees' investment objective is, therefore, to make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

#### What risks do the Trustees consider and how are these measured and managed?

The Trustees have considered risk for the Defined Contribution Section from a number of perspectives, including, but not limited to, those set out below. Some of the risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk:

**Risk of inadequate long-term returns** - As members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term.

**Risk of deterioration in investment conditions near retirement** - For a given amount of money the level of pension secured for a member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact in the benefits provided. To protect against this, the Trustees have provided a lifestyle strategy, the ITB Drawdown Strategy, which targets drawdown at retirement.

**Risk of lack of diversification and unsuitable investments** - Within each fund available to members the holdings should be adequately diversified. To achieve this, the Trustees have selected funds which invest in a suitable diversified range of holdings. The Trustees' policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

**Risk from excessive charges** - If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive then the value of members' accounts will be reduced unnecessarily. The Trustees have, therefore, looked closely

at the terms and conditions of the investment manager and are comfortable that the charges applicable to the Open Fund are in line with market practice and assess regularly whether these represent good value for members.

**Investment manager risk** - This is the risk that the investment manager fails to meet its investment objective. The Trustees monitor the investment manager on a regular basis.

**Other risks** - The Trustees recognise that there are other, non-investment, risks within the Defined Contribution Section. Unlike the Defined Benefit Section, these risks fall generally on the individual Defined Contribution Section members rather than on the membership generally and/or

the sponsoring employer. Examples of these risks include longevity risk (the risk that insurers expect members to live longer, which increases the cost of securing a pension), and knowledge/understanding risk (the risk that members make inappropriate investment choices, given their circumstances).

### What are the investment strategy arrangements?

The Trustees have provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. The Trustees have selected Legal & General as the investment platform for the Defined Contribution Section. The range of funds that is available is set out as follows:

Manager	Fund name	Benchmark	Target
L&G	Global Equity Fixed Weights (50:50) Index Fund	Composite of 50/50 distribution between UK and overseas	To track the benchmark
L&G	Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	To track the benchmark to within +/- 0.50% pa for two years in three
HSBC	Amanah Fund	Dow Jones Islamic Titans 100 Index	To track the benchmark
Standard Life	Global Absolute Return Strategies Fund	6 Month £ LIBOR	To outperform the benchmark by 5% pa (gross) over rolling three year periods
L&G	Passive Multi-Asset Strategy	Composite of underlying funds	To track the benchmark
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non-Gilts (ex BBB) Over 15-year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FT A Index-linked gilts (Over 5-year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FT A gilts (Over 15-year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median.

### Default Option

The Open Fund also has three lifestyle strategies and the default investment option is a lifestyle strategy which targets income drawdown at retirement. The default option provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches.

Until 15 years prior to each member's selected retirement age, the lifestyle strategy invests in:

- 50% in L&G's Global Equity Fixed Weights 50:50 Index Fund;
- 17% in Standard Life's Global Absolute Return Strategies Fund; and
- 33% in the Passive Multi-Asset Strategy.

Fifteen years prior to each member's selected retirement age, automatic monthly switches commence. The investment split at each member's target retirement age

would be as follows:

- 50% in the Passive Multi-Asset Strategy; and
- 25% in Standard Life's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

It is for each member to decide on their required strategic allocation to each of the available investment funds. The fund range offered also includes three "lifestyle" strategies that automatically combines the investments in proportions that vary according to the proximity to retirement age. Each of the three lifestyle strategies targets a different investment option for members at retirement; income drawdown, a cash lump-sum or the purchase of an annuity. If a member does not choose an investment option, their account will be invested into the default lifestyle option, which targets income drawdown at retirement.

The lifestyle strategy is designed to offer some protection against environmental, social and governance risks.

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## Chair's Statement (cont.)

### What did the Trustees consider in settling the Scheme's Defined Contribution Section investment strategy?

In deciding upon the funds to offer to members, the Trustees' primary concern is to provide funds to members which allow them to address appropriately the main investment risks that they face.

The main risks considered were inflation risk (the risk that a member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement - applicable to the annuity lifestyle) and capital risk (the risk of a fall in the amount of cash available to take at retirement).

### Appointment of investment provider

The Trustees have appointed one main provider to provide the funds in which the Defined Contribution Section invests. The provider offers funds managed internally and by third party investment managers.

The provider's primary role is to maintain the funds in which the Defined Contribution Section invests. The provider is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

## Further information

### The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. Under the Pensions Act 2004, the Pensions Regulator's objectives are to protect the benefits of members, promote good administration; and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund and to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008. The Pensions Regulator can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

Address:  
Napier House, Trafalgar Place, Brighton BN1 4DW  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### Age UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life.

Website: [www.ageuk.org.uk](http://www.ageuk.org.uk)  
Telephone: 0800 678 1174

### The Money Advice Service

Provides free and impartial money advice, set up by government.

Website: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)  
Telephone: 0800 138 7777

## Keeping our records up to date

Members are reminded that to ensure the ITB Pension Funds' Office keep their records up to date, they should be advised in writing of any change in:

- Address
- Marital Status, ensuring that the date of marriage and date of birth of the spouse are advised
- Name Changes
- Bank or Building Society Account (Pensioners only)
- Nomination forms advising the Trustees who to consider for any lump sum payable upon death (applicable only to Open Fund Active and Deferred Members and Open Fund DB Section Pensioners). Nomination forms can be accessed via [www.itb-online.co.uk](http://www.itb-online.co.uk)



The content incorporated within *Pensionnews* is based on the content contained in the ITB Trustees' Report & Financial Statements 2016/17

## Contact

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E-mail: [pensions@itbpen.com](mailto:pensions@itbpen.com) Telephone: 01923 226 264 Website: [www.itb-online.co.uk](http://www.itb-online.co.uk)

Scheme Reference No. 10169800