

Pensionnews

Summary of the Trustees' Report & Financial Statements 2012

Chairman's Statement

Year under review

The past year has again been a very eventful and challenging one for the ITB Funds and your Trustees where we have operated against a setting of testing economic conditions and uncertainty. Doubts over the impact of a faltering Eurozone and how this would impact the world economy generally pre-occupied governments and central banks and prompted attempts to stabilise the situation. Yet, despite that backdrop, the Open Fund assets stood at their highest ever level at the Scheme year end, the result of a well thought through investment strategy.

While it is satisfying to report an increase in the value of Scheme assets, we must contrast this with the increased valuation of pension liabilities resulting from lower Government bond yields being driven down by quantitative easing and the lower interest rates generally prevailing. Inevitably, difficult market conditions, increasing longevity and the ever increasing amount of regulation have put defined benefit schemes, like the ITB Funds, under unprecedented pressure. Although we have fared better than many peer schemes, the Open Fund is not immune to this. Our job as Trustees is to manage effectively against this challenging background.

Scheme changes

While we have over previous years taken considerable steps in restructuring the Defined Benefit (DB) sections of the Open Fund, we remain mindful that we operate in an environment where most Employers have closed their DB scheme to new employees in order to reduce the risk of volatility in the value of pension liabilities. Generally, those companies instead offer an alternative of a Defined Contribution (DC) scheme. This is because DC offers Employers transparency of costs and no surprises in calls for additional financial resources to fund deficits or ageing membership profile.

It was this uncertainty of cost in continuing to operate DB arrangements in a changing pension landscape, where Employers are essentially required to underwrite the key risks of volatile investment markets and increased longevity, which was the driver for Participating Employers requesting that we operate a DC scheme that they could utilise for member pension provision. In having to acknowledge these financial stresses we reached agreement with Participating Employers collectively on achieving a way forward on DC and introduced a DC Section to the ITB Funds for new starters from 1 April 2012.

We settled on a DC design based on the core principles that the overall cost of a DC Section should be broadly similar to that of the 2007 DB Section. Moreover, that it should provide Employers significant flexibility to tailor contribution and lump sum death benefit provision to their needs under a contracted-in arrangement that was capable of meeting future auto-enrolment requirements.

Employers are not obliged to take up the DC Section and may continue to offer DB to new staff. Those Employers that do offer DC are required to pay the standard contribution rate

of 9% of Pensionable Salary, of which they may require that their members pay half. Additionally, Employers meet the cost of providing member life assurance cover at a minimum level of twice basic salary.

Our decision to introduce DC was not made lightly or hastily, but only after careful consideration and discussion during which we took account of the legal and actuarial implications for the Fund overall. We also had a view to the impending introduction of automatic enrolment and NEST (the National Employment Savings Trust), which will involve employers in new processes. These new processes come into effect from 1 October 2012, but the introduction will be gradual and is not scheduled to begin to affect the Open Fund's Participating Employers until later in 2013.

As a Board, we are responsible to members for the protection of benefits and for delivering sustainability over the long term through effective management and good governance. However, in reality this sustainability has a price. If Employers have real difficulty in meeting the continuing increasing costs of operating DB arrangements then we must consider how best to reduce the volatility in their pension liability. We believe that the leaner risk profile of the Scheme with DC included is one of the elements that will form a solid foundation for enhancing both Employer and overall Scheme stability in the future.

The process of integrating DC into the Scheme Rules and our operations was completed on 1 April 2012, which represented the achievement of a very demanding target.

Open Fund Valuation and Deficit Recovery Plan

I reported to you last year that the 2010 Actuarial Valuation of the Open Fund revealed an expected deficit and in order to address this situation we needed to agree a deficit recovery plan with our sponsoring Employers. The multi-employer nature of the ITB Funds meant that agreeing a deficit recovery plan acceptable to all of the Employers proved a complex

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Chairman's Statement

challenge, but after some difficult negotiations an agreement was reached with all the Employers on this final part of the valuation process during the year.

While the 2010 valuation set out details of the funding level and future contribution rate requirements for each of the Scheme Sections, the deficit recovery plan identified the amount of deficit contribution funding from each Employer which is intended to eliminate the shortfall of assets over liabilities within the Trustees' 7 to 10 year guidelines. Where a recovery plan longer than 7 years was required by some Employers the Scheme's security has been bolstered by other measures with the Employer concerned, such as escrow arrangements or charges over assets.

Employer Covenant

Central to the valuation assumptions and the deficit recovery plan is the monitoring of each Employer's covenant as it underpins the whole Scheme funding process. However, assessing what the Employer can reasonably afford is not without its difficulties.

This assessment of the financial strength and other relevant developments affecting the Participating Employers' fundamental ability to support the Fund is part of the normal process regularly undertaken by our independent professional covenant assessors who specialise in this area. Their reports enable us to be vigilant for any change that might affect an Employer's ability to support the Scheme, which could impact on the longer term funding of the Scheme and our investment strategy. Certainly, the Pensions Regulator expects scheme trustees to approach employer covenant monitoring on a risk-based and proportionate manner. It is somewhat reassuring to note that based on the last review, most of our Participating Employers appeared to be performing in line with expectations.

Closed Fund

Last year I reported to you that following the review of our investment strategy in the wake of the 2009 actuarial valuation we asked our investment advisers to explore ways of increasing the stability of the Closed Fund's funding level. As a result of attractive short-term pricing in the insurance market a buy-in with an insurance company was considered the most favourable investment option for the Closed Fund, as an investment of this nature significantly reduces interest rate, inflation and longevity risks associated with the Scheme's liabilities. The buy-in was concluded with the chosen provider Pension Insurance Corporation ('PIC') on 27 April 2011.

Our move to buy-in the Closed Fund liabilities with PIC was undeniably one of the more noteworthy events for the Closed Fund and your Trustees during the year. It involved a lengthy and detailed process and your Trustees as a whole decided to proceed with the investment only after careful consideration and following consultation and advice from our legal, actuarial and investment advisers, in the belief that it was in the best interests of all the stakeholders in the Closed Fund.

The buy-in terms that had been agreed with PIC had been secured during a relatively narrow window of opportunity and represented an attractive deal for the Closed Fund and, as a consequence, the Fund was more secure as risk had been significantly reduced.

Under the arrangement Closed Fund pensioners and deferred members continue to have their pensions administered by the Funds' Office, as has always been the case.

Interim Financial Assessments

The interim assessment is essentially a 'snapshot' of a scheme's funding position carried out by the actuary at a point

in time between mandatory triennial valuations. It provides some insight into how close the current funding position is to the previous formal valuation and therefore provides an indication of the scale of the potential increases/decreases in contributions required at the next valuation.

Open Fund: The latest interim assessment of the Open Fund as at 31 March 2011 revealed that the funding level had improved from 92% at 31 March 2010 to 98% at 31 March 2011 and the Fund's deficit had decreased from £51 million to £16 million. Whilst liabilities were less, there had been higher than expected investment returns in the period and also the termination payments made by Skillfast-UK and JTL following their withdrawal from Scheme participation and the deficit contributions paid by Employers since January 2011, had all contributed to the improvement. However, it is important to note that the funding position is likely to have deteriorated as market movements in the period since then have been detrimental to pension scheme funding levels.

The next valuation of the Open Fund will be as at 31 March 2013.

Closed Fund: The latest interim assessment of the Closed Fund as at 31 March 2011, which was before the buy-in with PIC discussed above, revealed that the funding level had improved from 113% at 31 March 2010 to 120% at 31 March 2011 and the Fund's surplus had increased from £24 million to £36 million. The increase in surplus between March 2010 and March 2011 was principally due to a change in the inflation index used to increase pensions and higher than expected investment returns on the Scheme's assets.

The next valuation of the Closed Fund is as at 31 March 2012 and the results are expected to be revealed at the end of the year/early 2013.

Statement of Investment Principles (SIPs)

The Scheme SIP is a written statement of the principles governing decisions about investment for an occupational pension scheme which the Trustees are required to prepare and maintain through regular monitoring, particularly following an actuarial valuation or where there has been a change in policy. The Trustees must have regard to advice from a suitably qualified person and consult with the Employers.

The SIP must set out the basis on which the Trustees plan to invest the scheme assets. There are detailed regulations for the contents of a SIP and a pension scheme's sponsoring employers have a right to be consulted on the contents of the SIP and any revisions the Trustees periodically make, but they may not dictate the Scheme's investment policy.

The ITB Trustees' SIP embodies our investment approach and the current SIP can be found on the ITB Pension Funds' website at www.itb-online.co.uk

Your Trustees regularly review the SIPs and consult with the Participating Employers before changing the SIP and adopting any new investment strategy.

Governance

Effective high-standard governance is a key priority for your Trustees. It ensures that we fulfil our obligations and act in a timely manner, that we are alert to conflict and risk and that we have processes in place to ensure effective decision making.

In the current uncertain economic environment, management of risk remains a key focus for your Trustees.

The management and administration of the ITB Funds is considered and questioned both internally by the Funds' Office, the Trustees' Management Panel and Trustee Board

and in the case of investment and asset liability modelling, by the Trustees' Investment Committee, the Trustees' external investment consultants and finally by the full Trustee Board. Moreover, all Trustees have a frequent opportunity to raise questions at our regular quarterly meetings which are attended by the Funds' Actuary and the Funds' legal advisers. Our overall risk management processes seek to enable the early identification, evaluation and effective management of the key risks facing the Funds at an operational level and to operate internal controls to mitigate those risks. In addition, the Scheme's auditors undertake regular independent reviews of the Funds' risk processes.

Conflict: Procedures to deal with Trustees' conflicts of interest

In accordance with increasing regulatory requirements, we have procedures in place to deal with situations where a Trustee has a potential conflict of interest. As part of this process we endeavour to consider each situation separately on its particular facts and how it may conflict with the duties of the Trustee. Actions taken to attempt to eliminate actual or potential conflict are recorded in the Trustees' minutes. Our procedures to deal with Trustees' conflicts of interest are regularly reviewed by the Funds' Office, Management Panel, full Trustee Board and external legal advisers.

Communication

As part of our information flow to supplement our written communications is the Funds' website "itb-online" and the pension modeling facilities of "MyITB", with the latter providing a link for new DC members to the website of the DC provider, Legal & General Insurance Company, where further information on investment funds and a DC benefit calculator are available.

The internet has fundamentally changed the way we consume information and with 24 hour access the ITB websites are equipped to resolve many enquiries and provide both general and personal benefit information in a quick and convenient way. These facilities extend to active, deferred members and pensioners, as well as a bespoke website dedicated to support Employers.

Trustees

We, as a Trustee Board, believe in robust discussion on the critical issues that affect the Funds and I have been fortunate to have worked with fellow Trustees with extensive experience. It is clear that this breadth of experience and skills represented on the Board is an important factor in our effectiveness. The open and inclusive discussions we enjoy ensure a positive decision making environment and that consideration is given to all points of view.

Collectively we are ever mindful of our duty to protect members' interests, but we must also remain aware of what Employers are able to afford in funding the Scheme. While the Funds' assets are protected under trust and are therefore separate to those of the Participating Employers, the fortunes of both are nevertheless inextricably linked.

Outlook

It continues to be a very testing time both economically and financially and we remain alert to the impact this will inevitably have on investment risks. The challenges of tomorrow that are certain to come will in turn frame the way we must manage the Funds and the issues we face. We have maintained a relatively resilient investment portfolio throughout the period to date and we shall strive to ensure that this remains the case. We shall continue to approach both challenges and opportunities with the same fundamental principle of providing valuable and lasting pension provision for members that are sustainable for our Employers to provide.

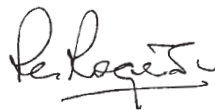
Stepping down

I stepped down as Chairman on 31 March 2012, after having served the maximum two terms, 6 years, as Chairman. This will therefore be my last statement to you.

During these years I have been greatly gratified and impressed by the tremendous efforts made by the Funds' Office staff who, under the guidance of Vincent Gordon and skillfully assisted by Dennis Matthews and Dave Faulkner, have not flinched from the demands put upon them throughout some extremely challenging periods for the Funds and the Trustees.

It has been an honour to serve as your Chairman of the Trustees and I am confident that the Funds will be well served under the leadership of your new Chairman, Jonathan Swift.

Although I am stepping down as Chairman I shall be remaining on the Board as Deputy Chairman (Employers) and look forward to continuing to work with Jonathan and my other Trustee colleagues, whose support and forbearance I have greatly appreciated.



Peter Rogerson OBE
Retiring Chairman of Trustees - 6 July 2012



Jonathan Swift, Chairman

Peter Rogerson OBE has wholeheartedly given his unstinting efforts and experienced counsel on behalf of the Trustees and the Funds and I pay tribute and thank him for the way in which he has distinguished himself throughout the catalogue of the Funds' events of the past 6 years. I am pleased that Peter has decided to stay on the Board and I greatly look forward to working with him during my tenure as Chairman.

Taking on the Chairmanship of the ITB Funds' is a considerable task, particularly at this time of worldwide economic uncertainty and political argument about whether austerity or growth are the right measures to take countries out of recession. Still, it is a task I shall approach with a high degree of energy and determination. It is therefore reassuring that I shall be working with a strong and committed Board of Trustee colleagues where, together with the drive and experience of Vincent and the Funds' Office staff with our professional advisers, we shall be vigilant of the challenges that will inevitably face us. No doubt there will be difficulties and throughout all I recognise the necessity and importance for the Trustees to have open channels of communication with Employers.





















Jonathan Swift
Chairman of Trustees - 6 July 2012



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 are as follows:

Employers' Trustees

<p>Peter Rogerson, OBE (Chairman)</p> <p>Nominated by: ConstructionSkills* (Retired Deputy Chairman of CITB-ConstructionSkills)</p> 		<p>Jonathan Swift (Deputy Chairman- Employers)</p> <p>Nominated by: Lantra (Deputy Chairman of Lantra)</p> 		<p>Gordon McNeil</p> <p>Nominated by: OPITO Limited Technical Programs Director for OPITO Limited (Succeeded Jacki Day who retired by rotation on 31 March 2012)</p> 	
<p>Bob Monks</p> <p>Nominated by: Skills for Logistics (General Secretary of the United Road Transport Union)</p> 		<p>David Birtwistle</p> <p>Nominated by: Science, Engineering and Manufacturing Technologies Alliance (Global Reward Director of GKN plc)</p> 		<p>Terry Lazenby, MBE</p> <p>Nominated by: Engineering Construction ITB (Retired Chairman of ECITB)</p> 	
<p>Tony Pringle</p> <p>Nominated by: Cogent SSC Limited (Director of TPPLAST Ltd)</p> 		<p>Simon Tarr</p> <p>Nominated by: People 1st (Chief Operating Officer for People 1st)</p> 		<p>Newell McGuiness</p> <p>Nominated by: Scottish Electrical Charitable Training Trust (SECTT), CAPITB Limited (Managing Director of SELECT)</p> 	

*ConstructionSkills is the trading name of Construction ITB

Members' Trustees

<p>Roisin Boyer</p> <p>Nominated by: People 1st HR Manager (Succeeded Lindsay Campbell who left service on 20 May 2011)</p> 		<p>Susan Smart</p> <p>Nominated by: Engineering Construction ITB Regional Account Manager - Offshore (Succeeded John Edwards who retired from service on 31 August 2011)</p> 		<p>Rob Sweeney</p> <p>Nominated by the Trade Union 'Unite' for: ConstructionSkills* Training Adviser for ConstructionSkills (Succeeded Mike Harris who retired from office on 26 June 2012)</p> 	
<p>Chris Hall</p> <p>Nominated by: Skills for Logistics, CAPITB Limited, Cogent SSC Limited, Scottish Electrical Charitable Training Trust (SECTT) (Finance & Administration Director for Skills for Logistics)</p> 		<p>Gillian Black</p> <p>Nominated by: OPITO Limited (Policy Affairs Director for OPITO Limited)</p> 		<p>Madge Moore</p> <p>Nominated by: Lantra (National Director - England for Lantra)</p> 	
<p>Reg D'Souza</p> <p>Nominated by the Trade Union 'Unite' for: Science, Engineering and Manufacturing Technologies Alliance (Research Team Leader for Semta)</p> 		<p>David Barnett (Deputy Chairman-Members)</p> <p>Nominated by: Open Fund Pensioners Previously Road Transport ITB (Retired - Formerly Director General of RTITB)</p>		<p>Hugh Edwards</p> <p>Nominated by: Closed Fund Pensioners Previously Road Transport ITB (Retired - Formerly Training Assessment Manager RTITB)</p>	

Changes to the Trusteeship

Changes to the Trustees

Members' Trustees

Madge Moore, the Member Trustee for Lantra retired by rotation on 31 March 2012 and, after being renominated by the active membership of Lantra, was reappointed to serve a further term from 1 April 2012.

John Edwards, the Member Trustee for Engineering Construction, retired from service on 31 August 2011. He was succeeded by Susan Smart on 7 October 2011 after she had been nominated by the active membership of Engineering Construction ITB.

Lindsay Campbell, the Member Trustee for People 1st, left the service of People 1st on 20 May 2011. He was succeeded by Roisin Boyer on 7 October 2011 after she had been nominated by the active membership of People 1st.

Pensioner Trustees

The period of office of the Closed Fund Pensioner Trustee, Hugh Edwards, is due to end on 31 March 2014.

The Open Fund Pensioner Trustee, David Barnett, retired by rotation on 30 September 2011 and, after being renominated by a ballot of Open Fund pensioners, was reappointed to serve a further term from 1 October 2011.

Employers' Trustees

Mr Simon Tarr, the Employer Trustee for People 1st, retired by rotation on 6 October 2011 and was reappointed to serve a further term from 7 October 2011.

Tony Pringle, the Employer Trustee for Cogent SSC, retired by rotation on 9 October 2011 and was reappointed to serve a further term from 10 October 2011.

Jacki Day, the Employer Trustee for OPITO, retired by rotation and resigned as a Trustee on 31 March 2012. She was succeeded by Gordon McNeil on 1 April 2012 after he had been nominated by OPITO.

Chairman

Jonathan Swift, the Employers' Trustee for Lantra, was appointed Chairman of the Trustees on 1 April 2012, succeeding Peter Rogerson OBE, who retired from the office of Chairman on 31 March 2012.

The period of office of the Chairman, Jonathan Swift, is due to end on 31 March 2015.

Deputy Chairmen

Jonathan Swift, the Deputy Chairman (Employers), resigned from office on 31 March 2012 and a nomination and ballot process was undertaken to appoint a new Deputy Chairman (Employers). Peter Rogerson OBE and Employers' Trustee for Construction Skills stood unopposed in the process and was therefore appointed as Deputy Chairman (Employers) with effect from 1 April 2012.

The period of office of Peter Rogerson as Deputy Chairman (Employers) is due to end on 31 March 2015.

The period of office of David Barnett as Deputy Chairman (Members) is due to end on 28 February 2013.

Trustee Training, Induction and Governance

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

To identify and manage any potential problems related to Trustees conflict of interests, the Funds' Office also maintains a Trustees' 'Register of Interests'. The content of this Register has been updated during the past year and takes account of guidance issued by the Pensions Regulator. Conflicts of interest are regarded as a priority area for the Trustees in their governance of the ITB Pension Funds.

The Trustees are committed to maintaining high standards of governance. The Board recognise that they, as Trustees of the ITB Pension Funds, are expected to act to the highest standards of responsibility at all times. A set of governance structures and practices, designed to ensure that the Funds are run responsibly in the best interests of all of the Funds' stakeholders, is therefore in place and adhered to.

Meetings

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

All of the Trustees are aware of the importance of their attendance at meetings.

There was overall 89% attendance at the Trustees' Board meetings.

Committees

The Investment Committee, the Management Panel and the Salaries Committee are formally set up by resolution in accordance with the Rules and have carefully defined remits. Where Members of the various Committees are unable to attend any meeting then agenda matters are addressed with them either in writing or by telephone, both prior to and after the meeting. Where possible any Committee Member who is not able to attend a meeting in person will take part in the meeting by way of a conference telephone call.

Officers and Advisers

Officers

Director

Vincent Gordon FPMI

Accountant

Dave Faulkner FCA

Communications & Benefits Manager

Dennis Matthews APMI

Advisers

Actuary

Government Actuary

Solicitors

Mayer Brown International LLP

Investment Managers

Barings Asset Management
BlackRock Advisors (UK) Limited
BNY Mellon Asset Management
Henderson Global Investors Limited
Insight Investment
Investec Asset Management
Liongate Capital Management
Longview Partners LP
Ruffer LLP
Schroder Investment Management
(UK) Limited
Stenham Asset Management

Property Investment Managers

Fletcher King

Investment Performance Monitors

BNY Mellon Asset Servicing

Investment Advisers

Lane Clark & Peacock LLP

Custodians

BlackRock Advisors (UK) Limited
JP Morgan Chase Bank
Universal Pension Trustees Limited
ITB Pension Trustees (1) Limited
ITB Pension Trustees (2) Limited

Auditor

Chantrey Vellacott DFK LLP

Vincent Gordon FPMI



Dave Faulkner FCA



Dennis Matthews APMI



Participating Employers

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

During the year CAPITB plc changed its name to CAPITB Limited.

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

CAPITB Limited

Cogent SSC Limited

Participating Subsidiary:

Cogent (Telford) Limited

ConstructionSkills*

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiary:

National Skills Academy for Hospitality (NSAH)

(Name changed to Hospitality Guild with effect from 18 April 2012)

Science, Engineering and Manufacturing Technologies Alliance

Participating Subsidiaries:

EMTA Awards Limited

Metals Industry Skills and Performance Limited (MetSkill)

Training Publications Limited

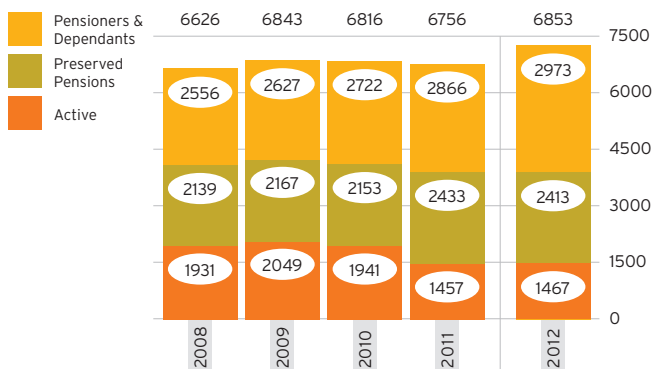
National Skills Academy for Manufacturing (NSAM)

Scottish Electrical Charitable Training Trust Skills for Logistics

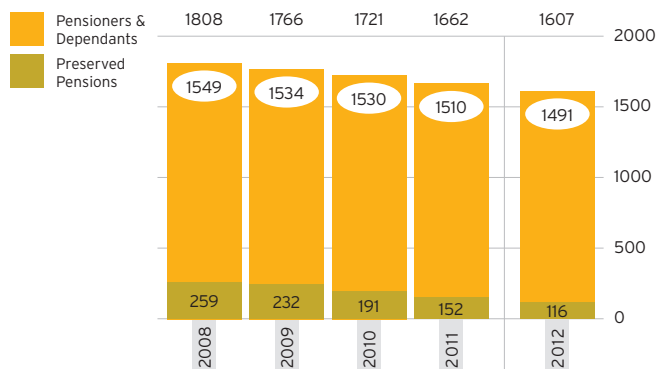
* ConstructionSkills is the trading name of Construction ITB

Five Year Summary

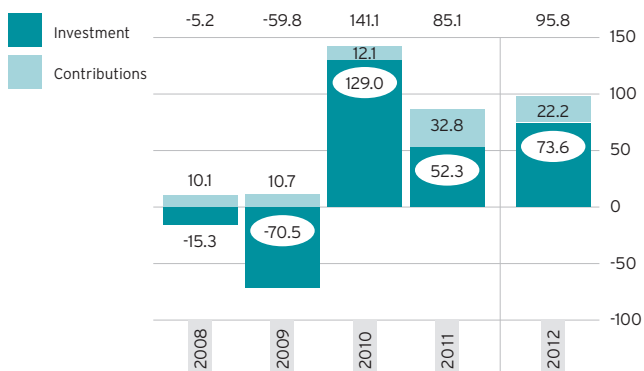
Open Fund - Membership



Closed Fund - Membership



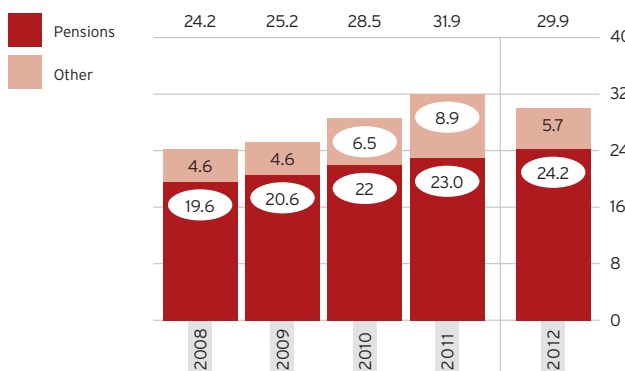
Open Fund - Income (£M)



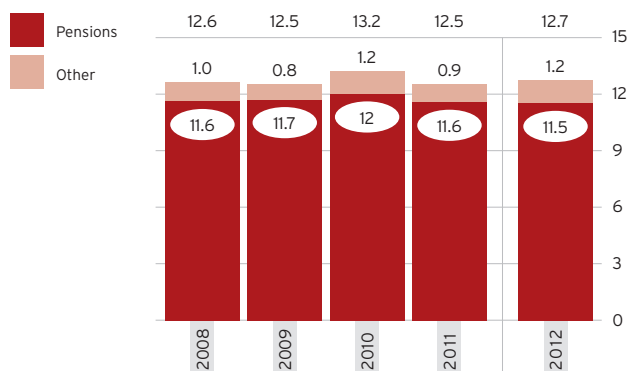
Closed Fund - Income (£M)



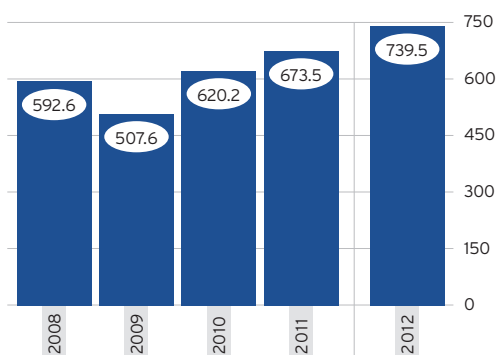
Open Fund - Expenditure (£M)



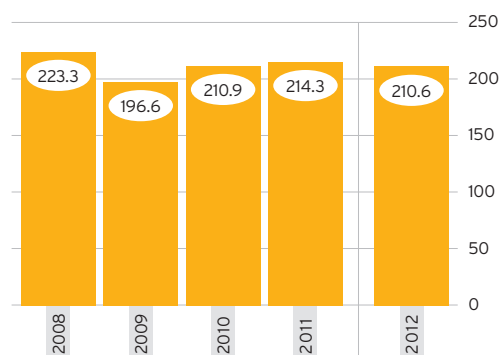
Closed Fund - Expenditure (£M)



Open Fund - Fund Value (£M)



Closed Fund - Fund Value (£M)



Summary Funding Statements

The ITB Pension Funds (Open Fund): Summary Funding Statement for Period ending 31 March 2011.

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 2010 the funding position was as follows:

Assets	£620.2 million
Liabilities	£671.5 million
Funding level	92%

The estimated amount as at 31 March 2010 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £874.9 million. Therefore, the Scheme was 71% funded on a full solvency basis as at 31 March 2010. 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 Open Fund as at 31 March 2011. The purpose of that review was to assess how the Scheme's funding position has changed over the previous year.

This interim review showed that the funding level increased from 92% to 98% between 31 March 2010 and 31 March 2011. The increase in funding level reflects higher than expected investment returns on the Scheme's assets, the payments made by Skillfast-UK and JTL in respect of their withdrawals from the Scheme during 2010 and the deficit contributions paid by Participating Employers since January 2011.

Actions to return the Scheme to full funding:

The Participating Employers have agreed to pay additional contributions to the Scheme to restore the Scheme to full funding. Additional contributions will be paid for between 7 and 10 years from January 2011. Where such contributions extend beyond 7 years, Employers have agreed to provide additional security to the Scheme.

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 follows:

Global equities	28%
Bonds/LDI mandate	30%
Alternative Investments	26%
Property	13%
Cash	3%

Where can I get more information?

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

- Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (www.myitb.com) to estimate their own benefits.
- Additional documents available on request or in some cases on the Funds' website 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 Recovery Plan: This shows the agreed actions to restore the Scheme to full funding.
- 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 2012.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2011.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2010.
- 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, or visit www.myitb.com to view online benefits statements and model your 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 2011.

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 annual actuarial report, which sets out how the Scheme's funding position has changed since the last full 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 report.

The last ongoing funding valuation

The most recent funding valuation of the Closed Fund showed that on 31 March 2009 the funding position was as follows:

Assets	£196.7 million
Liabilities	£189.1 million
Funding level	104%

As a result, no further contributions were required, although the funding level was less than the Trustees' target level of 110%.

The Scheme Actuary assessed that, as at 31 March 2009, the assets of the Scheme were very likely to be sufficient to pay for the liabilities in full if the Scheme had started to wind up at that

date. (The Scheme was 113% funded on a full solvency basis as at 31 March 2009.) 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 2011. The purpose of that review was to assess how the Scheme's funding position has changed over the previous year.

The interim review showed that the funding level increased from 113% to 120% between 31 March 2010 and 31 March 2011. The increase in surplus between March 2010 and March 2011 was principally due to a change in the inflation index used to increase pensions, and higher than expected investment returns on the Scheme's assets.

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 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?

At 31 March 2011, the Trustees' policy was to invest the majority of the Scheme's assets in index-linked gilts to match the liabilities of the Scheme as they come due. Cash was held to pay the most imminent liabilities. More recently, the Trustees have insured the Scheme's benefits with an insurance company.

The reserve funds are invested in a broad range of assets, the majority of which are expected to be equities.

Where can I get more information?

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

- Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (www.myitb.com) to estimate their own benefits.
- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.

Summary Funding Statements

- 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 2012.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2009.
- The report on the Interim Actuarial Review of the Scheme as at 31 March 2011.
- An Annual Benefit Statement. If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension, or visit www.myitb.com to view online benefit statements and model your pension.

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

Financial Summary 2012

	Closed Fund £'000	Open Fund £'000
Value of the funds as at 31 March 2011	214,282	673,550
Income: contributions	0	22,030
AVCs transferred to main Fund	0	170
Income from Investments	11,852	10,010
Total Income	11,852	32,210
Expenditure		
Pensions and other benefits	(11,820)	(27,754)
Transfer values paid	(0)	(581)
Administration expenses	(706)	(1,340)
Pension Levy	(92)	(208)
Total expenditure	(12,618)	(29,883)
Balance deducted/added from value of funds brought forward	(766)	2,327
Net change in market value of investments	(2,950)	63,576
Value of Funds at 31 March 2012	210,566	739,453

Statement of Investment Principles (SIPs)

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

The SIPs are regularly reviewed. The full versions of SIPs can be viewed by accessing the ITB website on www.itb-online.co.uk, or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolio of investments. Their

appointments are reviewed by the Trustees annually in light of quarterly monitoring of the performance and investment process. The investment performance of both the Open and Closed Funds can be accessed in greater detail in the Trustees' Report and Accounts.

The recommendations of a report on institutional investment - the Myners Report - which have previously been accepted by the Government, identified a set of investment principles which pension schemes should comply with on a voluntary basis. The Trustees consider that the Funds are currently mostly compliant with the Report's recommendations (with a few relevant areas where the Trustees are working towards becoming fully compliant) and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures.

Increases in Pensions

Open Fund (Old Section) and Closed Fund

The Rules require pensions to be increased as if they were 'official pensions' to which the Pensions (Increase) Act 1971 applied (since incorporated into s59 Social Security Pensions Act 1975).

The increases are made in accordance with up-rating orders issued by the Government each year, stating the percentage rate of increase for that year, based on the rise in the "general level of prices". The legislation leaves it to the Secretary of State to decide what the appropriate inflation measure is for this purpose from time to time.

The level of increase is currently determined by reference to the annual rise in the CPI at the end of September each year, with any increase being applied from the first Monday following the beginning of the new tax year.

This year the increase is 5.2% and is payable from 9 April 2012.

Open Fund New and 2007 Sections

Under the Rules of the Open Fund, New and 2007 Sections pensions are increased in line with the annual increase in the Retail Price Index (RPI), subject to a maximum increase cap as described for the New and 2007 Sections in the table below. Increases commence on the first Monday after 6 April each year.

10 year pension increase history

Date of Increase	Increase %
7 April 2003	1.7
12 April 2004	2.8
11 April 2005	3.1
10 April 2006	2.7
9 April 2007	3.6
7 April 2008	3.9
6 April 2009	5.0
12 April 2010	0.0
11 April 2011	3.1
9 April 2012	5.2

Pensions in Payment - Increase Methods (All ITB Schemes):

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)	The State
Before State Pension Age the Scheme increases total pension by:	In line with annual up-rating orders issued by the government	*RPI subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
After State Pension Age the Scheme increases Excess over **GMP by:	In line with annual up-rating orders issued by the government	*RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
The **GMP is increased as follows: 6 April 1978 to 5 April 1988 by	Nil	Nil	In line with annual up-rating orders issued by the government
6 April 1988 to 5 April 1997 by:	Lesser of 3% and the annual up-rating orders issued by the government	Lesser of 3% and the annual up-rating orders issued by the government	Excess of the annual up-rating orders issued by the government

*RPI = Retail Price Index **GMP = Guaranteed Minimum Pension

Preserved Pensions - Increase Methods (All ITB Scheme Sections)

The methods by which any annual increases to preserved pensions currently apply are shown below in the following table:

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)
Pensions accrued before 6 April 2009:	In line with annual up-rating orders issued by the government	Increased in line with the lower of the accumulated rise in the RPI and 5% pa compound
Pensions accrued on or after 6 April 2009:	In line with annual up-rating orders issued by the government	Increased in line with the lower of the accumulated rise in the RPI and 2.5% pa compound

Increases in Pensions

Contracting out

From 6 April 1978 all members of the ITB Pension Funds were contracted-out of the Second Tier of the State Pension, known as the State Second Pension (S2P formerly called SERPS).

A requirement of contracting-out was that an occupational pension scheme had to provide its members with pension benefits which were broadly equivalent to the S2P pension that members would have accrued had they not been contracted-out. This was known as a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post 5 April 1997 pensionable service, but members remain contracted-out and still receive benefits broadly equivalent to the S2P pension based on the benefits set out under the statutory standard Reference Scheme (The Reference Scheme Test).

On attaining State Pension Age, members are advised by the Department of Work and Pensions (DWP) of the amount of the GMP that will be paid by the Funds as part of their total pension. The Department will also confirm that subsequent cost of living increases on the GMP will be payable by the Department by making the necessary addition to members' basic State Pensions. Spouses' GMPs are inflation protected by the State, irrespective of age.

Round-up

ITB Website

Online communications is becoming an increasingly important way to access pensions information and our existing websites, although award winning, have required updating to keep the ITB Pension Funds in line with best practice in this aspect of our communications with members. Our new website has just launched, with a new look and a range of updated features to help members get more relevant information in an easier way.

Until now we have had two websites each with their own security, which meant you needed two logins and passwords. To make access easier we have developed a single-sign-in process. This means you will only need one login and password to access what has been until now, our two websites 'itb-online' and the pension modeling facilities of 'MyITB'. Now, access to all of your pension information is through one address - www.itb-online.co.uk

As well as simplifying the access, we recognised that there is an increasing need for Employers to tailor their communications with members and, as a result, we have added the ability to tailor the content of the pages to an Employer level. This means that members will be directed straight to the content of the website related to the Section of the Scheme they are in, the type of member they are, and also to the Employer they work for.

Whilst designing the new interface for the website we could not ignore the fact that by 2014 it is forecast that web browsing on smart phones and tablets will overtake that of desktops. Our new website has therefore been built using the very latest 'responsive' technology that scales and adjusts the website dynamically according to the device on which it is being viewed. The MyITB pension modeling facilities pages with their variable calculation content may not however readily adapt to smart phone screens, and this is something we have under review.

40 Year Cap on Pensionable Service

With effect from 1st September 2012, New Section Members and 2007 Section Members will not be able to accrue more than 40 years' Pensionable Service in any combination of the 2007 Section, New Section or Old Section of the ITB Pension Funds. Old Section Members are already subject to a Pensionable Service cap of 40 years up to Normal Retirement Date.

The Participating Employers asked the Trustees to make this change to the Rules because of their concern that the change in the law last year, which removed the default retirement age of 65, might lead to Members continuing to accrue Pensionable Service long beyond what was originally expected.

Whether or not you are affected by this change you may also like to know that it is possible for you to pay Additional Voluntary Contributions (AVCs) up to 20% of your Pensionable Salary to further increase your pension benefits.

Information in respect of the AVC arrangements provided under the ITB Scheme can be found on the ITB Funds' website - www.itb-online.co.uk



Contact

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