

ITB

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PensionNews

The Newsletter for Members
of the ITB Pension Funds

YOUR SCHEME WORKING
FOR YOUR FUTURE

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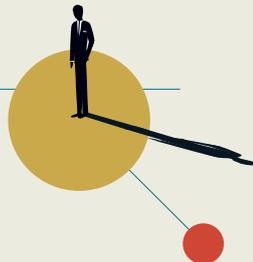
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Your Trustee Board

The ITB Pension Funds is managed by a Board of 14 Trustee Directors. 7 are nominated by employers and 7 are nominated by members.

Newell McGuiness

Chair – Employer's Trustee Director nominated by SECTT



David Birtwistle

Employers' Deputy Chair – Employer's Trustee Director nominated by Enginuity



Robert Tabor

Members' Deputy Chair – Members' Trustee Director nominated by pension fund members working for Lantra



There have been no changes since 31 March 2023 when, as previously reported, Peter Rogerson stepped down as the Employers' Deputy Chair after 19 years in the role and David Birtwistle took over that position.

Maurice Alston

Pensioner Members' Trustee Director nominated by pensioner members of the Closed Fund

Peter Austin

Pensioner Members' Trustee Director nominated by pensioner and deferred members of the Open Fund

Richard Capewell

Employer's Trustee Director nominated by Lantra

John Dearden

Employer's Trustee Director nominated by RTITB

Terry Lazenby, MBE

Employer's Trustee Director nominated by ECITB

David Lewis

Members' Trustee Director nominated by pension fund members working for ECITB

Martin McManus

Members' Trustee Director nominated by pension fund members working for Cogent Skills, RTITB and SECTT

Peter Rogerson, OBE

Employer's Trustee Director nominated by CITB

Marie Rowlands

Members' Trustee Director nominated by pension fund members working for Enginity

Peter Sparkes

Members' Trustee Director nominated by pension fund members working for CITB

Joanna Woolf

Employer's Trustee Director nominated by Cogent Skills

Structure of the Funds

The ITB Pension Funds is structured over two separate funds – the Closed Fund and the Open Fund. The Closed Fund was established as a separate fund from the main fund in 1983 and the benefits of anyone who worked for the Industry Training Boards that were closed down at that time (including benefits of staff members that had left the employment of the continuing Boards) were put into this Fund, together with a proportion of assets to ensure the benefits could be paid in full.

The main fund (the Open Fund) then continued for the remaining Industry Training Boards. Over time some of the remaining Boards either transitioned to different legal structures (the Successor Bodies) or wound-up and/or left the Funds. Today there are seven main participating employers, two of which are Industry Training Boards.

The Open Fund's Defined Benefit (DB) pension benefits are structured within three sections

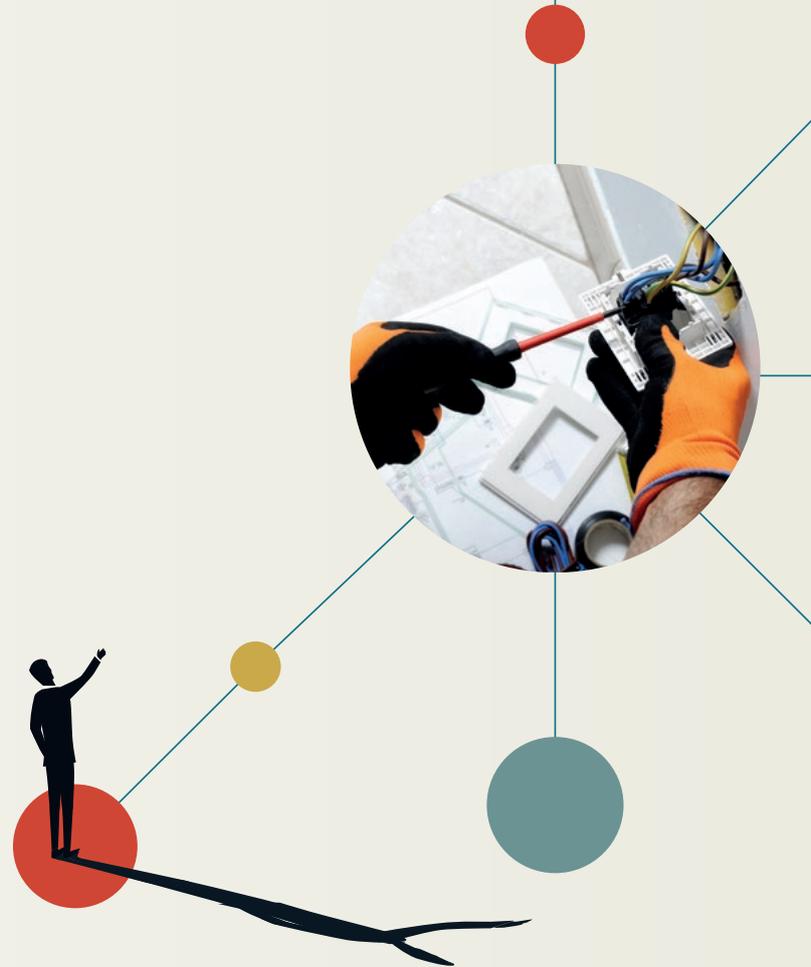
– Old, New and 2007. The Old Section is the original set of benefits. In 2003 the New Section benefits were established by the Trustees at the request of the employers and likewise the 2007 Section benefits were established from January 2008. You, therefore, may have a combination of Old, New and/or 2007 benefits depending on the options that were chosen for staff by each participating employer.

In 2012, again at the request of the participating employers, the Open Fund Defined Contribution (DC) Section was established. Benefits in the DC Section are pots of contributions made by members and employers and are invested in funds, with each member having their own pot of funds. If you are making contributions to your pension today you are an active member of the Open Fund DC Section. The Trustee is legally responsible for the good management of the

DC funds under the ITB Pension Funds trust, but has outsourced the day-to-day administration and investment fund management to L&G. The Trustee oversees and reviews L&G's performance regularly.

ITB Pension Fund members will, therefore, have different perspectives and information requirements due to the structure of the Funds. You may have a DC fund managed by L&G and a combination of DB pension benefits within the Funds. Alternatively, if you have left employment of a participating employer or are a dependent of a former Fund member, you may only have DB pension benefits – either in the Open Fund DB Section or in the Closed Fund.

The Trustee Board hopes that all members find these newsletters useful and interesting, even if not all the information is relevant to all.

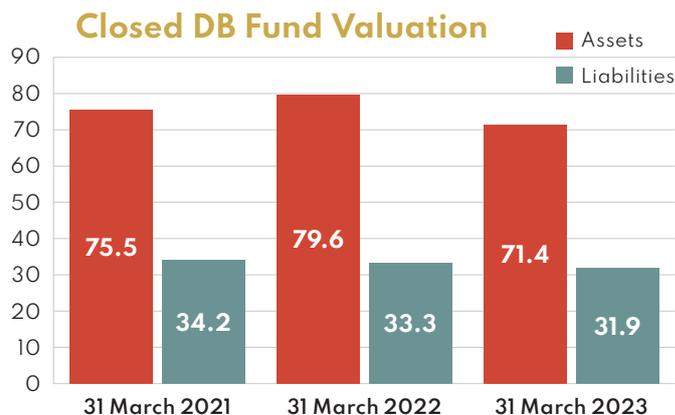


CLOSED DEFINED BENEFIT FUND FUNDING UPDATE

The Trustee performs a full valuation of the Closed DB Fund every three years, and the last full valuation was completed as at 31 March 2021. A full 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.

Each year in between the 3-yearly full valuation an annual check-up valuation is completed. The latest annual valuation as at March 2023 was completed in October 2023

and showed that assets were valued at £71m whereas all the provisions for future costs were valued £32m. The changes from March 2021 were due to investment returns and a decrease in the provisions for potential future costs. You may remember that at March 2022 the assets were valued at £80m and the future costs at £33m. The changes from March 2022 are for the same reasons as from March 2021.



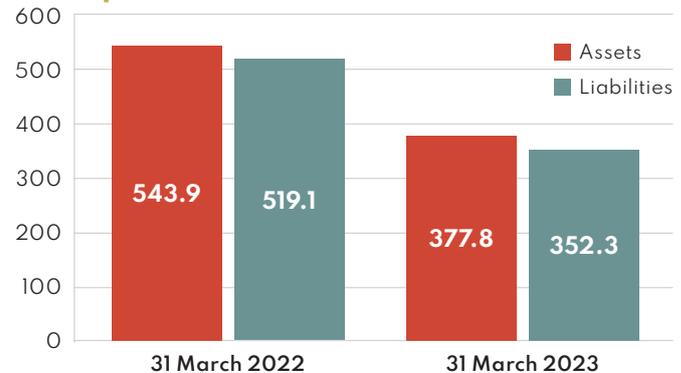
OPEN FUND DEFINED BENEFIT SECTION FUNDING UPDATE

As reported in the previous newsletter a comprehensive three-yearly valuation of the Open Fund DB Section at March 2022 was completed in March 2023. This valuation is done to see if the Fund continues to have sufficient assets to pay the promised pensions. The valuation showed that the assets were valued at £544m, whereas all the pensions to be paid in future were valued at £519m. This is a funding level of 105%. The way assets are invested is shown in the Statement of Investment Principles which is on the Funds' website. As the Fund is in surplus no further contributions from the employers were necessary for the time being.

The latest annual check-up valuation as at March 2023 was completed in October 2023 and showed that assets were valued at £378m whereas all the pensions to be paid in future were valued at £352m, representing a funding level of 107%. This means there is

enough money to pay the promised pensions. Despite the fall in asset value this is a slight improvement in funding level because the value placed on future pensions reduced more than the value of assets. This does not mean your pensions will be smaller – only that the technical actuarial value placed on future pensions has reduced due the increase in interest rates and gilt yields following the mini-budget of September 2022.

Open Fund DB Section Valuation



OPEN FUND DEFINED CONTRIBUTION SECTION UPDATE

Information about your own account can be viewed on 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 for this website and App you are very much encouraged to do so, as they contain an up-to-date valuation of your pension pot and lots of information about your investments and options.

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 address above. 92% of members making contributions are invested in the Default Fund. The growth phase of this fund, for which the performance is shown below, is the way the fund is invested if you are 15 or more years from retirement. After that, as you get nearer to retirement, the Default Fund automatically switches investments to progressively lower risk funds to help lock in

earlier returns. If you are not invested in the Default Fund or one of the two other lifestyle funds (ITB Annuity and ITB Cash) your funds will not automatically switch to lower risk funds as you reach retirement.

DC Fund Performance to 30 September 2023	1 Year %	5 Years % (pa)
Default Fund growth phase	10.3	5.0
Equity Fund (Unhedged)	8.6	6.3*
Equity Fund (Hedged)	17.0	6.3*
Multi Asset Fund	4.3	2.7

*As we changed to a new equity fund in July 2021 the long-term performance is for the previous equity fund, which is still available as a self-select fund.

Investment markets continue to be volatile, however, the periods to September 2023 saw a recovery in performance and over a longer period of time returns remain positive. The chart shows that, on average, members in the growth

Summary of the Funds' 2023 Accounts

phase of the Default Fund have received 5% return each year for the last five years.

The Trustee reminds DC members that the level of contributions is a key factor in determining the overall size of your pension fund and that investing in a pension is a long-term undertaking - the more you put in the more you should get out. You can pay extra contributions - called Additional Voluntary Contributions (AVCs) - into your DC pension by contacting your employer's payroll department.

The PLSA's Retirement Living Standards tool is on the L&G My Account website. This illustrates how much you may need to live on in retirement assuming different levels of living standard. There is also a Retirement Planner that shows how much your pension could be when you retire. These can get you thinking about if your current pension will be enough for you when you retire.

MEMBERSHIP

The total number of members in the Funds as at 31 March 2023 was 8,530 (2022 - 8,618). The analysis between the Funds is shown below and a full analysis appears in the Funds' Annual Report & Financial Statements which is available on the Funds website www.itb-online.co.uk.

	31 March 2022	31 March 2023
Closed Fund	1,018	964
Open Fund DB Section	6,030	5,918
Open Fund DC Section	1,570	1,648



ACCOUNTS

Between 2022 and 2023 the value of the overall Funds reduced by £301.5m (25%). This significant reduction is due to the substantial rise in long-term interest rates which reduced the values of assets (such as government bonds) held to match scheme liabilities. You will have seen earlier that there was a corresponding reduction in the value placed on future liabilities.

	Closed DB Fund £m	Open Fund DB Section £m	Open Fund DC Section £m	Total Funds £m
Value as at 1 April 2022	167.6	1,010.9	35.2	1,213.7
Plus income	+8.3	+35.7	+6.5	+50.5
Less expenditure	-8.8	-41.7	-3.3	-53.8
Change in market value	-23.5	-272.6	-2.1	-298.2
Value as at 31 March 2023	143.6	732.3	36.3	912.2

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 Trustee produces 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 2023.

OPEN FUND DEFINED BENEFIT SECTION BUY-IN

One of the Trustee Directors' main responsibilities is ensuring the security of the benefits payable to you and your dependants. They have taken steps over recent years to improve this security using insured "buy-in" policies and they are very pleased to announce that in July 2023 an agreement was reached with the insurance company Just Group for a final such policy. In August 2023 this was communicated to all members whose DB pension was insured by this latest buy-in policy with Just Group.

The Funds started buying-in Open Fund DB members' benefits in October 2016 when two buy-in policies were purchased (one from Pension Insurance Corporation (PIC) and one from Just Group). Two further buy-ins were purchased from PIC in November 2017 and April 2018. The latest and final buy-in with Just Group means all the Open Fund's DB liabilities are now insured, with all members being insured under either a Just Group or PIC policy.

The Trustee Directors want to reassure DB members that the purchase of this policy, or any of the earlier policies, does not change the benefits you or your dependants are entitled to receive from the Fund. The Trustee continues to be responsible for the Fund, and the Funds Office staff will continue to pay your benefits following entering into the policy.

To secure this buy-in policy, the Trustee has paid a premium to Just Group in exchange for which Just Group reimburses the Fund for benefit payments made by the Fund, including any benefits which might be payable to your dependants and other beneficiaries on death. Each month Just Group pays the Fund the pensions due, as defined under the policy, and the Fund pays the pensions to members. Securing benefits in this way reduces the risk that the Fund is adversely affected by movements in investment markets, member longevity changes or other external factors beyond the Trustee's control.



Securing the Fund's benefits with a regulated insurer such as Just Group is very much viewed as the gold standard for UK pension schemes. It removes the reliance we have on the participating employers to support the Fund if it were to get into financial difficulties. The financial strength of Just Group was a key consideration for the Trustee in choosing where these benefits would be safest.

The Trustee monitors the financial strength of Just Group and PIC each quarter. They are both regulated insurance companies and are required by law to hold substantial reserves to ensure their financial sustainability. Just Group's statutory solvency ratio at June 2023 was 204% and in November 2023 Fitch Ratings re-affirmed Just's Insurer Financial Strength Rating at 'A+' (Strong). PIC's statutory solvency ratio at June 2023 was 210% and Fitch Ratings affirmed PIC's A+ (Strong) Insurer Financial Strength rating in September 2023.

In due course, the Trustee expects to ask Just

Group and PIC to set up individual pension arrangements (or "annuities") in respect of DB members' benefits. There are various actions the Trustee will undertake before any such transfer to Just Group and PIC, and we currently expect these to take at least 2 years. Once this transfer is complete it will be Just Group or PIC, and not the Trustee, who will be responsible for looking after DB members' pension benefits. The Trustee will write to you again well in advance of any transfer to inform you of the arrangements.

Please be assured that by purchasing the buy-ins, and by planning for the annuities, the Trustee has secured your DB pension for the future. Through these newsletters the Trustee will keep DB members informed of future progress about the eventual transfers and any actions to take. DB members will soon be circulated with data verification statements, that show the data held by the Funds pertinent to the future transfers, and members will be asked to confirm that this data is correct.

OPEN FUND DEFINED CONTRIBUTION SECTION INVESTMENT STRATEGY REVIEW

At least every three years the Trustee undertakes a comprehensive review of the funds used in the DC Section. The DC funds comprise three lifestyle options and nine funds that can be chosen by members. If members do not make an active selection their contributions will be put into the “default fund” which is a lifestyle option that targets drawdown in retirement. A lifestyle option is a combination of funds that changes from 15 years before retirement to target a particular outcome – either to support drawing down income in retirement, buying an annuity or withdrawing pension as a cash lump sum.

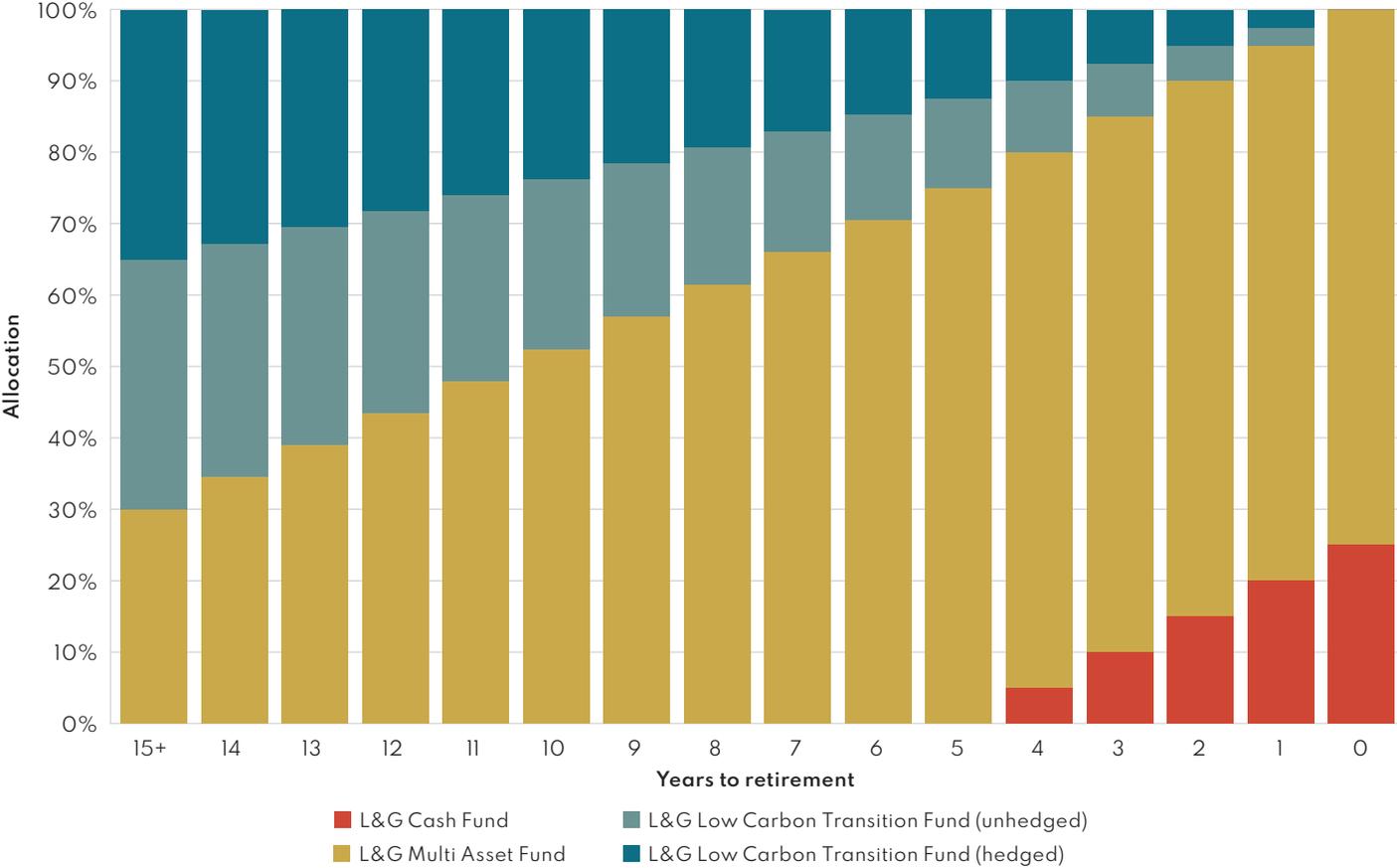
92% of members have not made an active decision to self-select funds and so are allocated to the default fund. This is extremely common amongst DC pension schemes and, therefore, the default fund is designed and reviewed to ensure it meets the needs of the

vast majority of members. This is done by analysing the projected size of pension pots at retirement age, the behaviour of retiring members regarding how pots are invested in retirement and the members’ age profile. A chart showing the default fund allocation is below.

A result of the 2023 DC funds review is that the allocation to the L&G Multi Asset Fund will be changed to the L&G Future World Multi Asset Fund to better manage Environmental, Social and Governance (ESG) investment risks and this change is likely to be made in early 2024. All DC members will be written to separately prior to the change to explain in more detail how this change will work.



DC Default Fund Asset Allocation



Update on Managing Climate Change Risk

In 2023 the Funds produced its second annual climate change disclosures report. The report follows the Task Force on Climate-Related Financial Disclosures (TCFD) requirements and is available on the Funds' website www.itb-online.co.uk. It describes the action taken to understand and reduce climate change risk to the Funds, with the aim of achieving better financial outcomes for members. It also estimates how the Funds may perform under certain estimated climate scenarios and sets a target to monitor and reduce exposure to climate-related risks over time.

The 2023 report shows that the Funds have made early progress towards its target of having at least 75% of listed equity and corporate bond investments with a greenhouse gas emission reduction target, which is accredited by the Science Based Targets initiative ("SBTi"), by 2030. This target

will enable the Trustee to assess the extent to which the Funds' equity and corporate bond investments are aligned to the Paris Agreement goal of limiting global average temperature rises to 1.5°C above pre-industrial levels. SBTi is a partnership between the Carbon Disclosure Project, the United Nations Global Compact, World Resources Institute and the World-Wide Fund for Nature. As at 31 March 2023 the proportion of companies within the Funds' equity and corporate bond investments that have set SBTi targets stands at 38% (2022 - 30%) for the Open Fund DB Section, 31% (2022 - 25%) for the Open Fund DC Section and 41% (2022 - 36%) for the Closed Fund. The improvements this year, particularly for the DB Sections, are due to switching equity allocations to low carbon benchmark funds.

Update Us

Please use the contact details below to let us know of any changes of address or marital status.

We previously asked for email addresses so we can contact you that way.

We received many replies, thank you very much! We are in the process of recording all the email addresses and expect to use them in future to contact you more efficiently. Meanwhile we will continue to post this newsletter.

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 OBJ

WEBSITES AND 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, which can be downloaded from the App Store or Google Play.