

ITB PENSION NEWS

THE NEWSLETTER FOR MEMBERS OF THE ITB PENSION FUNDS

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YOUR SCHEME WORKING FOR YOUR FUTURE

YOUR TRUSTEES

The ITB Pension Funds is managed by a Board of 14 Trustees. 7 are nominated by employers and 7 are nominated by members. Since the last newsletter Enginuity's member nominated Trustee changed from Ben Alexander-Dann, who retired in November 2021, to Steve Eddy who served from January 2022 to July 2022 and then Marie Rowlands was appointed in October 2022. David Barnett, the long-standing Open Fund pensioner members nominated Trustee, retired in February 2022 and Peter Austin was nominated in April 2022 as David's replacement. The Board today is as follows:



**NEWELL
MCGUINNESS**

Chair

nominated by SECTT



**PETER
ROGERSON**

*Employers'
Deputy Chair*

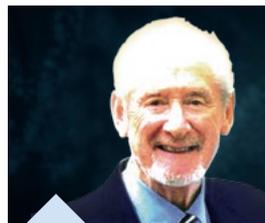
nominated by CITB



ROBERT TABOR

*Members'
Deputy Chair*

nominated by
members of Lantra



**MAURICE
ALSTON**

nominated by
pensioner members
of the Closed Fund



PETER AUSTIN

nominated by
pensioner and
deferred members
of the Open Fund



DAVID BIRTWISTLE
nominated by
Enginuity



RICHARD CAPEWELL
nominated by
Lantra



JOHN DEARDEN
nominated by
RTITB



TERRY LAZENBY
nominated by
ECITB



DAVID LEWIS
nominated by
members of ECITB



MARTIN MCMANUS
nominated by
members of Cogent
Skills, RTITB & SECTT



MARIE ROWLANDS
nominated by
members of
Enginuity



PETER SPARKES
nominated by
members of CITB



JOANNA WOOLF
nominated by
Cogent Skills

FUNDING UPDATE

CLOSED DEFINED BENEFIT FUND

We are required to value the Closed Fund every three years and a valuation at March 2021 was completed in February 2022. A valuation is a detailed exercise to see if any action needs to be taken to ensure the Fund continues to have sufficient assets to pay the promised pensions. All the future pensions in the Closed DB Fund are insured with an insurance company and the valuation shows the value of the remaining assets and compares that to potential future costs. The way assets are invested is shown in the Statement of Investment Principles which is on the Funds' website www.itb-online.co.uk. The valuation showed that the assets were valued at £76m, whereas all the provisions for future costs were valued at £34m. Following the valuation and after taking advice from the Fund's Actuary, the Trustees concluded that they were able to exercise their discretionary powers under the

Trust Deed & Rules and award a discretionary increase to pensions of 3.1% in March 2022, in addition to the normal annual increase in April.

Closed DB Fund Valuation

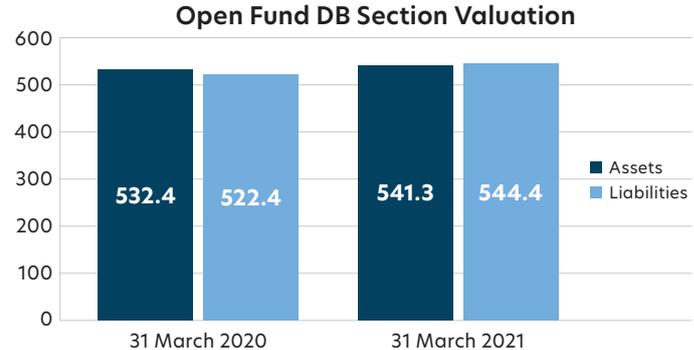


An annual check-up valuation at March 2022 was completed in November 2022 and showed that assets were valued at £80m whereas all the provisions for future costs were valued £33m. The changes from March 2021 were due to investment returns and a decrease in the provisions for potential future costs.

FUNDING UPDATE

An annual check-up valuation of the Open Fund DB Section at March 2021 was completed in October 2021. This annual check-up is to see if any action is necessary to ensure the Fund continues to have sufficient assets to pay the promised pensions. The valuation showed that the assets were valued at £541m, whereas all the pensions to be paid in future were valued at £544m. This result does not include the future pensions that have already been fully insured or the insurance policy, and represents a 99% funding level. The way assets are invested is shown in the Statement of Investment Principles which is on the Funds' website www.itb-online.co.uk. After taking advice from the Fund's Actuary, the Trustees concluded that it is expected that future investment returns would make up the small deficit of £3m.

OPEN FUND DEFINED BENEFIT SECTION



The previous three yearly valuation at March 2020 showed a funding level of 102%, so the level at March 2021 was lower. This was mainly due to an increase in the liabilities resulting from higher future inflation expectations. A full triennial valuation at March 2022 is currently underway and will be reported to members in the next newsletter.

OPEN FUND DC SECTION

Information about your own account can be viewed through the L&G My Account website www.legalandgeneral.com/existing-customers/my-account-login and the L&G App Coll8. If you have not yet registered to access this website and App you are very much encouraged to do so, as it contains an up-to-date valuation of your pension pot and lots of information about your investments and options. The Trustees remind DC members that the level of contributions is a key factor in determining the overall size of your pension fund. There is more information about this aspect, including a link to the PLSA Retirement Living Standards Tool, on the L&G My Account website.

The vast majority of members have not made an active choice about how contributions are invested and are therefore invested in the default fund – called the Lifestyle Drawdown

fund. The default fund targets income drawdown at retirement and automatically switches investments to a progressively lower risk investment strategy from 15 years before retirement. The way that the majority of members are invested in the default fund is completely normal and as expected. This is why the government has set rigorous rules about how default funds are run, including regularly reviewing how the default fund is invested and setting limits for charges. Another rule is that the default fund and the other funds should be subject to a value for members assessment every year. The ITB assessment in 2022 concluded that the default fund and DC funds were very good value for money. The charges for the funds are set out in the Annual Report & Accounts and the Chair's Statement which are available on www.itb-online.co.uk.

The recent performance of the main DC funds is shown in the table below. You can look up your own fund performance on the L&G website using the link on the previous page.

DC FUND PERFORMANCE TO 30 SEPTEMBER 2022	1 YEAR	5 YEARS (PA)
Default Fund growth phase	-10.9	4.6
Equity Fund (Unhedged)	-4.8	10.1
Equity Fund (Hedged)	-16.8	10.1
Multi Asset Fund	-11.1	2.7

You may be aware that investment markets have been going through difficult times recently and this is, unfortunately, reflected in the 1-year performance results. Members are reminded that investing in a pension is a long-term undertaking and so the table also shows the fund performance over the last 5 years as an average for each of the 5 years.

The DC Section is a Master Trust. This means the Section has to meet the high standards of governance set out by legislation and monitored by the Pensions Regulator. The standards relate to the fitness and propriety of the Trustees, the systems and processes used to run the Fund, arrangements made for continuity of service in the event of stressed circumstances and financial sustainability.

THE FUNDS' 2022 ACCOUNTS

Between 2021 and 2022 the value of the overall Funds reduced by £13m (1%). Income is from investment income to the DB sections and contributions to the DC Section. Expenditure is mostly pensions paid and members' transfers out and includes administrative and investment expenses.

Each year the Trustees produce a comprehensive report and set of accounts, that is independently audited by PWC. The information on this page is a summary of the report for the year ended 31 March 2022. You can view and download a copy of the full report on the Funds website: www.itb-online.co.uk.

	CLOSED DB FUND £m	OPEN DB FUND SECTION £m	OPEN DC FUND SECTION £m	TOTAL FUNDS £m
Value as at 1 April 2021	169.3	1,023.3	34.3	1,226.9
Plus income	+8.6	+36.0	+6.5	+51.1
Less expenditure	-9.1	-42.5	-7.9	-59.5
Change in market value	-1.1	-5.9	+2.3	-4.7
Value as at 31 March 2022	167.7	1,010.9	35.2	1,213.8

RECENT MARKET TURMOIL

You will no doubt have seen the headlines about the problems that market volatility during 2022 caused pension schemes. This was primarily about DB pension schemes that have liability driven investment (LDI) strategies that use derivatives (also called swaps) extensively. Swaps are used by pension schemes to manage risks to their funding level more extensively than they can achieve with the assets they have available - i.e. they are using leverage. Thankfully, in 2018 the Open Fund DB Section achieved a position whereby it had enough assets to run the Fund's LDI strategy almost entirely using government bonds and almost all swaps were sold. As the LDI portfolio is almost entirely government bonds the fund has had no need to provide cash collateral for swaps, therefore the short-term liquidity issues about having to

sell government bonds and other assets to provide cash collateral that were reported in the press do not apply to the Open Fund DB Section. The Closed DB Fund is fully insured so has no problem with this issue. The Trustee Investment Committee and our investment adviser will continue to monitor the position for the Open Fund DB Section very closely, but it is expected no problems along these lines will arise.



ACTING ON CLIMATE CHANGE

The Trustees consider environmental, social and governance factors when taking decisions on the management of the Funds, and this includes consideration of climate change and the impact it could have on the smooth-running of the Funds. Climate change will have significant effects on our society, economy and financial system in future and it is important that the Trustees take appropriate steps to protect the Funds from these effects, as far as can be done.

The Funds have switched all equity investments to low carbon funds to mitigate climate change risks and access associated opportunities. These funds have less investment in companies with high levels of carbon dioxide emissions and may not have any exposure at all to the worst polluting companies (e.g. coal miners). The objective of these funds is to reduce

carbon emissions investment substantially compared to a standard market weighted index benchmark, and over time to reduce the exposure further.

The Trustees have published a report in compliance with the Task Force on Climate-Related Financial Disclosures requirements (TCFD) on the Funds' website www.itb-online.co.uk. The report describes the action taken to understand and reduce the risks to the Funds related to climate change, with the aim of achieving better financial outcomes for members. It also estimates how the funding level may change due to future climate change and sets a target to monitor and reduce exposure to climate-related risks over time.

DIVERSITY & INCLUSION

The Trustees are taking action to bring about greater diversity on the Trustee Board, so that it better reflects scheme membership. The Trustees recognise that diverse groups of people can lead to wider discussion and better decision making, which should result in long-term improvements to members outcomes. The Funds members are male and female in equal proportions, whereas currently the Trustee Board is made up of twelve men and two women. Therefore, the Trustees are considering ways to achieve greater diversity by working closely with the employers and promoting the position of trustee as a significant development opportunity. If you are interested in becoming a trustee watch out for future communications from us and your employer.

! UPDATE US

Please use the enclosed form to let us know of any changes of address and your marital status. If you are a Defined Benefit member, confirmation of your marital status would greatly help the Funds to estimate future pension payments much more accurately, which in turn would provide greater security for all members and the participating employers. Please also use the form to let us know how you wish to be contacted in future. Please return the form either by post or scan or photo a copy and send it back by email.

GET IN TOUCH

Please get in touch by email if you can. If not, you can call or write to us.

 **Email us:** pensions@itbpen.com

 **Phone us:** 01923 226264

 **Write to us:** ITB Pension Funds,
23 King St, Watford,
Herts, WD18 0BJ

WEBSITES & APP

You can also check the information available on the websites:

FOR ALL MEMBERS:

ITB Pension Funds: www.itb-online.co.uk

FOR DC MEMBERS:

L&G website: www.legalandgeneral.com/existing-customers/my-account-login

L&G App: Coll8



The ITB Pension Funds