



*The ITB Pension Funds*

YOUR SCHEME



# WORKING FOR YOUR FUTURE

The ITB Pension Funds Trustees'  
Report & Financial Statements  
2014/15

# Profile

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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 of 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 in the main invested by independent investment managers who are appointed by the Trustees. The Closed Fund has no Participating Employers paying contributions, and while it is predominantly invested in assets that are intended to match its liabilities, it also employs a number of independent external investment managers appointed by the Trustees.

Employees of the Participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions. The Open Fund offers both Defined Benefit (DB) and Defined Contributions (DC) Sections (DB is where pension is based on a member's salary and service and DC is where the member receives a pension based on the contributions made and the investment return that the contributions have produced). DB members are contracted-out of the State Second Pension (S2P), whereas DC members participate in S2P as they and their Participating Employers pay full-rate National Insurance contributions. Life Assurance is provided under both the DB and DC Sections. With effect from 1 April 2012, the Open Fund consisted 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
- the 'DC Section', which was introduced on 1 April 2012

The benefits received by members are determined by the Scheme Section elections made by their Employers.

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# Chairman's Statement

## Year under review



An eventful year for the Funds in many ways, most notably for the radical package of pension reforms introduced by the Chancellor in his Autumn Statement of 2013 allowing greater flexibility in the way that people are

able to draw on their pensions. While these reforms are significant also of importance was the strong performance during the year of the Open Fund's investment portfolio which, in a volatile market, delivered excellent underlying returns of 21.3%. The Fund also recorded its highest ever level when it peaked at £960 million. But even though the main stock markets in the UK and US reached new record highs the growing uncertainty and political instability in many parts of the world are of concern, not least because of how they affect financial markets.

Trying to contend with these risks is difficult enough, but what makes it more challenging is the long-term low interest rates that have prevailed and effectively pushed up the price of bonds. This reflects in the yield on those bonds falling as a percentage of the price, most recently to record lows and because Defined Benefit (DB) liabilities are required to be valued using bond yields in an actuarial valuation, it serves to increase those liabilities.

## Investment Strategy

### Open Fund

I reported to you last year that following detailed discussions with the Participating Employers that agreement had been reached on a deficit recovery plan to address the shortfall in the Scheme's funding following the 2013 actuarial valuation. As part of the overall process, following the valuation we went on to review the investment strategy for the Scheme. In doing so we took stock of what factors were likely to shape our future investment strategy. Fundamental to the review was our independent advisers' in-depth assessment of the strength and prospects of the Participating Employers. This is probably the single most important factor that helps us determine how much investment risk the Scheme can take going forward.

While it is the Scheme Trustees who are responsible for setting the investment strategy the Employers have to be consulted. We are committed to open

dialogue with the Employers in such matters in order to allay any concerns they may have about the effects a revised investment strategy can have on Scheme funding. We have to be both practical and realistic, taking investment risk only up to a level where the Employer can mitigate adverse outcomes over a reasonable period, also recognising that the current economic environment is now much more difficult and presents a set of complex challenges for the Trustees and Participating Employers.

Consequently, a lot of work has gone into reducing risk in our long-term investment strategy with an emphasis on matching assets to the Scheme's liabilities. The changes made to our investment process are now embedded in the Scheme's Statement of Investment Principles.

In undertaking the investment review with our investment advisers we established a de-risking mechanism that can be accelerated or slowed down depending on actual investment performance, with strategy being regularly monitored to ensure that it remains on target.

We have also made progress on our objective of a plan to be fully funded on a self-sufficiency basis with the aim of paying benefits to members without further support from the Employers, or at least a low probability of Employers being required to make contributions. The plan currently extends over 20 years but can be adjusted depending on; Fund performance and solvency levels, strength of our Participating Employers and the future economic environment. This long-term plan has been comprehensively discussed with Employers, as we are mindful of our responsibility to protect the position of the Fund and that this is to the advantage of Employers who are responsible for any shortfall in the Fund.

These are all important steps towards our ultimate goal of securing a strong funding position and ensuring the Open Fund can pay the benefits promised to members at an affordable cost for Employers.

### Closed Fund

The majority of the Closed Fund's assets are invested in a bulk annuity contract with the Pension Insurance Corporation (PIC) which broadly covers all of the Closed Fund's liabilities and removes much of the longevity and investment risk. The

remaining assets in the Closed Fund are its Reserve Assets which include a portfolio of index-linked gilts. Although gilt yields were adversely affected in the year by the prevailing low interest rates, other parts of the reserve assets portfolio performed positively, featuring good investment returns from overseas equities, emerging market equities and the investment in diversified growth funds (broadly an investment in a fund that invests in a wide range of asset classes with the objective of providing returns similar to the level of return on investment in equities, but with less volatility). These positive returns provided an overall investment return of 10.9% in the year to 31 March 2015 and coincided with an increase in Closed Fund reserve assets to £74.5 million (31 March 2014 £67.5m).

## Employer Covenant

### The Participating Employer covenant

Central to the whole wellbeing of the Scheme is the assessment of the covenant strength of each of our Participating Employers as it indicates the ability of the Employers to fund the pension scheme and underwrite investment risk. Essentially it is used to inform decisions on the actuarial assumptions and the deficit recovery plan. It has a bearing on the degree of prudence applied to the assumptions adopted by the Scheme Actuary in carrying out an actuarial valuation and a need to strike a balance between the reasonable growth objectives of sponsors and their funding obligations to the Scheme.

Being mindful that the provision of Scheme pension benefits are long-term undertakings and the challenges presented by current economic circumstances should be seen within this longer-term context, we recognise that a strong ongoing Employer covenant together with an appropriate funding plan provides the best support for the Scheme. In this manner we maintain open communication channels to keep in balance our relationship with the Employers to ensure they are kept informed of any widening funding gaps and other major issues likely to affect Scheme funding.

Assessing the Employer covenant can be a complex business and the work undertaken by our specialist advisers in this area looks in detail at matters such as each company's current balance sheet strength, reserves, cash flow, the potential impact on the covenant of significant transactions

or restructurings and whether there are any preferential creditors. It is critical work that helps to provide notice of any potential developments with Employers that could endanger the Scheme's recovery situation and we remain ready to trigger action to mitigate the effects on the Scheme if the need arises.

Regrettably during the year Skills for Logistics (S4L), one of the Scheme's smaller Employers, experienced a serious deterioration in its financial performance. The Trustees were willing to explore some further flexibility in S4L's deficit recovery plan and invited the company to provide additional security to the Scheme given its weakening position. However, at short notice, the Directors of S4L announced that they had decided to cease trading on 6 January 2015. This resulted in the Trustees issuing notice to S4L effectively ending its participation in the Scheme and triggering a Section 75 debt liability from S4L to the ITB Open Fund.

We are concentrating our efforts on maximising the recovery of assets from S4L and at the time of writing the situation is still being investigated by our specialist advisers.

### Interim Actuarial Assessments

As Trustees of a DB Scheme we must obtain a full valuation at least every three years, or possibly at a shorter period where there has been a major change in circumstances likely to affect the Scheme's funding position. Less extensive valuation reports in the intervening years are also obtained to keep a spot check on the Scheme's financial position. These are called interim actuarial assessments.

Their purpose is to check that the Fund continues to be funded at the level expected and to bring any issues to the Trustees' attention if that were found not to be the case.

**Closed Fund:** In the case of the Closed Fund the interim assessments consider any material changes that may have taken place in the sufficiency of the Scheme's reserve assets to meet any liabilities not covered by the buy-in policy with Pension Insurance Corporation (PIC).

The most recent interim assessment of the Closed Fund as at 31 March 2014 was completed in October 2014 by the Actuary. This revealed a surplus of £29 million (2013 £21.8 million) that was

derived from a market value of the Fund's assets of £67.5 million as at 31 March 2014 (2013 £67.4 million) and liabilities (excluding insured liabilities) of £38.3 million (2013 £45.6 million). It was confirmed that the Closed Fund continued to be in a sound, ongoing financial position.

**Formal Triennial Valuation:** Work is underway on the formal triennial valuation of the Closed Fund to be carried out as at 31 March 2015. The initial valuation results are expected to be announced in the latter part of the current Scheme Year/early 2016. Once the process is finalised, a summary will be published in the New Year for the information of Closed Fund pensioners and deferred members.

**Open Fund:** The most recent interim assessment of the Open Fund as at 31 March 2014 was completed mid-term 2015 by the Actuary. This reported a year on year increase in the funding level to 99% (2013 97%). The principal reasons for the estimated overall decrease in the Fund's deficit in the period to 31 March 2014 were a marginal increase in the yield on index-linked gilts, which are essentially used as a standard to value the majority of Scheme benefits, the combined deficit funding contributions paid by the Participating Employers, and salary increases had proved to be at a lower level than assumed. Conversely, the actual rate of return earned on the Fund's investments over the year to 31 March 2014 was lower than assumed, thereby having the effect of increasing the deficit.

**Formal Triennial Valuation:** The next triennial valuation of the Open Fund is due to be carried out as at 31 March 2016.

## Budget

As I referred to earlier there have been many reforms of the pension system over the years, but none quite as radical as introduced by Government from 6 April 2015. Since then individuals from the age of 55 with a defined contribution (DC) pension are able to access their entire pension flexibly if they wish.

This new freedom of choice in pensions has in some measure been adopted by the Trustees for the ITB DC Section. What this means in practice is that if you are a DC member then provided you have attained age 55 you will be able to fully cash out your pension, or transfer your pension savings to an individual policy with another regulated provider and possibly draw on as much or as little of your pension savings as you like and have the flexibility to do so

regularly if you wish. However, the new options are not necessarily straightforward and there may be some drawbacks, such as additional taxation which can be at a higher level than you may normally pay, so you may wish to consider taking independent professional advice before making any final decisions about your pension. The option to purchase an annuity remains. Some pension flexibility also extends to additional voluntary contributions (AVCs) of DB members, where invested through the Scheme with Legal & General, Prudential or Royal London (previously Scottish Life).

ITB DB Section members may also currently transfer the value of their benefits to a DC arrangement outside the Fund. However, before doing so members should think very carefully before giving up their DB benefits and independent professional advice is recommended. Indeed, taking advice in this way is a formal requirement for any DB member with a transfer value of their benefits of £30,000 or more.

Much has changed and the jargon surrounding the new pension flexibilities can be really confusing. Your pension is a valuable asset and decisions you make may be irreversible. To assist you the government provides a free and impartial broad guidance to help you better understand your options at retirement through 'Pension Wise', a free service operated by the Citizens Advice Bureau and the Pensions Advisory Service available through the Pension Wise website, over the telephone or by appointment. However, it is important to note that none of this guidance is intended to replace professional advice.

What is also of concern to us as Trustees is that members do not become victims of pension scams and possibly lose their pensions savings. We recommend that you take great care if you receive unsolicited contact from firms or individuals concerning your pension, no matter how sophisticated they sound, as they may be unscrupulous. Good advice is on hand from the Age UK and The Pensions Regulator's websites. Also from the Money Advice Service which was initially set up by Government, but now supported by a levy to which all financial institutions contribute. The web addresses appear under the Supplementary Information part of this Report on pages 68-69.

There is also further coverage of the new pension flexibilities in the Principal Activities section of this Report on pages 17-20.

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## Governance

The ITB Pension Funds' Trustee Board is committed to high standards of governance, which we view as central to delivering secure pension related benefits to members and pensioners over the long-term. The Board considers all aspects of the Funds' business necessary to provide good governance which is set out in the Governance Statement on pages 31 and 32 of this Report. I am pleased to be able to confirm that the ITB Pension Funds essentially complies with all aspects of The Pension Regulator's Governance Codes of Practice relating to DB and DC pension benefits.

## Regulation and Legislation

Regulatory and legislative change continues to challenge us, from the new rules relating to freedom and choice in pensions, to the charge cap on DC default funds, to various codes of conduct issued by The Pensions Regulator.

**New State Pension and Contracting-out:** The new State Pension will be introduced on 6 April 2016, replacing the existing two-tier system of Basic and Second State Pension. The new pension will apply to people who reach State Pension age on or after 6 April 2016, with the amount payable depending upon an individual's NI contribution record. The full new State Pension is expected to be circa £150 per week and the exact amount will be set in Autumn 2015.

Currently, like most DB Schemes the Open Fund DB Section is contracted-out of the Second State Pension (S2P) and members and Employers pay a lower rate of NI contributions, because the Scheme essentially substitutes S2P. However, as the ability of all DB schemes to contract-out of the S2P will end come April 2016 it will result in contracted-out active members and Employers paying full-rate NI contributions. Members will then accrue additional State Pension by way of their increased NI contributions. Employers with active DB members will see their costs increase. The Government allows DB employers certain measures to mitigate this increase in cost and we have undertaken preparatory work with our Participating Employers to examine the options open to them. Active members of the DB Section will be updated by their Employers when final decisions have been made.

## Communication

Launched back in 2002 MyITB the DB Section's interactive modelling website broke new ground and won a number of pensions industry awards, so our decision to decommission MyITB during 2015 was reached with some regret. The reason for this action is that existing software architecture has become outmoded, requiring more regular maintenance and it does not have the flexibility to cope with further benefit changes without the expense of a complete rewrite of the system. Many modifications to the DB Scheme benefit structures on MyITB have taken place since 2002 along with major changes to pension benefit provision due to changes in legislation. Given the reducing numbers of active DB members we could not justify the significant cost of redevelopment.

MyITB functionality is currently accessed through a gateway on the Funds' information website [www.itb-online.co.uk](http://www.itb-online.co.uk) and the rest of the information facilities on the website will continue as normal for DB members and Employers when MyITB is decommissioned.

DC members continue to have access to their details through a link on [www.itb-online.co.uk](http://www.itb-online.co.uk) to the Legal & General (L&G) website (the current DC investment provider), where members are provided with a range of useful tools, services and other useful information designed to help manage their DC investments and obtain an instant valuation of their complete DC portfolio. Prices are updated every day.

## Trustees

It's reassuring to know there is a wide diversity of experience and expertise on the Trustee Board. These are attributes that are well-tested in these times of increasing focus on governance and accountability, along with the challenging demands of new regulations and Scheme underfunding.

Fundamental to everything we do as responsible Trustees is to look to the longer term and continue to focus on the security of member pension provision and understanding the issues faced by our Participating Employers.

I would like to thank my fellow Trustee Board members for their diligence and outstanding commitment to the Funds over the year, and I

# Chairman's Statement

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look forward to working with them again in the year ahead. My thanks are also extended to their Employers who nominate and release them for this responsibility.

## Funds' Staff

The Funds' Director and the rest of the team at the Funds' Office make a significant and highly regarded contribution to our operational success. The team strive for high standards of management and administration as this is key to the level of service they provide to all members of the Trustee Board, the Funds' Participating Employers and to you the members, active, retired, or yet to draw your Scheme benefits.

On behalf of my fellow Trustees I thank them and appreciate all that they do.

## Scheme Actuary

We have benefited from the insight and experience of Trevor Llanwarne who was Scheme Actuary to the Funds from July 2008 to August 2014 when he retired. His replacement, Ken Kneller, was appointed to the Fund on 1 September 2014.

## Outlook

This past financial year has been a busy one for your Trustees and this current year looks to be very much the same. Political and economic uncertainty continues to influence markets and we

shall continue to respond decisively by maintaining a disciplined approach to investment with an unrelenting focus on investment performance. Taking a long-term view to investment, given the life-long nature of pension liabilities, our ultimate aim is to enable a positive future for all our stakeholders; our members and Employers. We remain prepared for further change through various measures, including integrated risk management with triggers for action in each area.

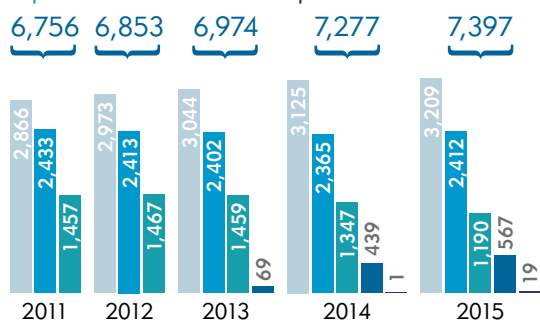
There is still work to do on scheme funding and we shall continue to drive our efforts into making sustained and consistent progress against our strategic objective of getting the DB Section of the Open Fund back to a fully funded position. Key to achieving this is our maintaining strong working relationships with our Participating Employers who in effect underwrite the Scheme benefits; no more so than when the Scheme is underfunded. We remain committed to regular and active dialogue with the Scheme's Employers as the future welfare of the Open Fund is closely interlinked with their continued success and stability.



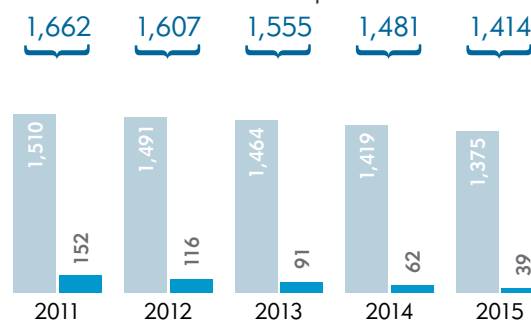
**Jonathan Swift**  
**Chairman of Trustees – 3 July 2015**



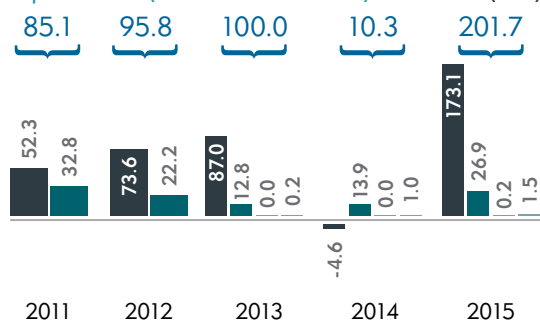
## Open Fund - Membership



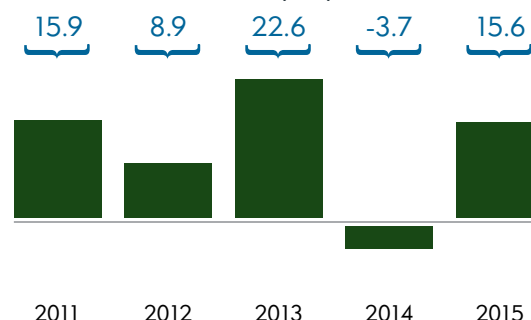
## Closed Fund - Membership



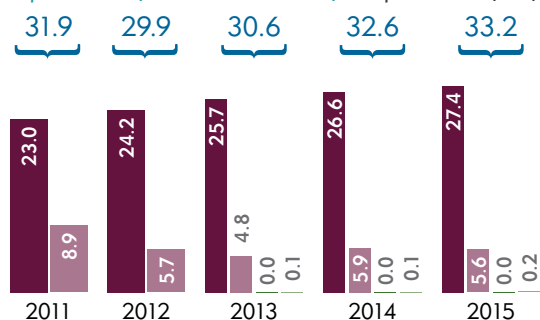
## Open Fund (DB & DC Sections) - Income (£m)



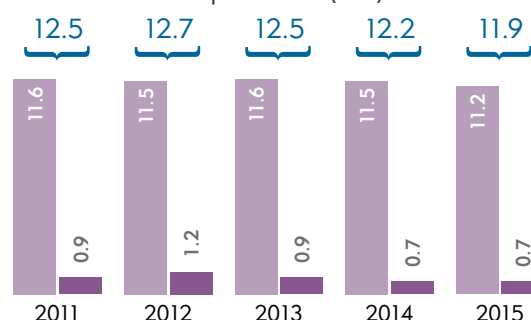
## Closed Fund - Income (£m)



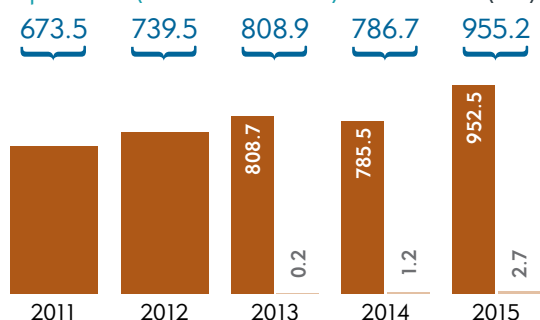
## Open Fund (DB & DC Sections) - Expenditure (£m)



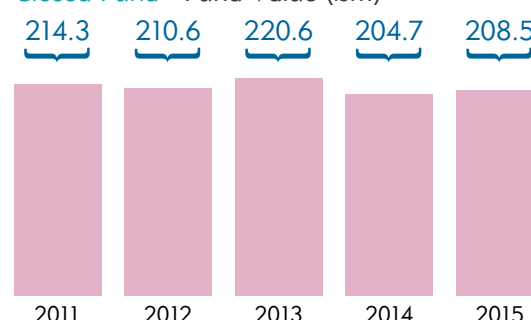
## Closed Fund - Expenditure (£m)



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



## Closed Fund - Fund Value (£m)



### KEY:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 Pensioners & Dependants	2 Preserved Pensions	3 Active (DB)	4 Active (DC)	5 Deferred (DC)	6 Investment (DB)	7 Contributions (DB)	8 Investment (DC)	9 Contributions (DC)	10 Investment Closed Fund	11 Pensions (DB)	12 Other (DB)	13 Pensions (DC)	14 Other (DC)	15 Open Fund (DB Section)	16 Open Fund (DC Section)	17 Closed Fund

# Board of Trustees

## Employers' Trustees



### David Birtwistle

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

### Terry Lazenby, MBE

Nominated by:  
Engineering  
Construction ITB  
(Retired Chairman of ECITB)

### Newell McGuinness

Nominated by:  
Scottish Electrical  
Charitable Training  
Trust (SECTT),  
CAPITB Limited  
(Managing Director of SELECT)

### Gordon McNeil

Nominated by:  
OPITO Limited  
(Technical Programs Director  
for OPITO Limited)



### 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)

Nominated by:  
Lantra  
(Retired Deputy Chairman of  
Lantra)

### Simon Tarr

Nominated by:  
People 1st  
(Managing Director for People 1st)

## Members' Trustees



**Roisin Boyer**

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



**Reg D'Souza**

Nominated by  
the Trade Union  
'Unite' for:  
Science, Engineering  
and Manufacturing  
Technologies Alliance  
(Research Manager  
for SEMTA)



**Phillip Jefferies**

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



**Robert Tabor**

Nominated by:  
Lantra  
(Director of Lantra Awards)

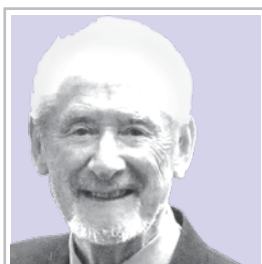


**Rob Sweeney**

Nominated by  
the Trade Union 'Unite'  
for:  
Construction ITB  
(Product Developer for  
Construction ITB)

Note: As at 31 March 2015 no Joint Members' Trustee in place for CAPITB Limited, Cogent SSC Limited, OPITO Limited and Scottish Electrical Charitable Training Trust (SECTT).

## 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)

## Appointment of Trustees

Normally, based on the current number of Participating Employers, the ITB Pension Funds are 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 pages 10-11 of this Report.

Of the nine Trustees entitled to be nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest average number of contributing members at 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. 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 together for the purpose of Trustee nomination and, if necessary, tally their combined membership for the purpose of qualification.

The remaining Employers not large enough to appoint a Trustee on their own will co-operate in nominating a Joint Employers' Trustee. However, where the remaining Employers cannot reach agreement over a particular nomination then a nomination by majority vote of those Employers will stand. In the event that there was an equal vote then the largest Employer of the smaller Employer group will have a casting vote. Moreover, if a larger Employer's participation is terminated then it would be replaced immediately by the largest of the smaller Employers for the purposes of sole Trustee nomination.

Contributing 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 the purpose of negotiating terms and conditions of service. The Trade Union concerned then nominates the Trustee.

The members of all remaining Employers elect one further Joint Members' Trustee by ballot.

All Trustees appointed 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 the purpose of 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.

The next member head count date is 31 December 2015.

Pensioners and members with preserved pensions who are in the Open Fund also 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.

## Changes to the Trustees

### Members' Trustees

Roisin Boyer retired by rotation on 6 October 2014 and was re-nominated by Scheme members of People 1st and reappointed to serve a further term in office from 7 October 2014.

Susan Smart retired by rotation on 6 October 2014 and, following a nomination process of Scheme members at Engineering Construction ITB, she was succeeded by Philip Jeffries whose appointment as Trustee commenced on 7 October 2014.

Chris Hall, the Member Trustee for Skills for Logistics, resigned from office on 4 December 2014.

Madge Moore retired from office by rotation on 31 March 2015 and, following a nomination process of Scheme members at Lantra, she was succeeded by Robert Tabor whose appointment as Trustee commenced on 1 April 2015.

### Joint Members' Trustees

The position of Joint Member Trustee remains vacant as no nominations have been received from the active members of the Employers eligible to participate in the nomination process. The Employers in this connection are CAPITB Ltd, Cogent SSC Ltd, OPITO Ltd and SECTT.

As Large Employers (which was determined by the active member headcount as at 31 December 2012) the active membership of Cogent SSC Ltd and OPITO Ltd would normally have each nominated a Member Trustee. However, there were no nominations received and therefore no appointments could be made in this respect. The Trustees therefore agreed a rule change so that

where a Large Employer is unable to secure a member nomination for the office of Members' Trustee, the Employer concerned will come under the auspices of Joint Members' Trustee (or Joint Employers' Trustee in the case of the lack of an Employer nomination)

Consequently, the active membership of Cogent SSC Ltd and OPITO Ltd were able to participate with CAPITB Ltd and SECTT and nominate a Member Trustee jointly. However, no nomination for the Joint Member Trustee has to date been forthcoming.

#### **Pensioner Trustees**

David Barnett retired by rotation on 30 September 2014 and, following a nomination process of Open Fund pensioners and deferred members, he was reappointed to serve a further term in office from 1 October 2014.

#### **Employers' Trustees**

Simon Tarr, the Employer Trustee for People 1st, retired by rotation on 6 October 2014 and was reappointed to serve a further term of office from 7 October 2014.

Tony Pringle, the Employer Trustee for Cogent SSC, retired by rotation on 9 October 2014 and was reappointed to serve a further term of office from 10 October 2014.

Theo de Pencier resigned from office on 6 January 2015 when Skills for Logistics ceased trading.

At the time of writing SECTT are in the process of nominating an Employer Trustee and CAPITB Limited are in the process of nominating a Joint Employer Trustee.

Gordon McNeil, the Employer Trustee for OPITO Limited, retired by rotation on 31 March 2015 and was reappointed to serve a further term of office from 1 April 2015.

#### **Chairman**

The period of office of the Chairman, Jonathan Swift ended on 31 March 2015 and, as he stood unopposed in the nomination process conducted by the Employer Trustees, he was reappointed to serve a second term of office from 1 April 2015.

#### **Deputy Chairmen**

The period of office of Peter Rogerson OBE as Deputy Chairman (Employers) ended on 31 March 2015 and, as he stood unopposed in the nomination process conducted by the Employer Trustees, he was reappointed to serve a second term of office from 1 April 2015.

The period of office of David Barnett as Deputy Chairman (Members) is due to end on 29 February 2016.

## **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, Senior Managers and staff 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 and 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, actuarial and financial 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, financial and administration are discussed and decisions made.

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

There was overall 90% attendance at the Trustees' Board meetings during the review year.

## 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.

### **Investment Committee**

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

The Investment Committee has at least four scheduled meetings during the year plus a number of other supplementary meetings as necessary.

During the Scheme year to 31 March 2015 the Investment Committee included four Trustees.

The formal members of the Committee were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

Mr DC Barnett - Deputy Chairman (Members)

Mr SCV Tarr - Employers' Trustee: Mr Tarr stepped down as a Committee member in August 2014 after 8 years' service. However, he remains a Trustee of the ITB Funds. He was succeeded by Mr Tony Pringle, the Employer Trustee for Cogent SSC, who took up the role on 13 August 2014.

In addition to the formal members of the Investment Committee an invited trustee also attends meetings to both contribute and improve their knowledge and understanding.

There was overall 83% attendance at the Investment Committee meetings.

### **Independent Governance Committee**

New regulations came into force on 6 April 2015 introducing more extensive quality standards to apply to operators of money-purchase schemes. As the ITB DC Section is such a vehicle it is required to establish and maintain an Independent Governance Committee. Fundamentally the role of the Committee is to monitor and, where necessary, raise concerns about the quality of the Scheme and its value for money on behalf of DC members.

The Committee will also assess whether the DC Section's default investment strategies are

designed and carried out in members' interests and regularly review the investment strategies for performance and suitability for members, making changes as necessary. Moreover, to check that DC contributions and other financial payments are processed promptly and accurately.

Essentially the Trustees Investment Committee already had these checks and balances in place and the business of the Independent Governance Committee forms part of the Investment Committee's agenda.

The formal members of the Independent Governance Committee are the same members as those of the Investment Committee.

### **Management Panel**

The Management Panel is a committee established by the Trustees to carry out research and investigation into pension matters not dealt with by the Investment Committee, making appropriate recommendations to the Trustee Board where necessary. They can also be authorised to manage activities and implement policies and decisions on behalf of the Trustees. They are assisted as required in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary.

During the year to 31 March 2015 the Management Panel comprised three Trustees. The members were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

Mr DC Barnett - Deputy Chairman (Members)

In addition to the formal members of the Management Panel an invited Trustee frequently attends meetings to both contribute and improve their knowledge and understanding.

There was overall 100% attendance at the Management Panel meetings.

### **Salaries Committee**

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

During the year to 31 March 2015 the members of the Committee were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

There was overall 100% attendance at the Salaries Committee meetings.

## Officers

### Director

Vincent Gordon FPMI

### Funds' Accountant

Dave Faulkner FCA

### Pensions Administration Manager

Chris Bettles DipPMI

## Advisers

### Actuary

Trevor Llanwarne FIA, Government Actuary's Department (retired August 2014)  
Ken Kneller, Government Actuary's Department (appointed September 2014)

### Solicitors

Mayer Brown International LLP

### Investment Managers

Baring Asset Management Ltd (terminated September 2014)

BlackRock Advisors (UK) Limited

Capital International Limited

GMO UK Limited (appointed October 2014)

Insight Investment

Investec Asset Management

Longview Partners LLP

Pension Insurance Corporation (PIC)

Ruffer LLP

Schroder Investment Management (UK) Limited

Legal & General Assurance Society Limited (DC Section)

### Property Investment Managers

Fletcher King plc

### Investment Advisers and Performance Monitors

Lane Clark & Peacock LLP

### Custodians

BlackRock Advisors (UK) Limited (terminated September 2014)

JP Morgan Chase Bank

ITB Pension Trustees (1) Limited

ITB Pension Trustees (2) Limited

The Bank of New York Mellon (appointed September 2014)

### Auditor

Moore Stephens LLP (On 1 May 2015 Chantrey Vellacott DFK LLP merged their practice with Moore Stephens LLP and are now practising under the name of Moore Stephens LLP)



Vincent Gordon  
FPMI



Dave Faulkner  
FCA



Chris Bettles  
DipPMI

# Participating Employers

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The Participating Employers comprise two Statutory Training Boards 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.

Skills for Logistics participation in the Scheme was terminated with effect from 6 January 2015.

Cogent SSC Limited advised during the year that it had changed the name of its subsidiary Technical Apprenticeship Service Limited to Cogent Skills Services Limited. It can also be reported that its new subsidiary Science Industry Assessment Service Ltd joined the Scheme with effect from 1 April 2015.

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 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:**

Hospitality Guild  
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



## Defined Benefits Section (DB)

### Open Fund Actuarial Valuation 2013 - Deficit Recovery Plan

By law the Trustees must prepare and maintain a Statement of Funding Principles (SFP) which must be agreed with the Scheme's Participating Employers. Where the application of the SFP leads to a deficit in the Fund a deficit recovery plan must be prepared and agreed with each Employer. This was the situation with the 2013 Actuarial Valuation of the Open Fund. Following approval of the SFP the Trustees' independent advisers undertook extensive discussions with the Participating Employers that successfully concluded in the agreement of individual Employer deficit recovery plans.

The above allowed the Scheme Actuary to produce a Schedule of Contributions and Deficit Recovery Plan to which Employers subsequently confirmed their approval. The details contained in these documents include reference to the standard ongoing Member and Employer contribution requirements, along with the Employers' additional deficit contributions to the Scheme which are intended to improve its funding level.

### Investment Strategy

After reaching agreement with Employers on a deficit recovery plan the next stage was for the Trustees, working with the benefit of advice from the Scheme Actuary, to shape the future investment strategy of the Fund. Important to this process was the Trustees' Independent Specialist Advisers' detailed assessment of the strength and prospects of the Participating Employers, as this influenced the amount of risk that was adopted in the investment strategy.

Ultimately, it is the Trustees who are responsible for setting the investment strategy. However, the Employers are consulted about it. The Trustees welcome open dialogue with the Fund's Participating Employers. Engagement in this way is valued when there are major policy issues to discuss and, with helpful input from relevant advisers, this was the route taken when formulating the revised investment strategy for the Open Fund.

The Trustees have adopted a strategy to reduce risk to the Fund based on a long-term objective of having the Open Fund fully funded on a self-sufficiency basis over a 20 year period, with the aim of paying benefits to members without relying on support from Employers.

Aiming to de-risk the Fund in this way requires a balance of long-term perspective, short term flexibility and a degree of practicality so as not to put unnecessary pressure on Employers through increased contribution payments.

Therefore, the objective of the proposed investment strategy was to design a plan which reduced risk without increasing expected contributions. The Trustees ultimate long-term plan is to achieve an asset allocation of close to 100% in Liability Driven Investment assets with only a small portion of the assets allocated to growth areas to manage longevity and other risks. The de-risking process can be accelerated or slowed down depending on actual investment performance, with the strategy being regularly monitored to ensure that it remains on target.

### Property Disposal Programme

Under the Open Fund's de-risking plan, 'triggers' were identified where the sale of growth assets and the purchase of liability matched assets would be accelerated and occur sooner than anticipated under the time based long-term plan.

These provisions had identified the difficulty in selling property assets compared to equities or diversified growth funds. As a result the Open Fund's property manager was asked to prepare a disposal plan which would contribute to the de-risking plan on a structured and managed basis. The plan was designed to cover circa 15 years, starting in 2014.

### Review of Actuarial Factors

In the wake of a formal valuation there is a requirement to review the various actuarial factors in use under the Scheme Rules for certain benefit calculations and other items of administration to ensure that they remain appropriate in view of changes to the regulatory background, market conditions and expectations of future demographic experience.

The review following the 2013 valuation resulted in changes to various factors, including those used by the Scheme's administration to calculate the amount of tax-free cash at retirement and trivial pensions. The revised factors apply to all members whose pension commenced on or after 1 February 2015. Some factors for calculating transfer values out of the Scheme were also changed.

### Employer Covenant

Assessing each Participating Employer's capacity to meet their funding obligations for defined benefits (the Employer Covenant) is a regular feature of reporting to the Trustee Board. This vital strand of work which is completed by the Trustees' independent specialist advisers assists the Trustees in their understanding of each of the Employer's respective financial positions and is useful in providing a warning of any potential developments that could impact the recovery plan and therefore necessitate action to mitigate the effects on the Scheme.

# Review of Principal Activities

These often complex systematic reviews involve many aspects of each Employer's business and include balance sheet analysis, cash flow forecasts and business development plans. This helps the Trustees in determining what is a reasonable level of cash funding to the Scheme and an appropriate recovery period where the Scheme is in deficit.

## Termination of Skills for Logistics (S4L)

S4L, one of the Scheme's smaller Employers and a Sector Skills Council, had arrangements in place to continue to make deficit recovery payments to the Scheme following the deficit in the Scheme disclosed by the 2013 actuarial valuation. This is a common position for a number of the Employers. However, in late 2014 it became apparent to the Trustees' specialist advisers in carrying out their regular monitoring of Employer covenants that there had been a significant decline in S4L's trading performance and resources and that this was likely to have implications on S4L's ability to meet its pension fund obligations.

As a result, the Trustees' advisers repeatedly sought to engage with S4L over the viability of future deficit recovery payments without success. The Trustees' fiduciary duties and the fact that any failure of S4L to meet its obligations would inevitably impact on other Employers onto whom S4L's share of the deficit would fall, meant that the Trustees had to consider their options. However, at short notice to the Trustees, the Directors of S4L announced that they had decided to cease trading on 6 January 2015. This resulted in the Trustees issuing a notice to S4L effectively ending its participation in the Scheme and triggering a s75 debt liability from S4L to the ITB Open Fund.

The Trustees are, at the time of writing, concentrating efforts on maximising the recovery of assets from the business as the situation is still being investigated by the Trustees' specialist advisers.

## New UK Accounting Standards

The Financial Reporting Council (FRC) introduced new financial reporting standards for accounting periods beginning after 1 January 2015 that will affect all organisations who participate in defined benefit pension schemes with more than one employer. Basically the requirement of the new standard is that employers who participate in a multi-employer defined benefit pension scheme, similar to those of the ITB Pension Funds, must recognise on its balance sheet any share of past service pension deficit or surplus it may have, as identified in the Scheme's last valuation, adjusted for payments made to the Employers reporting date. The ITB Employers were provided with advice in respect of this matter in December 2014 by the Funds' Office.

## Budget Changes

The Trustees and the Funds' Office have worked with their advisers on the new flexibilities initially proposed by the Chancellor in his 2014 Budget and confirmed in the Taxation and Pensions Act 2014. Additionally, further changes were announced in the Autumn Statement in December 2014.

The changes effective from 6 April 2015 affect both defined benefit (DB) and defined contribution (DC) scheme members, with the most radical relating to members with DC benefits where the key shift is the removal of the requirement to buy an annuity on retiring. Instead, freedom to access pensions flexibly can apply to anyone who is aged at least 55 even if still working. The same flexibilities apply to a number of other types of pension arrangements, including additional voluntary contribution schemes if on a money-purchase basis.

**DC Members:** In working with their investment advisers within the scope of the new regulations, the Trustees have arranged through the DC Scheme's investment provider to make available a full range of options for DC members. The regulations are complex, but in short providing a DC member is aged at least 55 they will have the option to:

- Fully cash out their DC Account by taking 25% as a tax-free lump sum and elect to receive the remaining 75% as a taxable lump sum.
- Purchase an annuity whereby the full DC Account or the balance after electing to receive 25% tax-free will be used to purchase an annuity with the current ITB DC Scheme provider (Legal & General) or with another annuity provider
- Transfer the full DC Account to an individual policy either with Legal & General or another provider and then under that arrangement to elect to flexi-drawdown the fund by means of a series of lump sum payments, 25% of each payment being tax-free with the balance being treated as taxable income.

If taking drawdown the annual limit on how much extra money can be contributed to the individual's pension pot and still automatically get tax relief is reduced from £40,000 to £10,000.

**Access to Impartial Guidance:** Everyone now has access to impartial, broad guidance to help them make sense of their options at retirement through 'Pension Wise' a free service operated by the Citizens Advice Bureau and the Pensions Advisory Service. The service is available online [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) over the phone or by appointment.

There is also useful guidance provided by the Money Advice Service which was set up by Government and which provides free and impartial

money advice and has issued useful information about how to spot a pension scam. Their website is [www.moneyadvice.service.org.uk/en/articles/how-to-spot-a-pension-scam](http://www.moneyadvice.service.org.uk/en/articles/how-to-spot-a-pension-scam).

However, neither this service nor the guidance offered by 'Pension Wise' should be considered a substitute for independent regulated financial advice.

Further details of websites where members can find additional guidance is provided under the Supplementary Information section of this Report.

**Independent Financial Advice:** An Independent Financial Adviser (IFA) can for a fee provide more detailed advice taking account of individual financial circumstances. The IFA directory can be accessed at [www.unbiased.co.uk](http://www.unbiased.co.uk).

**DB Members:** Under the new regulations ITB DB members are only able to gain access to the new flexibilities if they transfer the cash equivalent value of their DB benefits into another approved pension arrangement that provides the flexibilities. However, anyone with a DB transfer value of over £30,000 is required to take independent financial advice before concluding a transfer from the ITB DB Section to a DC arrangement outside of the ITB Fund, for example, a personal pension. DB members who have an accrued investment in the ITB Open Fund's associated Additional Voluntary Contribution (AVC) arrangements can transfer the value of those benefits to another DC arrangement and leave their DB benefits intact.

As there are risks involved in transferring out of a DB Scheme members should take great care before doing so and if thinking of transferring it would first be sensible to consider seeking advice from a regulated financial adviser.

**Defined Contribution (DC) Cap Charge:** Many DC scheme members do not actively choose a fund in which to invest their money, and are therefore entered into the scheme's "default" fund. The ITB DC Scheme is no exception, with the vast majority of members in the Scheme's default investment option. From 6 April 2015 a new charge cap of 0.75% was introduced limiting the maximum that can be charged to members in the DC default option.

As a result of the wider range of choices available under the new legislation as to when and to what extent members can now access their pension pots, it was necessary for the Trustees, together with their independent investment advisers, to review the default option made available in the DC Scheme to ensure it fitted the new environment. The primary objective was that members get 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. What resulted was the introduction of three

new lifestyle strategies that included a new default fund; all with fees below the 0.75% cap.

The Funds' Office had previously communicated these and other changes to DC members in January 2015.

**Annual Allowance (AA) and Lifetime Allowance (LTA):** The AA of £40,000 is left unchanged and the LTA will also remain in place, but reduced from £1.25 million in the 2014/15 tax year to £1.0 million from April 2016.

Importantly, both the revised AA and LTA apply to pension earned from all registered sources and not just pension from the ITB Schemes. Anyone who feels they may be at risk of breaching these limits is recommended to seek independent financial advice.

**Independent Governance Committee:** The Trustees' Investment Committee now also operates in the capacity of an independent governance committee, in keeping with new duties to consider and report on DC investment costs and charges.

### Single-Tier State Pension

The Pensions Act 2014 introduced provisions to implement the new single-tier State Pension with effect from 6 April 2016. It will affect those who reach State Pension Age on or after this date and replaced the current basic State Pension and additional State Pension.

This reform is set to take place as the Government wants to improve the State Pension system; principally because of the concern that people do not save enough for their retirement and because of the complexity and sustainability of the current arrangements.

Currently, the State Pension age for males is 65 and for women is gradually increasing from 60 to 65 in November 2018. There will then be further increases that affect both men and women as the State Pension Age will gradually rise from 66 to 67 between 2026 and 2028 and affect those born after 5 April 1960 and before 6 April 1969, who will have their State Pension age delayed.

### Abolition of contracting-out

The introduction of the single-tier State Pension in April 2016 will mean that contracted-out pension schemes will cease to contract-out as the additional State Pension will close under the new single-tier pension provisions. This means that Employers and employees that currently receive a National Insurance rebate for members who are contracted-out of the additional State Pension will no longer do so come April 2016. Consequently, members who are contracted-out of the additional State Pension will pay higher National Insurance Contributions than before, as will their employers. Moreover, as the loss of the

# Review of Principal Activities

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rebate could increase the costs of operating a defined benefit pension scheme for employers if scheme benefits remain unchanged, the relevant legislation allows for employers to recover their increase in costs as a result of the ending of the contracting-out rebate.

The Trustees have been discussing these changes with Employers throughout the year and members will be consulted by their Employers before April 2016 on how they will be affected by this change in legislation.

## Auto-enrolment

The legal requirement to auto-enrol employees applied from 2012 with larger Employers being the first to be required to complete the process. Each Employer's Staging Date; the date from which the auto-enrolment process must start, is governed by the size of the Employer's PAYE payroll. Only the Fund's smaller Participating Employers remain to complete the requirement for them to auto-enrol their eligible employees into a qualifying pension arrangement as they reach their Staging Dates for auto-enrolment through 2015 to 2017.

A number of the Fund's Participating Employers have so far utilised the DC Section of the ITB Scheme to fulfil their auto-enrolment obligations and the Funds' Office assisted others with auto-enrolment during the year and remains ready to assist those remaining Employers who would wish to do the same in the future.

## Same Sex Couples

The Marriage (Same Sex Couples) Act 2013 came into force on 13 March 2014, allowing same sex couples to marry from 29 March 2014. Under this legislation occupational pension schemes must provide, as a minimum, the same survivors' benefits to same sex spouses as to civil partners. In general, for civil partners only service from 5 December 2005 counted.

Following advice from the Scheme Actuary on estimated costs of increased benefit provision the Trustees consulted the Scheme's Participating Employers about the change in legislation and whether benefits of more than the minimum required should be provided.

Following completion of the consultation exercise with the Employers, it was confirmed that there was sufficient Employer support for a greater benefit provision.

Consequently, from 28 April 2015 full equality under the Open Fund is being granted to both surviving same sex spouse's and civil partners i.e. a pension which is the same as that payable to a surviving spouse of the opposite sex to the member.

At this time there is no provision to provide equal benefits as described above in relation to the Closed Fund. The Trustees will consider this at a later date.

## Data Protection

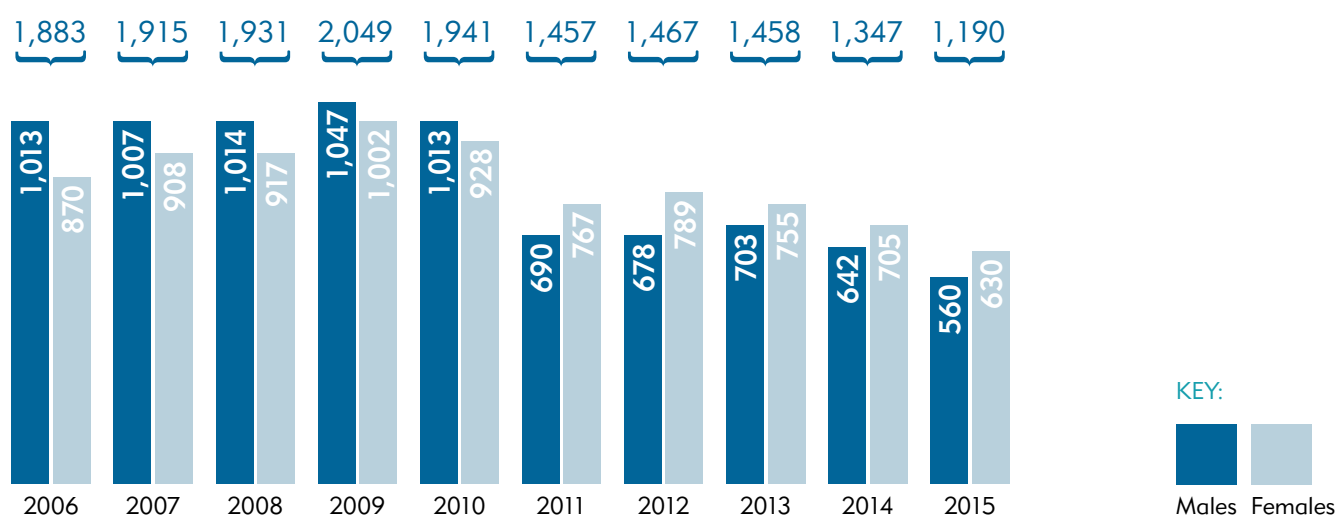
The Funds' Office is keeping a watching brief on the development of proposed new EU regulations relating to a European standard for data protection which is expected to be ready in early 2016. The regulations will take direct effect in the UK without the need for British policymakers to implement the legislation. In essence the proposed regulations will expand the responsibility of data controllers and data processors. The Funds' Office already adheres to high standards relating to the security of members' data as part of its process of managing risk.

The ITB Pension Funds consists of two separate Funds, the Open Fund and the Closed Fund

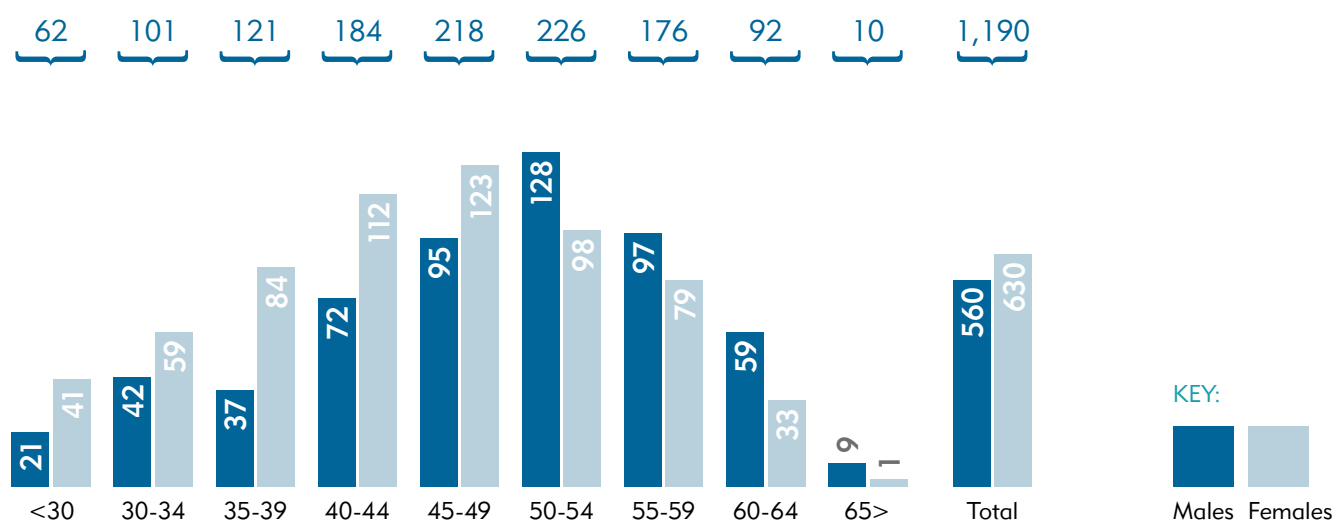
## Active Members – Defined Benefit (DB) Sections

As at 31 March 2015 all active members are either in the 'Old', 'New' or 2007 Sections of the Open Fund, with the majority of active members now in the 2007 Section. There was a further reduction in active DB members during the year due to Employer restructuring and as more Employers took up the Defined Contribution (DC) Scheme for new members, so the trend to DC will continue into the future.

Chart 1: Active Members – Defined Benefit (DB) Sections



The age structure of the contributing members at 31 March 2015 was as follows:

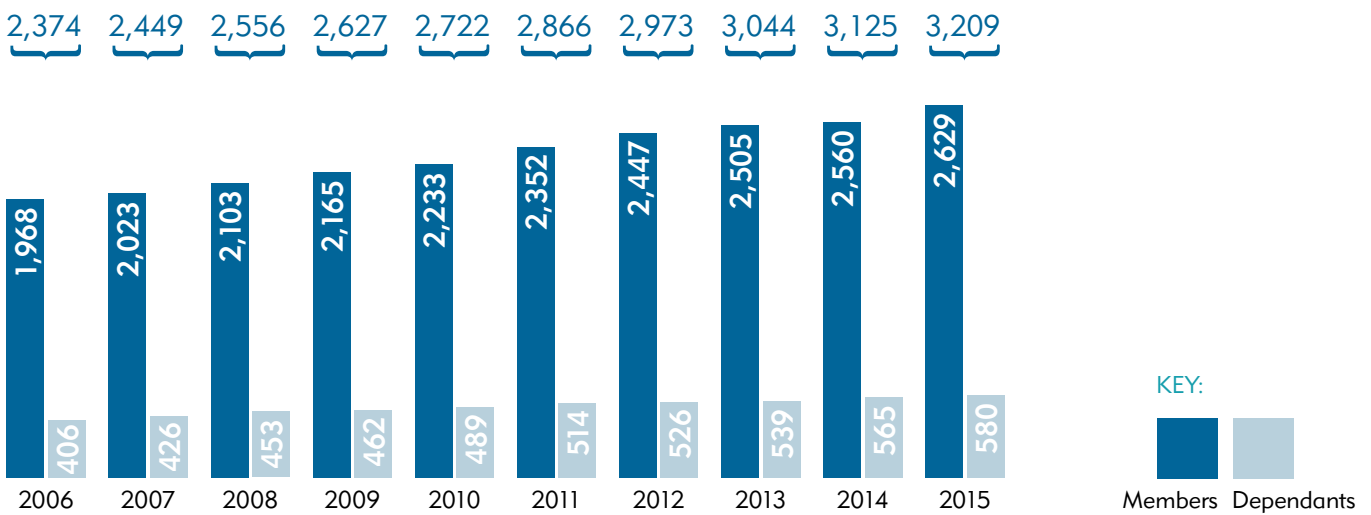


# Membership

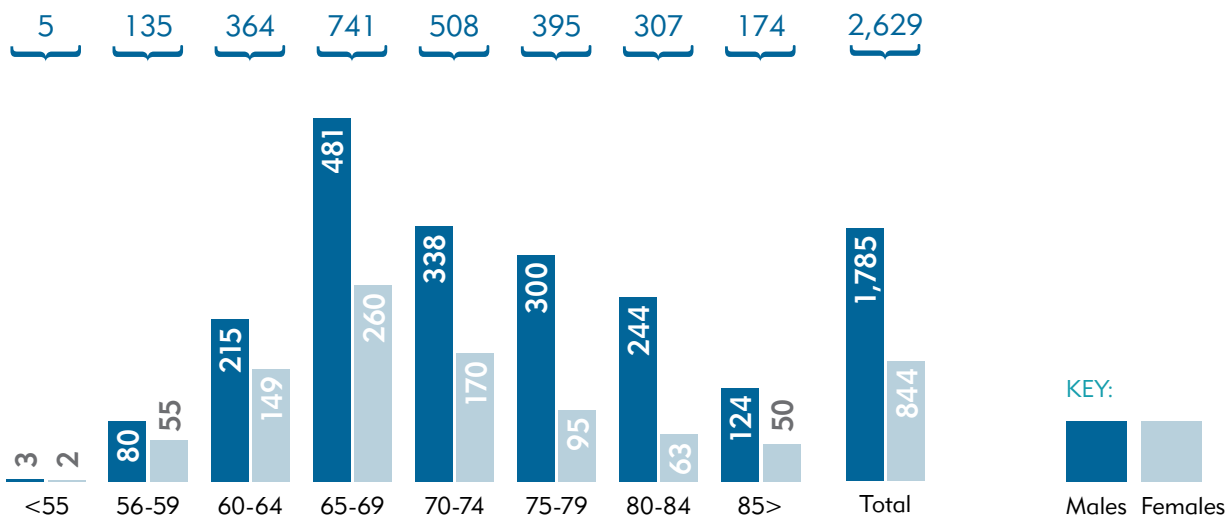
## Pensioners – Open Fund (DB Sections)

Continuing the trend from previous years the Open Fund has seen a further steady increase in the number of pensioners commonly associated with a mature fund. Pensioners are either members or dependants and the number in each category is shown below.

Chart 2: Pensioners – Open Fund (DB Sections)



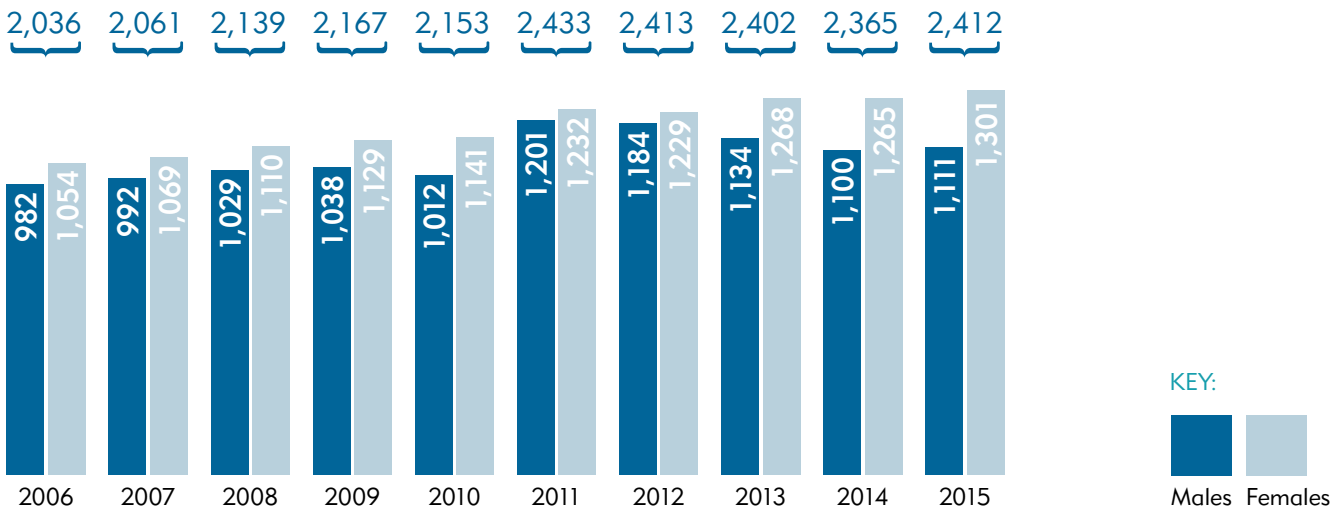
The age structure of pensioners in the Open Fund as at 31 March 2015 is shown below. The benefits paid to the pensioners cover early, normal, late retirement, compulsory and disability retirement.



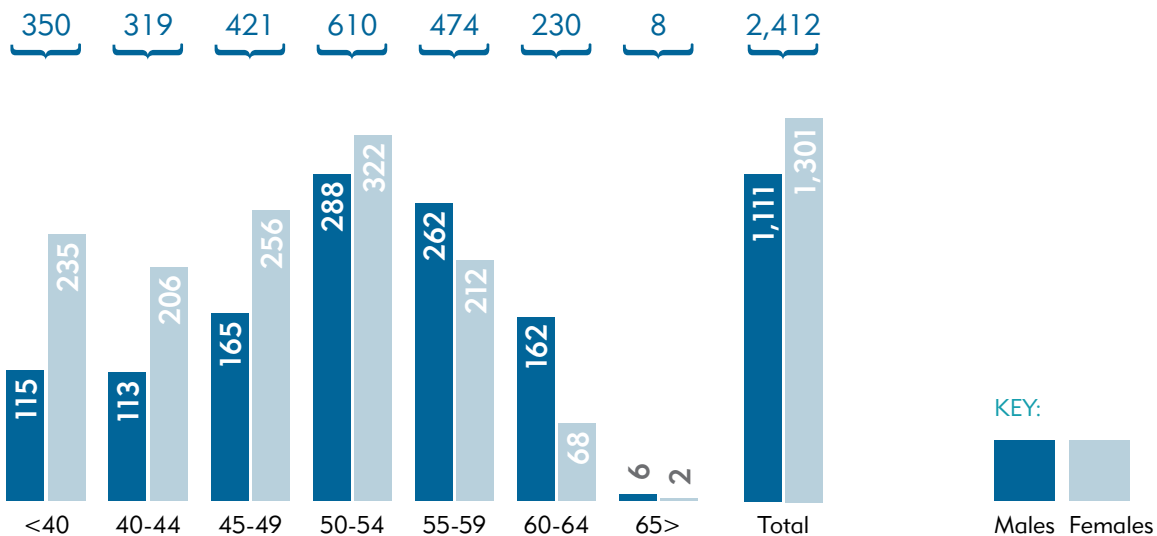
## Deferred – Open Fund (DB Sections)

The number of preserved pensioners in the Open Fund as at 31 March 2015 is shown below. Preserved pensioners (also sometimes referred to as deferred pensioners) are members who have left service, but still hold a benefit within the Open Fund which will become payable on their retirement date or death. The Open Fund has seen a small increase in its number of preserved pensioners over the past year.

Chart 3: Deferred – Open Fund (DB Sections)



The age structure of deferred pensioners in the Open Fund as at 31 March 2015 is shown below.

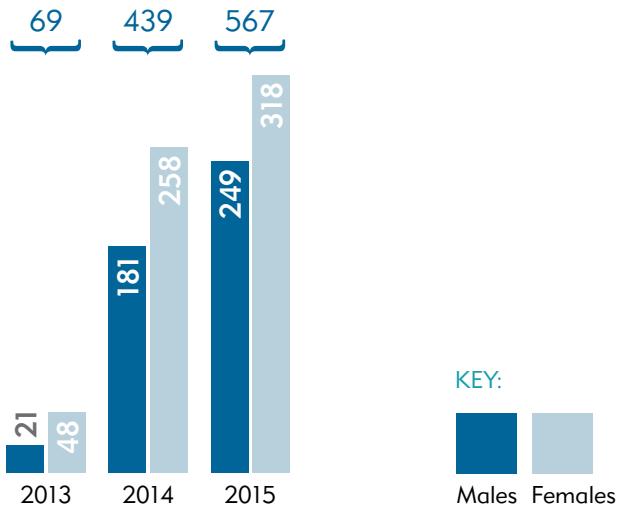


# Membership

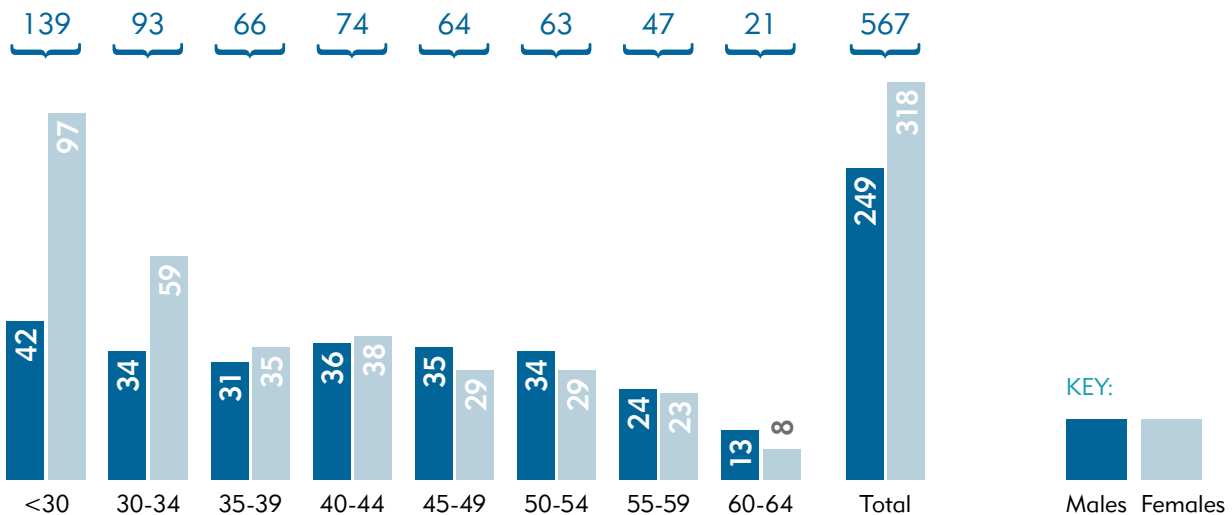
## Active Members – Defined Contribution (DC) Section

DC membership has increased during the year as the vast majority of the Participating Employers have now introduced the DC Section for their new eligible employees. Membership numbers as at 31 March 2015 are recorded in the following chart.

Chart 4: Active Members – Defined Contribution (DC) Section



The age structure of the contributing members at 31 March 2015 was as follows:

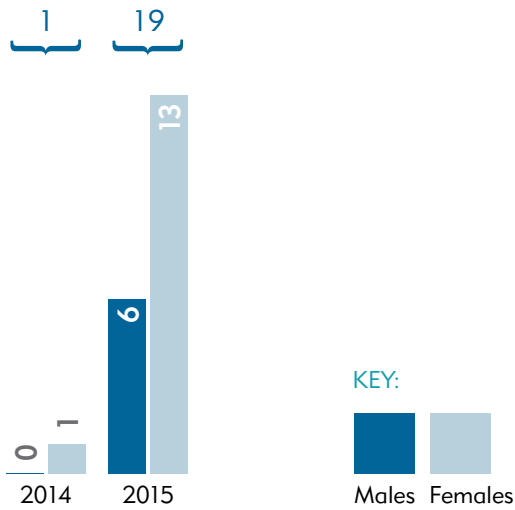




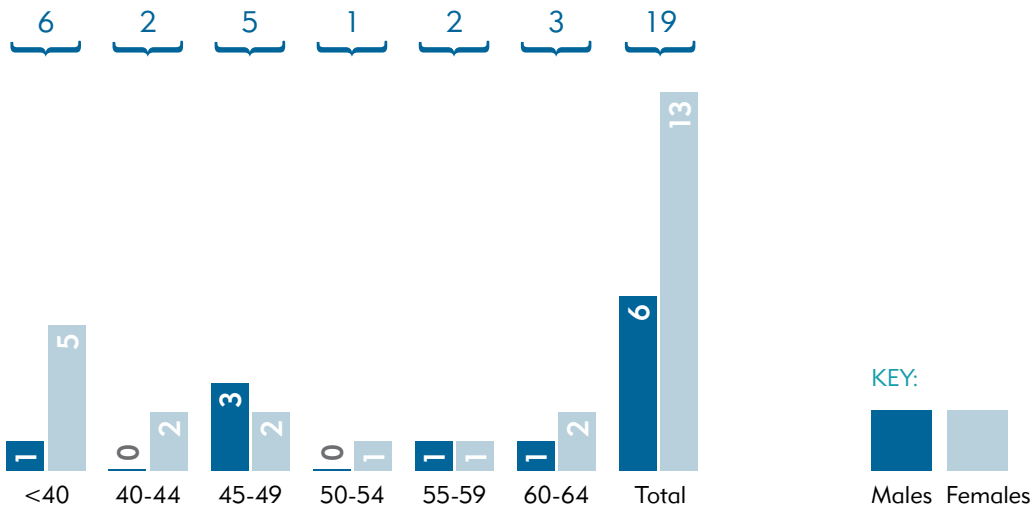
## Deferred Members – DC Section

The numbers of DC Section members with preserved benefits has increased as active DC members leave service. Preserved benefits (sometimes referred to as deferred benefits) are the benefits of members who have left service and their benefits are secured with the Trustees’ chosen provider (currently Legal & General). Unless preserved members elect to transfer their benefits to another provider their preserved benefit will become payable on their retirement date or death. The numbers of DC preserved pensioners as at 31 March 2015 is shown below.

Chart 5: Deferred Members – DC Section



The age structure of deferred DC membership in the Open Fund DC Section as at 31 March 2015 is shown below.

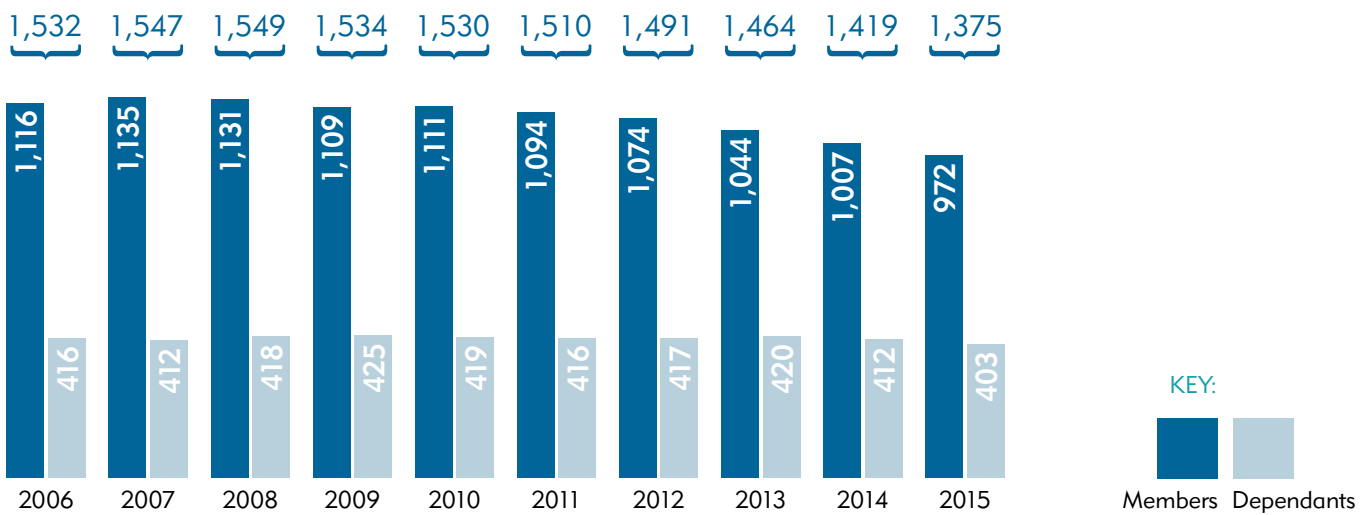


# Membership

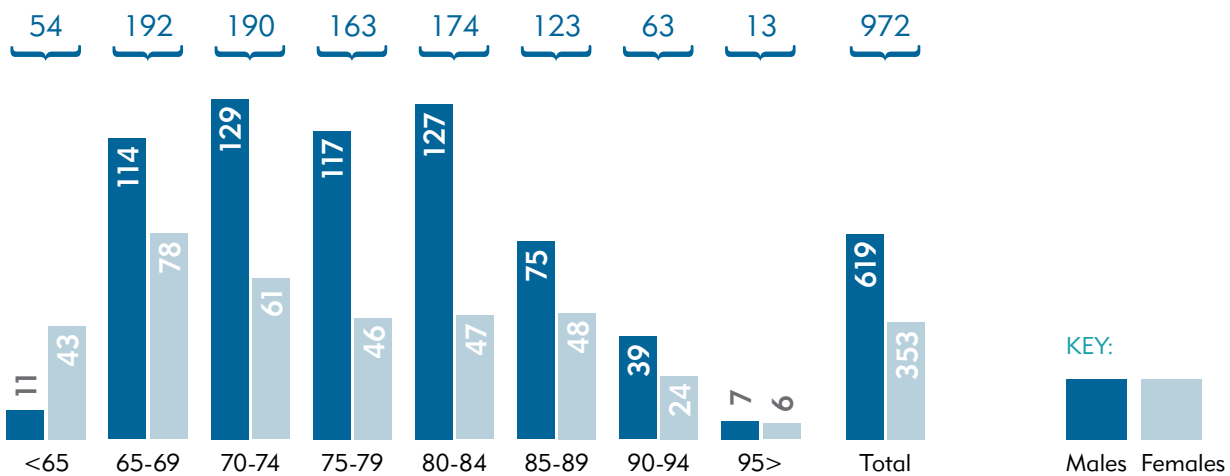
## Pensioners - Closed Fund

The Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Membership of the Closed Fund is fixed by a Memorandum of Agreement. There are no active members in the Closed Fund, it consists only of pensioners, dependants and preserved pensions. The Closed Fund membership has naturally decreased during the year.

Chart 6: Pensioners Closed Fund



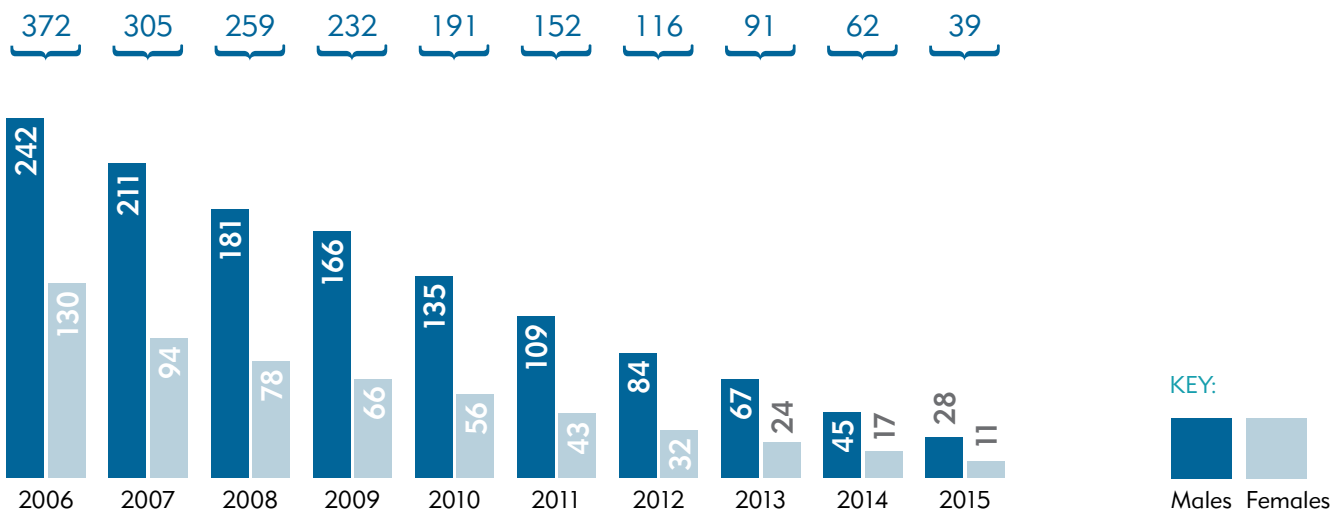
The age structure of pensioners in the Closed Fund as at 31 March 2015 is shown below:



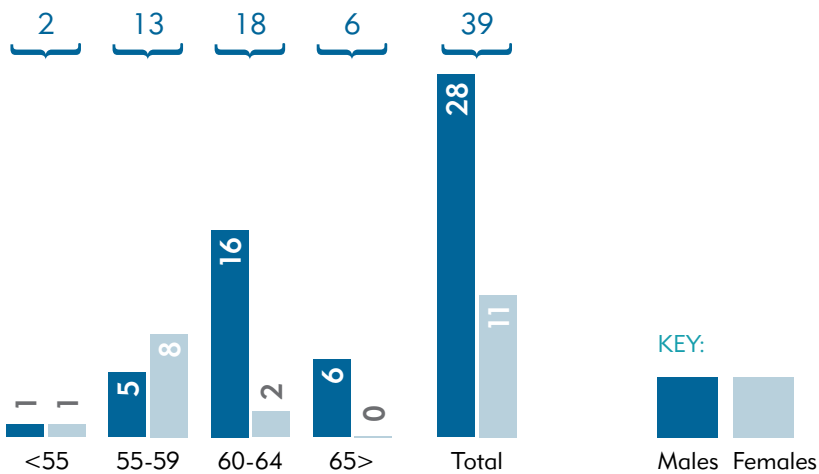
## Deferred Members - Closed Fund

Preserved pensioners (also sometimes referred to as deferred pensioners) are members who have left service, but still hold a benefit within the Closed Fund which will become payable on their retirement or death. The number of preserved pensioners in the Closed Fund will continue to decline as their pensions come into payment.

Chart 7: Deferred Members - Closed Fund



The age structure of preserved pensioners in the Closed Fund as at 31 March 2015 is as follows:



# 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 Consumer Price Index (CPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year.

This year the increase is 1.2% and is payable from 6 April 2015.

## Open Fund New and 2007 Sections

Under the Rules of the Open Fund, New and 2007 Sections the level of increase is currently determined by reference to the annual rise in the Retail Price Index (RPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year. The actual increase is subject to a maximum increase cap as described for the New and 2007 Sections in the table below. This year the increase is 2.3% and is payable from 6 April 2015.

## 10 year pension increase history Old Section and Closed Fund

Date of Increase	Increase %
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
8 April 2013	2.2
7 April 2014	2.7
6 April 2015	1.2

## Pensions in Payment – Increase Methods (All ITB DB Schemes):

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)	The State
<b>Before State Pension Age the Scheme increases total pension by:</b>	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
<b>After State Pension Age the Scheme increases Excess over **GMP by:</b>	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
<b>The **GMP is increased as follows:</b>	Nil	Nil	In line with annual up-rating orders issued by the Government
<b>6 April 1978 to 5 April 1988 by:</b>			
<b>6 April 1988 to 5 April 1997 by:</b>	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	Any excess over 3% 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)
<b>Pensions accrued before 6 April 2009:</b>	In line with annual up-rating orders issued by the Government	Increased in line with the lower of the accumulated rise in the inflation index and 5% pa compound
<b>Pensions accrued on or after 6 April 2009:</b>	In line with annual up-rating orders issued by the Government	Increased in line with the lower of the accumulated rise in the inflation index and 2.5% pa compound

## Contracting-out – current position

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). DC members participate in S2P as they and their Participating Employers pay full rate National Insurance contributions.

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.

## Abolition of Contracting-out

See pages 19 to 20 - Principal Activities

## Transfer of Benefits

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The policy of the Trustees in relation to transfer payments when a member of the Funds leaves Pensionable Service has always been that such a payment should be available, provided that after the transfer has been concluded the Funds should retain no further liability.

Where the Scheme is in deficit and after obtaining the advice of the Scheme Actuary the Trustees may in certain circumstances reduce transfer values paid out of the Defined Benefit sections of the Scheme.

Members have a statutory right to request a statement of transfer value once every 12 months. The Pension Schemes Act 1993 gives members who have left the Funds a statutory right to a transfer value in respect of their accrued benefits, which must be calculated according to the regulations made under the Act.

Transfer values can be paid to the occupational pension plan of the member's new employer, to a personal pension scheme, or into an insurance company pension policy at any time thereafter, subject to Open Fund DB Section transfers normally being completed no less than one year before Normal Retirement Date. However, the Trustees do have discretion to allow such transfers in certain cases.

Anyone with a DB transfer value of over £30,000 if transferring to a DC arrangement is required to take independent financial advice from a regulated financial advisor. DB members who have an accrued investment in the ITB Open Fund's associated Additional Voluntary Contribution (AVC) arrangements can transfer the value of those benefits to DC and leave their DB benefits intact.

Leavers from the DC Section will have their benefits secured in a pension policy with the DC Scheme's provider (currently Legal & General) approximately one year after leaving service, unless benefits have been refunded or transferred in the interim.

All transfer values paid during the year were calculated and verified in the manner prescribed under the regulations and made no allowance for discretionary benefits.

The rights granted to members either by Statute or by the Rules do not extend to members who have already started to receive a pension. However, there is an exception to this where a Pension Sharing Order is implemented following divorce proceedings as a transfer amount may be paid to a divorcing spouse with the member's pension being reduced accordingly.

In common with many other pension schemes the Trustees no longer accept transfers-in to the Open Fund DB Section because of concerns about the exposure to additional liabilities. However, as there are not the same concerns with exposure to additional liabilities as there are with the DB Section, the Members of the DC Section may apply to the Trustees for them to accept their transfer values from other similarly approved schemes.

Legislation requires cash equivalent transfer values to be at least equivalent to the value of the benefits given up while Scheme funding levels allow this.

The Trustees, along with the Funds' Actuary, continue to ensure that transfer values remain consistent with legislative requirements and reflect the expected cost to the Scheme of providing the benefits being valued.

## Overview

Your Trustee Board is committed to high standards of governance and sees this as central to our role as Trustees and consistent with the Pension Regulator's guidance relating to Scheme Governance and Controls. In doing so we try to consider all aspects of the governance of the business of the Funds, including the operation of internal controls to enable the identification, evaluation and management of the risks that relate to the Scheme consistent with those set out in the Pension Regulator's Code of Practice 09: Internal Controls, and underpin this by endeavouring to ensure that your Trustees and the Funds' Office staff are properly trained to carry out our respective duties. To further assist our effectiveness as a board we seek to have timely access to accurate and relevant information, which is supported by access to a secure website of ITB Funds' specific information. Agendas and supporting papers for board and committee meetings are circulated by the Funds' Office in good time prior to the meeting date to allow sufficient time for review to enable informed debate and challenge at meetings. A record is made of all decisions taken at meetings of the board and its committees.

Our ultimate goal as your Trustee Board is to effectively manage the Funds thereby protecting the security of members' benefits, while delivering long-term sustainable success for the benefit of all of our stakeholders.

A critical element of the success of the Trustee Board is that we have the right mix of individuals with experience and expertise who are provided with the necessary information and support. This enables us to arrive at key decisions through free debate and constructive challenge so that we act in accordance with the Trust Deed and Rules and with a good understanding of the long-term interests of the various stakeholders in the ITB Pension Funds.

## Internal Control

The Trustees have an established risk and control framework and, wherever practical, give a high priority to mitigating risks to the Funds that they and their advisers are able to identify. The risk evaluation process adopted by the Trustees provides a framework to identify, evaluate and manage risks on an ongoing basis. Once risks are identified, practical steps are developed to mitigate them and

update operational procedures. Specifically, the significant risks have been determined by assessing the possible effects on, but not limited to, Scheme investment strategy, safe custody and security of scheme assets, strength of Employer covenant, conflicts of interest, finance and liquidity issues, legislative and regulatory change, operational procedures, fraud, Scheme management and administration, delegated responsibilities and cost control.

The Trustees' focus on risk management is actively pursued by the Funds' Office, who are encouraged to be risk aware and to develop and implement risk control initiatives. Controls found not to be effective are remedied. These measures seek to ensure that all staff act in accordance with the Trust Deed and Rules and relevant laws and regulations. A regular programme of internal procedure reviews are carried out by the Funds' Office which includes assessment of compliance with operating policies and procedures. This is also evaluated by the Funds' Auditors whose findings are addressed by the Funds' Office and reported to the Trustees. The Funds' Office risk management framework is continually being refreshed to better support the Trustees' objectives and to recognise regulatory and legislative change.

## Professional Advisers Service Levels

In compliance with established best practice principles produced by the National Association of Pension Funds and consistent with the Trustees' policy of regularly reviewing the performance of their professional advisers, an assessment of the Funds' independent investment consultants was carried out during the year, as was an assessment of the actuarial services provided by the Government Actuary's Department (GAD). The conclusion of the reviews was that Lane Clark & Peacock remained appropriate investment consultants for the ITB Funds and that GAD remained appropriate providers of actuarial services to the Trustees.

## Monitoring Pension Contributions

The Funds' Office practice of monitoring contributions from members and their Employers is based on the Regulator's requirements on the matter, as regular detailed examinations of pay data and contributions are undertaken. Where an over or underpayment, missed or late payment, or materially significant payment failure is identified, action is initiated with the relevant Employer.

# Governance Statement

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## Approach to Scheme Funding (Defined Benefits)

The Trustees work closely with the Participating Employers in the funding of the Open Fund Defined Benefits Sections and are mindful of the key funding principles as set out in The Pension Regulator's Code of Practice 3 (updated 2014): Funding Defined Benefits.

The Trustees recognise that a strong, ongoing Employer alongside an appropriate funding plan is the best support for the Scheme. An appreciation and understanding of the changes and challenges taking place within our Participating Employers is crucial in ensuring the Scheme can deliver the benefit expectations of members, without overburdening and possibly restricting Employers' future business development plans.

## Defined Contribution Section

As Trustees of the ITB Pension Funds we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes and regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

The Pension Regulator's Code of Practice 13 was subsequently annotated to specify the new charge cap of 0.75% applicable from 6 April 2015 on fees charged to members invested in default funds (funds into which contributions for members are invested where members do not actively choose a fund in which to invest their money).

It is a constant objective of the Trustees that members get 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. The Trustees operate funds through the DC provider that include a default fund and other funds with fees below the 0.75% cap.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for our members at retirement.

Independent Governance Committee: The Trustees' Investment Committee also operates in the capacity of an independent governance committee, in keeping with new duties to consider and report on DC investment costs and charges.

## Contact

In the event that members have a query or wish to make their views known to the Trustees on any aspect of their investment in the ITB Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ.



**Jonathan Swift**  
**Chairman of Trustees – 3 July 2015**



## Closed Fund

### Schedule of Contributions

Effective date of actuarial valuation: **31 March 2012**

Period covered by this schedule: **1 April 2012 to 31 March 2018**

This schedule of contributions has been prepared by the Trustees, after obtaining the advice of Trevor Llanwarne, the actuary to the scheme.

For each month after 1 April 2012, the following contributions will be paid:

By the Employers: **Nil**

There are no active members and so no member contributions will be paid.

No contributions are required from the Employers in respect of administration expenses or the PPF levy.

This schedule may be revised from time to time where the revisions are agreed between the Trustees and the Employers, for example at a subsequent actuarial valuation.

### Actuary's Certification of Schedule of Contributions

#### Name of Scheme:

**The ITB Pension Funds – The Closed Fund**

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2012 to continue to be met for the period for which the schedule is to be in force.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

#### Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 November 2012.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Trevor Llanwarne (Fellow of the Institute and Faculty of Actuaries)

Government Actuary's Department

Finlaison House

15-17 Furnival Street

London EC4A 1AB

29 January 2013

## Open Fund

### Actuary's Certification of Schedule of Contributions

#### Name of Scheme:

#### The ITB Pension Funds – The Open Fund

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2013 to be met by the end of the period specified in the recovery plan dated 16 June 2014.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

#### Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 4 October 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Trevor Llanwarne FIA

Government Actuary's Department

Finlaison House

15-17 Furnival Street

London EC4A 1AB

30 June 2014

The Schedule of Contributions referred to in this certificate is that dated 16 June 2014.

## The ITB Pension Funds (Open Fund DB Section): Summary Funding Statement for period ending 31 March 2014.

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 Open Fund showed that on 31 March 2013 the funding position was as follows:

<b>Assets</b>	<b>£808.7 million</b>
<b>Liabilities</b>	<b>£832.5 million</b>
<b>Funding level</b>	<b>97%</b>

The estimated amount as at 31 March 2013 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £1,165.4 million. Therefore, the Scheme was 69% funded on a full solvency basis as at 31 March 2013. 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 2014. 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 funding level increased from 97% to 99% between 31 March 2013 and 31 March 2014. This increase in funding level was principally due to a decrease in the value placed on the liabilities due to changes in market conditions (net of the Fund's actual investment returns), deficit contributions paid by Employers and lower than expected salary increases awarded by Employers.

### 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. Generally Employers will pay additional contributions for between 1 and 8 years from January 2014. Where such contributions extend beyond 5 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.

# Summary Funding Statements

## 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	18%
Bonds/LDI mandate	47%
Alternative Investments	24%
Property	8%
Cash	2%

## 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](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 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 2015.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2013.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2014.
- 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 2014.

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 2012 the funding position was as follows:

Assets	£63.0 million
Liabilities	£44.2 million
Surplus	£18.8 million

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 2013.

Had the Scheme started to wind up on 31 March 2012, 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 2014. 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 increased from £22 million to £29 million between 31 March 2013 and 31 March 2014. This increase in surplus was principally due to favourable movements in market conditions.

### **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.

### **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](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 2015.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2012.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2014.
- 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.

**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.**

# Fund Accounts

## Source of Income 2014/2015

### Open Fund

The way in which the income of the Open Fund of £200.0m was made up is shown in Chart 8. The total net investment income consists mainly of income from bonds and index-linked securities, property rentals and bank interest after adding the profits on foreign exchange and deducting Investment Managers' fees. The gain on investments includes the realised profit/loss on the sale of investments.

### Closed Fund

The way in which the income of the Closed Fund of £15.6m was made up is shown in Chart 9. The net investment income consists of income from index-linked gilts, alternative investments, annuity income and bank interest. The net gain on investments includes the realised profit/loss on the sale of investments.

Chart 8: Open Fund (DB Section)

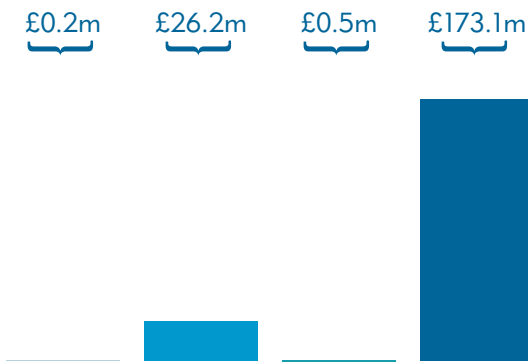


Chart 9: Closed Fund



KEY:



- |   |   |
|---|---|
| 1 Transfers Received                      | 4 Net gain from investments including bank deposit income |
| 2 Employers' Contributions                | 5 Net income from investments                             |
| 3 Members' Contributions (including AVCs) | 6 Net gain from investments                               |

## Allocation of Expenditure 2014/2015

The way in which the total Open Fund expenditure of £33.0m was made up is shown in Chart 10.

The way in which the total Closed Fund expenditure of £11.9m was made up is shown in Chart 11.

Chart 10: Open Fund (DB Section)

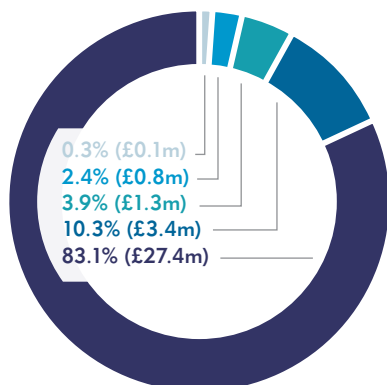
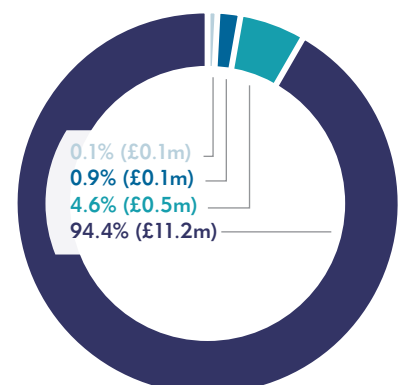


Chart 11: Closed Fund

KEY:



- |                     |
|---------------------|
| 1 Pension Fund Levy |
| 2 Transfers-out     |
| 3 Administration    |
| 4 Lump Sum Benefits |
| 5 Pensions          |



## Statement of Investment Principles (SIP)

The Pensions Act 1995, as amended, sets out certain requirements for trustees of pension schemes to prepare a SIP that governs their investment decisions. While the ultimate power and responsibility for deciding investment policy rests solely with trustees, they must consult with participating employers about the preparation of the SIP. 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 the SIPs can be viewed by accessing the ITB website on [www.itb-online.co.uk](http://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 the light of quarterly monitoring of the performance and investment process. The investment performance of both the Open and Closed Funds is shown on pages 45-48.

The recommendations of a report on institutional investment for defined benefit pension schemes – 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, and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures.

In April 2012 a Defined Contribution (DC) Section of the Open Fund was introduced. The Trustees are mindful of the Principles included within The Pensions Regulator's (TPR) Code of Practice No.13 - Governance and administration of occupational defined contribution trust based pension schemes. This concerns the governance matters The Pensions Regulator recommends be considered when setting up and operating a DC pension scheme. These Principles are designed to encourage better investment governance and decision making by Trustees. They provide a framework which can be used as a practical

checklist to benchmark a scheme's investment governance processes against 'best practice'.

The Trustees consider that the Funds are currently compliant with the guidance recommended by the The Pensions Regulator and have taken steps, where appropriate, to integrate the guidance into working practices and procedures.

## Closed Fund

The majority of the Closed Fund's liabilities were bought-in with Pension Insurance Corporation in April 2011 and therefore, a reduced number of index-linked gilts are now held within the Fund. In addition to these residual index-linked gilts, the Closed Fund also has a portfolio invested in a range of return seeking assets such as UK and overseas equities, and diversified growth fund strategies.

## Open Fund

Following a review of the investment strategy of the Open Fund in February 2014, the Trustees gave detailed consideration to a report on the asset liability study carried out by the Fund's investment advisers, Lane Clark & Peacock LLP. With the benefit of this report a new investment strategy was set with the objective of achieving the Trustees' desired long-term target, while reducing the expected level of investment risk.

In relation to this, the Trustees agreed a long-term funding target of being fully funded on a self-sufficiency basis (i.e. aim to be able to pay benefits without support from employers) by 2034. The Trustees also accepted that this target could be subject to change depending on whether the actual performance of the fund was above or below the assumptions used in preparing the 20 years de-risking plan.

The current asset allocation of the Open Fund is shown on pages 43-44.

## Investment Management

The Trustees employ external investment managers who have the discretion to invest the assets of the Funds within the Trustees' prescribed guidelines.

The strategy to achieve the investment objectives involves the Funds' assets being invested across a range of asset classes and geographical areas.

Although the Trustees have delegated day-to-day management of the Funds' investments to external

# Investment Report

managers, the custody (safe-keeping) of segregated assets is carried out independently of the managers through custodians JP Morgan Chase Bank, The Bank of New York Mellon, ITB Pension Trustees(1) Limited and ITB Pension Trustees(2) Limited.

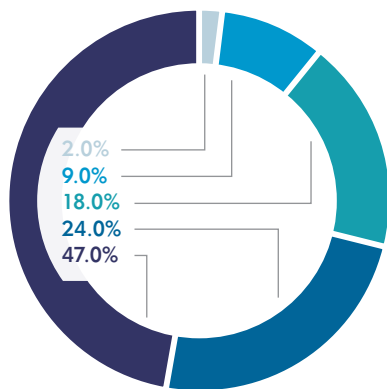
Details of and the performance of the individual managers looking after Open Fund assets is shown

within the Investment Performance Review on pages 45-48.

The Closed Fund's portfolio of index-linked gilts is under the control of the Trustees. The return seeking assets are managed by two external managers detailed on page 47.

## Open Fund Asset Allocation

The target strategic asset allocation existing at 31 March 2015 for the Open Fund (DB Section) was as follows:

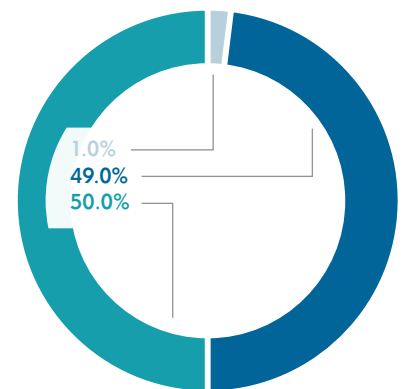


KEY:

- 1 Cash
- 2 Property
- 3 Global Equities
- 4 Alternative Investments
- 5 Bonds/Liability Driven Investment Mandate

## Closed Fund Reserve Assets Allocation

The target strategic asset allocation existing at 31 March 2015 for the reserve assets of the Closed Fund not invested in index-linked gilts, was as follows:



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

Details of the Open and Closed Funds' total asset allocation, individual manager's allocation and mandates at the Funds' year-end, together with their investment performance for the year, are shown on pages 45-48.

## Financial Review

The member payments made by the Closed Fund are financed by amounts received from PIC. The administration expenses of the fund are essentially financed by the interest received on the holding of index-linked gilts.

The ongoing contribution income of the Open Fund continued to be insufficient to meet benefit payments and other expenditure. The balance was made up from investment revenue and Employers' deficit contributions, as well as from the sale of investments.



## UK equities

For the 12-month period as a whole, the FTSE All-Share index rose 6.6% in sterling, total return terms. UK equity markets broadly tracked sideways over 2014 but suffered bouts of weakness towards the end of the year as plunging energy and commodity prices sparked fears of a global slowdown. In addition, Bank of England (BoE) governor Mark Carney said in September that investors should prepare themselves for higher borrowing costs in the coming months, adding that a prolonged low-rate environment could encourage other risks to build in the financial system. However, at the start of 2015, UK equity markets recovered strongly. BoE policymakers voted unanimously to keep rates at a record low in January for the first time since July, after two of the nine members of the rate-setting committee dropped their call to raise rates owing to the outlook for inflation. The European Central Bank also unveiled a plan in January to launch outright quantitative easing at €60bn a month after the eurozone tipped into deflation towards the end of 2014 for the first time since 2009. The UK's FTSE 100 index rallied to a record high, mirroring moves in other equity markets as stocks in Germany and the US also climbed to record levels. Analysts' expectations over when the BoE might start to look to raise rates were pushed out by the end of the period from 2015 to March 2016.

## Europe ex-UK equities

For the 12-month period as a whole, the FTSE Europe ex-UK index rose 22.0% in euro, total return terms. The index broadly tracked sideways over 2014, but staged a sharp rally at the start of 2015 after the European Central Bank (ECB) unveiled a plan in January to launch outright quantitative easing (QE) in the eurozone, broadening its existing asset-backed securities and covered bond asset purchases to include sovereign bonds. The ECB announced open-ended QE at €60bn a month, beginning in March, exceeding investors' expectations. Germany's DAX index reached a fresh record high in March, climbing above 12,000 for the first time, while the pan-European Stoxx 600 index rose to its highest level since 2000. During the first quarter of 2015, there were also signs that the eurozone economy had found a firmer footing as March marked the second consecutive month that economic activity rose across all four of the

eurozone's largest economies: Germany, France, Italy and Spain. Sentiment was also lifted after prolonged negotiations between Greece and its international creditors ended in February with an agreement to extend Greece's bailout programme by four months.

## Global equities

For the 12-month period as a whole, the MSCI World index rose 6.6% in US dollar, total return terms. Inflationary pressures continued to ease broadly over the period as energy and commodity prices softened. Economic data remained mixed globally as surveys suggested that activity expanded across developed markets, including the US and UK (fuelling the debate over the likely timing and trajectory of interest rate hikes by the Federal Reserve and the Bank of England), but showed signs of a loss of momentum elsewhere. Concerns over the economic outlook in Japan and the eurozone dominated over most of the period, while there were also signs of an apparent slowdown in some emerging markets, including China. The Bank of Japan responded to a raft of weak economic data by announcing another round of quantitative easing at its October meeting. China's central bank cut interest rates in November for the first time since July 2012 and then again later in February, while the European Central Bank started purchases of covered bonds in October and expanded its programme in March to include the purchase of sovereign bonds. The US Federal Reserve (Fed) continued to wind down its bond-buying programme in 2014 and later concluded it in October. The Fed dropped its pledge to be patient on the timing of a rate rise in the US during the first quarter of 2015, opening the possibility of higher borrowing costs as early as June. By the end of the period, analysts broadly expected the Fed to begin raising rates around mid-2015.

## Bonds

Global bonds rallied at the beginning of 2014 on the back of softer economic data and poor news flow from several emerging markets. Bonds were further supported by geopolitical concerns centred on Russia and Ukraine, which attracted investors into safe havens. Bond markets then weakened in March as global economic data started to show signs of improvement. With the US quantitative easing programme set to end in October, market

# Investment Background

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sentiment in the US was driven by the debate over the timing of the first potential interest rate rise. In March, new Federal Reserve Chair Janet Yellen indicated that borrowing costs could start to rise “around six months” after the asset purchase programme ended, which was sooner than the market expected. Short-dated bond yields rose as a result. Over the summer, speculation mounted that the European Central Bank (ECB) would act to stave off the prospect of deflation and global bond yields fell back close to record lows. The ECB’s action was confirmed in September, when it reduced the benchmark interest rate to a record-low of 0.05% and the deposit rate to -0.20% while outlining details around its plan to purchase covered bonds and asset-backed securities. As the situation in the eurozone continued to stabilise, peripheral European bond yields fell steadily for most of the period. In October, the Bank of Japan announced an extension to its monetary easing programme in another effort to boost the economy. This provided further support for global bond markets. Towards the end of the period, the drop in commodity prices led to a fall in inflation expectations, providing further downward pressure on yields. Investment grade corporate bonds rallied over the first half of the year as investors continued to search for yield. In the second half of the year, spreads started to widen in the US and UK markets on growth fears and as negative sentiment in the high yield market spilled over the other areas of credit. European spreads continued to narrow on the anticipation that the ECB might include corporate bonds in its quantitative easing programme. The high yield market suffered outflows over the year.

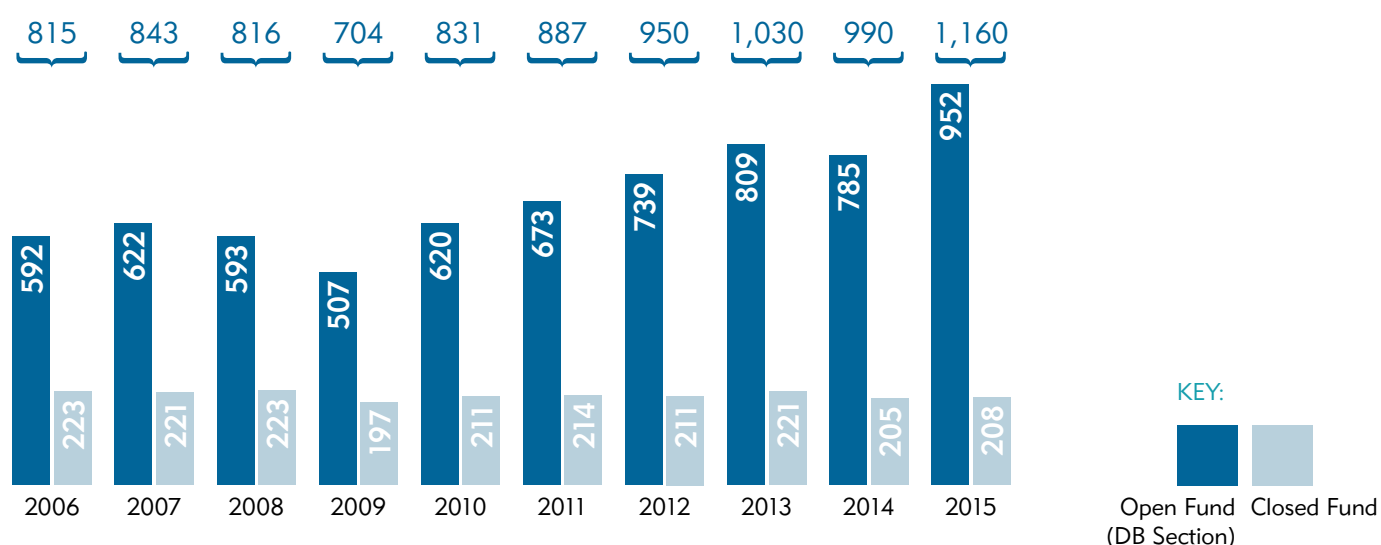
## Property

In the year to March 2015 UK property total returns as measured by IPD increased to 17.1% compared to 13.3% in the year to March 2014. Performance previously limited to Central London shops and offices has broadened to encompass South East offices and industrials across the country. Retail property, however, whether on the high street, out of town, in shopping centres or retail warehouses performed weakly; the sole exception once again being Central London shops.

Global property as measured by IPD delivered performance of 9.9% in calendar 2014, the fifth consecutive year of strong returns since the financial crisis, and the best performance since 2007. A series of countries performed particularly well over the year, most notably Ireland with a record return of 40%, but also the UK (17.9%) and USA (11.5%). One of the most striking trends through 2014 was the turnaround in Europe. Although performance still lags the UK and the US, there has been an improvement not only in France and Germany, but also in Central and Southern Europe.

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 12.

Chart 12: Growth of Total Funds - £m's



## Asset Allocation

At the end of March 2015, the Funds' investments were allocated between the following categories:

Open Fund (DB Section)	Market Value £000's	Proportion of Market Value %
UK Equities	12,070	1.3
Overseas Equities	146,560	15.4
Fixed Interest:		
UK	158,884	16.7
Index Linked	525,646	55.2
Derivatives	(219,435)	-23.1
Property	74,118	7.8
Alternatives (e.g. Diversified Growth Funds)	203,347	21.4
Cash	50,382	5.3
<b>Total</b>	<b>951,572</b>	

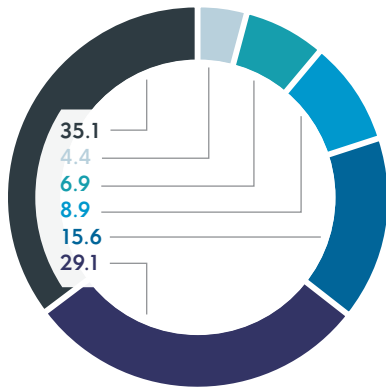
Closed Fund	Market Value £000's	Proportion of Market Value %
Insurance Policy	134,200	64.4
UK Equities	7,514	3.6
Overseas Equities	16,929	8.1
Fixed Interest:		
Index Linked	27,055	13.0
Alternatives	21,625	10.4
Cash	1,053	0.5
<b>Total</b>	<b>208,376</b>	

# Investment Report

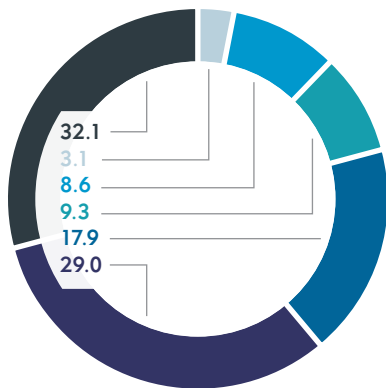
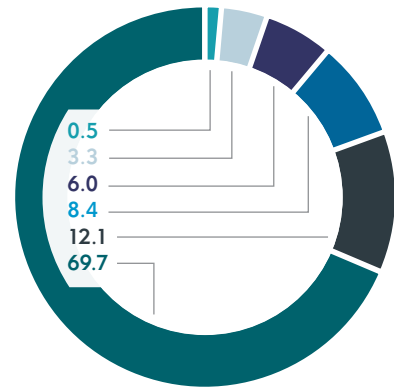
The overseas equities for both Funds consists of holdings in Europe, North America, Japan and South East Asia. The Closed Fund also holds Emerging Market investments. The changes in asset allocation made since 2013 are shown in Charts 13 and 14.

Chart 13: Asset Allocation - Open Fund (%)

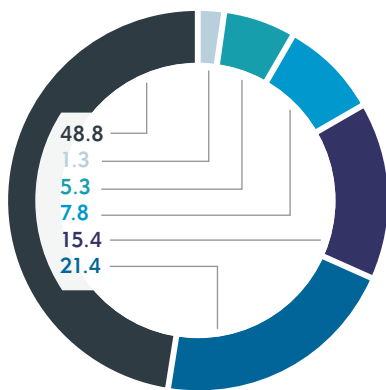
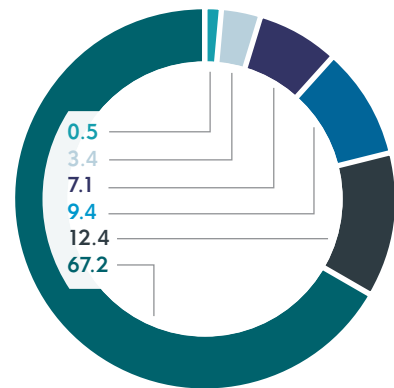
Chart 14: Asset Allocation - Closed Fund (%)



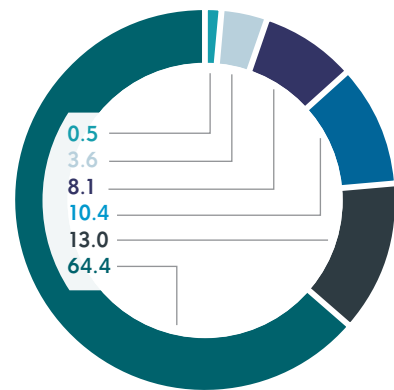
2013



2014



2015



KEY:

- |               |            |          |                |                     |   |                    |
|---------------|------------|----------|----------------|---------------------|---|--------------------|
| <b>1</b>      | <b>2</b>   | <b>3</b> | <b>4</b>       | <b>5</b>            | <b>6</b>  | <b>7</b>           |
| 1 UK Equities | 2 Property | 3 Cash   | 4 Alternatives | 5 Overseas Equities | 6 Fixed Interest, Index<br>Linked and Derivatives | 7 Insurance Policy |

The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996. The Funds do not invest in any of the Participating Employers' businesses. No investment represents more than 3% of share capital of the company concerned.

## Total Fund

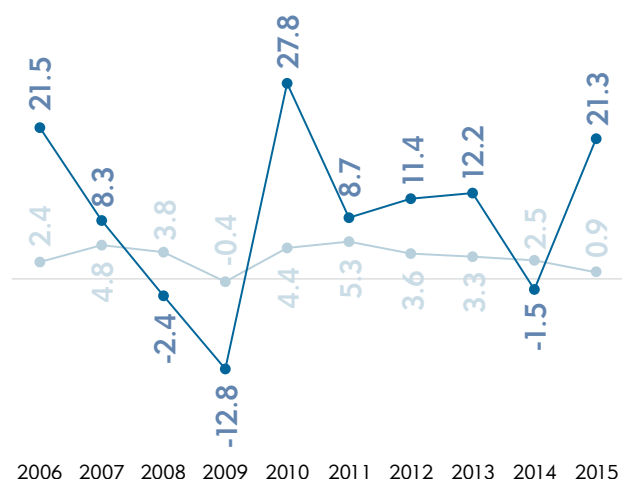
The investment performance of both the Closed and Open Funds is monitored by an independent investment performance monitoring service provided by Lane Clark & Peacock, the Funds' investment adviser. For performance purposes the Closed Fund and the Open Fund are treated separately and separate reports are provided in respect of each investment manager.

The period reviewed in the most recent full report relates to the year ended 31 March 2015. In addition, Lane Clark & Peacock also provide an overview for each fund and present calendar year-end reports at an annual Trustees' seminar while they also attend and present at quarterly Trustees' Investment Committee meetings.

Investment performance is closely monitored by the Trustees. Benchmarks are based on various indices and the investment managers are set appropriate performance targets so as to ensure that, as far as is practicable, the Funds perform in line with their strategic benchmark.

## Defined Benefit Funds (DB)

Chart 15: Rates of Return



KEY:



Open Fund Retail Price Index

The relevant benchmark return for the Open Fund (DB Section) this year was 20.7%, whereas the Fund achieved a return of 21.3%.

Chart 15 shows the rate of return on all assets achieved by the Open Fund (income and capital appreciation combined) in the recent past, compared with the increase in prices, as measured by the Retail Price Index. Past returns are, of course, no guarantee of future performance.

The reserve assets of the Closed Fund achieved a return of 10.9%. This Closed Fund return excludes the return achieved on the movement of the Pension Insurance Corporation's insurance policy as any gains or losses made on this investment cannot be realised by the Trustees.

## Managers' Mandates and Performance – Open Fund

All figures include cash held with the investment manager. The charts shown on page 44 have cash shown separately.

### UK Equities (including index-tracking equities) (1% of total fund)

#### BlackRock Advisors (UK) Limited (1% of total fund)

This part of the UK equity portfolio has the objective to match the UK FTSE All Share Index. BlackRock's fees are market value based. Over the year the BlackRock portfolio matched its benchmark.

### Fixed Interest (including index-linked gilts and derivatives) (53% of total fund)

#### Insight Investment (45% of total fund)

The objective of the LDI (Liability Driven Investments) portfolio is to reduce the Scheme's exposure to interest rate and inflation risk by constructing and managing a portfolio with the objective of matching a specially calculated benchmark which is linked to the Fund's liabilities. The fees for this portfolio are market value based. Over the year this portfolio outperformed its benchmark.

#### BlackRock Advisors (UK) Limited (8% of total fund)

Index linked gilts are held in this portfolio to support the liabilities of former Participating Employers. The funds are passively managed and the fees are market value based.

# Investment Performance Review

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## Global Equities (15% of total fund)

### **BlackRock Advisers (UK) Limited (5% of total fund)**

Part of this overseas equity portfolio is managed to track index benchmarks. The fees for these funds are market value based. Over the year, these funds closely matched their benchmarks.

BlackRock also operates a currency hedging fund which is managed on a passive basis. The passive fund is operated to greatly reduce the effect of currency fluctuations within the total overseas equity portfolio. Fees for the currency fund are market value-based.

### **Longview Partners LLP (4% of total fund)**

The objective of this part of the global equity portfolio is to achieve a positive absolute return of between 8% and 10% pa after fees. The fees for this portfolio are market value based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

### **Investec Asset Management (6% of total fund)**

The objective of this part of the global equity portfolio is to outperform the MSCI World Gross Total Return Index by 3% to 5% gross of fees over rolling three-year periods. The fees for this portfolio are market value based. No performance fees are payable. Over the year, the portfolio outperformed its benchmark.

## Property (8% of total fund)

### **Fletcher King (7% of total fund)**

The objective of this portfolio is to match the Investment Property Database (IPD) Year End Annual Index. Fletcher King is remunerated on the basis of an annual retainer fee together with transaction fees related to acquisition, disposals and lettings. In addition, further fees are payable based on the gross rental income of the portfolio, together with fees for work on rent and lease renewals. Over the year Fletcher King underperformed their benchmark.

### **Schroder Investment Management (UK) Limited (1% of total fund)**

The total investment committed for this European Property Fund has been paid in increments over a period up to and including 2013. The total commitment was approximately £19 million. The objective of this fund is to achieve an absolute return of between 8% and 10% pa net of fees over the 12 year life of the fund. The fees for this portfolio are market value-based. No performance fees are payable. Over the year, the portfolio underperformed its objective.

## Alternatives (22% of total fund)

### **GMO UK Limited (8% of total fund) - Diversified Growth Fund**

This manager was appointed in October 2014. The objective of this portfolio is to outperform the OECD G7 Consumer Price Index by 5% pa after fees. The fees for this fund are market value based. No performance fees are payable. No annual performance returns are yet available.

### **Ruffer LLP (8% of total fund) - Diversified Growth Fund**

The objective of this portfolio is to outperform three month LIBOR after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio outperformed its objective.

### **Barings Asset Management - Diversified Growth Fund**

The objective of this part of the alternative portfolio was to outperform three month LIBOR by 4% pa after fees. The fees for this fund were market value based. No performance fees were payable. The mandate of Barings was terminated during the year due to concerns over the future performance of the fund.

### **Capital International (6% of total fund) - Emerging Market Multi Asset Fund**

The objective of this part of the alternative portfolio is to outperform the MSCI Emerging Market Investable Market Index, with dividends reinvested, after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio underperformed its benchmark.

### **Cash (1% of total fund)**

This part of the portfolio is under the Trustees' control and is retained to pay pension benefits and other Funds' expenses and to avoid realising assets at short notice.

### **Managers' Mandates and Performance – Closed Fund**

#### **UK Equities (4% of total fund)**

##### **BlackRock Advisers (UK) Limited (4% of total fund)**

The objective of this portfolio is to match the UK FTSE All Share Index. The fees for the fund are market value based. Over the year, the portfolio matched its benchmark.

#### **Global Equities (8% of total fund)**

##### **BlackRock Advisers (UK) Limited (8% of total fund)**

This part of the overseas equity portfolio is managed to track index benchmarks. The fees for this part of the fund are market value based. Over the year these funds closely matched their benchmarks. BlackRock also operate a passive currency fund with the objective of greatly reducing the effect of currency fluctuations within BlackRock's overseas equity portfolio. The fees for this part of the fund are also market value based.

### **Alternatives (10% of total fund)**

#### **Ruffer LLP (10% of total fund) - Diversified Growth Fund**

The objective of this portfolio is to outperform three month LIBOR after fees. The fees for this fund are market value based. No performance fees are payable. Over the year, the portfolio outperformed its objective.

#### **Buy-in Insurance Policy (64% of total fund)**

##### **Pension Insurance Corporation (64% of total fund) Insurance buy-in policy**

This buy-in investment was purchased in April 2011 to finance the pension liabilities of the Closed Fund. No fees are payable on this investment and the policy cannot be redeemed or sold.

#### **Trustees (14% of total fund)**

Index-linked securities and cash which are under the control of the Trustees.

# Investment Performance Review

## Defined Contribution Funds (DC)

### Manager's Mandate and Performance - Open Fund

All assets of the DC Section of the Open Fund are invested with Legal & General Assurance Society Limited (L&G). Monies invested with L&G are allocated to any of the designated funds at the discretion of each member. A new default lifestyle fund was set up in March 2015 and was made available to members. This fund is made up of a mixture of passive multi asset strategy (33%), a diversified growth strategy (17%) and a global equity strategy (50%). 15 years from retirement this fund is designed to move to less risky investments with the target allocation at retirement being cash (25%), passive multi asset (50%) and diversified growth (25%). Contributions' will be allocated to this fund if a member does not nominate specific investment funds. All fund fee charges are fixed and based on the value of each member's fund.

Shown below are the designated funds together with performance, fee charges and fund size information.

All index funds performed at or close to benchmark for the year. Standard Life outperformed its benchmark.

Fund	Fund Value £000's	% of Total DC Funds	Performance Benchmark	Performance Target	Fee Charges
<b>Fixed Interest Funds (including index-linked gilts):</b>					
Over 5 years index-linked gilts index fund	9	0.4%	FT A index-linked gilts (over 5 year) index	To track the index	0.38%
Over 15 year index-linked gilts index fund	5	0.2%	FT A gilts (over 15 year) index	To track the index	0.38%
AAA-AA-A Corporate Bond over 15 year index fund	11	0.4%	iBoxx £ non gilts (ex BBB) over 15 year index	To track the index	0.42%
<b>Global Equity Funds:</b>					
Global equity fixed weight 50:50 index fund	1,142	44.5%	Composite of 50/50 distribution between UK and overseas	To track the index	0.40%
Ethical global equity index fund	4	0.2%	FTSE4 Good Global Index	To track the index	0.60%
Standard Life global absolute return strategies fund	467	18.2%	6 month £ LIBOR	To outperform the benchmark by 5% pa	1.26%
<b>Other Funds:</b>					
Passive Multi Asset fund	906	35.2%	Composite Index	To track the index	0.53%
HSBC Life Amanah fund	-	-	Dow Jones Islamic Titans 100 index	To track the index	1.15%
Cash fund	11	0.4%	7 day LIBID	CAPS pooled pension fund median	0.40%
Debtors	13	0.5%	-	-	-
<b>Total Fund</b>	<b>2,568</b>	<b>100.0%</b>			



# Statement of Trustees' Responsibilities

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The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees.

Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised, a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme and the dates on, or before which, such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Funds' websites.

# Summary of Contributions payable in the year

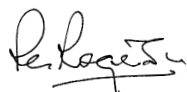
During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Contributions payable under the Schedule of Contributions</b>		
Employers' normal contributions	7,822	7,025
Employers' deficit contributions	18,263	5,776
Employers' life assurance contributions	43	9
Members' normal contributions	981	1,087
<b>Total contributions payable under the Schedule</b>	<b>27,109</b>	<b>13,897</b>
<b>Other contributions</b>		
Employers' augmentation costs	1,025	696
Transfers from other schemes	46	102
Transfers from money purchase AVC schemes	242	188
<b>Total payable to the Scheme</b>	<b>£28,422</b>	<b>£14,883</b>

The Trustees Report was approved by the Trustees on 3 July 2015.



J Swift  
Trustee



P Rogerson  
Trustee



# Independent Auditor's Report to the Trustees of the ITB Pension Funds

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We have audited the financial statements of the ITB Pension Funds for the year ended 31 March 2015 which comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Trustees and the Auditor

As explained more fully in the Statement of Trustees Responsibilities set out on page 49, the Scheme's Trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the

accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report & Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

MOORE STEPHENS LLP  
Chartered Accountants and Statutory Auditor  
LONDON

31 July 2015

# Independent Auditor's Statement about Contributions to the Trustees of the ITB Pension Funds

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We have examined the summary of contributions to the ITB Pension Funds in respect of the Scheme year ended 31 March 2015 which is set out in the Trustees' Report on page 50.

This statement is made solely to the Trustees, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

## **Respective responsibilities of the Trustees and the Auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employers in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

## **Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Schedule of Contributions.

## **Statement about contributions payable under the Schedule of Contributions**

In our opinion contributions for the scheme year ended 31 March 2015 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with (a) the Schedule of Contributions certified by the Scheme Actuary on 13 January 2012 in respect of the DB Section and on 26 June 2012 in respect of the DC Section supplement and (b) the Schedule of Contributions certified by the Scheme Actuary on 30 June 2014 in respect of both the DB and DC sections.

MOORE STEPHENS LLP

Chartered Accountants and Statutory Auditor  
LONDON

31 July 2015

# Fund accounts

## for the year ended 31 March 2015

	Notes	Closed Fund 2015 £'000	Open Fund DB Section 2015 £'000	DC Section 2015 £'000	Combined Fund 2015 £'000	Combined Fund 2014 £'000
<b>Income</b>						
From Employers:						
Normal	3c	-	6,880	942	7,822	7,025
Augmentation costs	3c	-	1,025	-	1,025	696
Deficit funding	3c	-	18,263	-	18,263	5,776
Other contributions	3c	-	-	43	43	9
Total Employers' contributions		-	26,168	985	27,153	13,506
Members' contributions	3c, 15	-	475	506	981	1,087
Transfers from other schemes	3g, 5	-	242	46	288	290
		-	26,885	1,537	28,422	14,883
<b>Expenditure</b>						
Retirement and death benefits	6	11,304	30,775	-	42,079	42,399
Payments to and on account of leavers:						
Contribution refunds		-	12	87	99	63
Transfers to other schemes		-	803	58	861	396
Other payments:						
Life assurance premiums		-	-	43	43	9
Administrative expenses:						
General administration	7	448	732	13	1,193	1,176
Professional services	7	108	592	31	731	703
Pension fund levy		8	44	-	52	48
		11,868	32,958	232	45,058	44,794
<b>Net (withdrawals)/additions from dealings with members</b>		(11,868)	(6,073)	1,305	(16,636)	(29,911)
<b>Returns on investments</b>						
Investment income	8	12,237	10,785	-	23,022	20,100
Change in market value of investments	11	3,434	163,562	238	167,234	(26,954)
Investment manager's fees	9	(45)	(1,227)	-	(1,272)	(1,432)
<b>Net returns on investments</b>		15,626	173,120	238	188,984	(8,286)
<b>Net increase/(decrease) in the funds during the year</b>		3,758	167,047	1,543	172,348	(38,197)
Net assets as at 31 March 2014		204,720	785,464	1,154	991,338	1,029,535
<b>Net assets as at 31 March 2015</b>		<b>£208,478</b>	<b>£952,511</b>	<b>£2,697</b>	<b>£1,163,686</b>	£991,338

The notes on pages 56 to 67 form part of these financial statements.

# Net assets statements

31 March 2015

	Notes	Closed Fund 2015 £'000	Open Fund DB Section 2015 £'000	DC Section 2015 £'000	Combined Fund 2015 £'000	Combined Fund 2014 £'000
<b>Investments</b>						
Assets	11	208,376	1,568,913	2,568	1,779,857	1,365,502
Liabilities	11	-	(617,341)	-	(617,341)	(375,710)
<b>Net investments</b>		208,376	951,572	2,568	1,162,516	989,792
Fixed assets	12	-	46	-	46	66
		208,376	951,618	2,568	1,162,562	989,858
<b>Current assets</b>						
External	13	308	1,794	145	2,247	2,576
Inter-fund balance	13	-	25	-	25	21
		308	1,819	145	2,272	2,597
<b>Current liabilities</b>						
External	14	184	926	13	1,123	1,096
Inter-fund balance	14	22	-	3	25	21
		206	926	16	1,148	1,117
<b>Net current assets</b>		102	893	129	1,124	1,480
<b>Net assets as at 31 March 2015</b>		<b>£208,478</b>	<b>£952,511</b>	<b>£2,697</b>	<b>£1,163,686</b>	£991,338

The financial statements summarise the transactions of the Funds and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the year. The actuarial position of the Funds, which does take account of such obligations, is dealt with in the Summary Funding Statements and the certificates by the Actuary and these financial statements should be read in conjunction with them.

The financial statements were approved by the Trustees on 3 July 2015.



J Swift  
Trustee



P Rogerson  
Trustee

The notes on pages 56 to 67 form part of these financial statements.

# Notes to the Financial Statements

## for the year ended 31 March 2015

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### 1 Organisation of the funds

The financial statements reflect the Actuary's report dated 22 January 1985 regarding the apportionment of assets between the Closed and Open Funds. This apportionment of the market value of the assets was made on 1 April 1985.

The Closed Fund relates to former employees of discontinued Industrial Training Boards; all employees of continuing Boards whose service ceased before 31 March 1982; and, certain other employees of those Boards whose service ceased before 31 March 1983 and whose membership was specifically agreed with Government.

On 1 April 2012 the Open Fund introduced a defined contribution section.

### 2 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31 March 2012 and on the Open Fund as at 31 March 2013. The valuation report on the Open Fund resulted in a recovery plan, which was formally implemented during the 2014/2015 scheme year.

### 3 Accounting policies

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and substantially within the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

#### a) Basis of preparation

These financial statements have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred, not as it is received or paid.

#### b) Valuation of investment assets and liabilities

Investments are valued at their market value determined as follows:

- i) Listed securities are valued at last traded price or bid-market price ruling at the balance sheet date.
- ii) Pooled investment vehicles are stated at the bid-point of the latest prices quoted by the managers prior to the year end.
- iii) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the year end date.
- iv) Properties were valued by Fletcher King, Property Asset Managers, at 31 March 2015, in accordance with the definition of open market value as defined in Practice Statement 4 of the Royal Institute of Chartered Surveyors' appraisal and valuation manual.
- v) Forward contracts are valued at amounts that assume settlement at the spot rates ruling on the year end.
- vi) Exchange traded derivatives are stated at market values determined using market quoted prices.
- vii) Over the counter derivatives are stated at market value using pricing models and relevant market data as at the year end date.
- viii) Repurchase agreements and reverse repurchase agreements are valued at cost.
- ix) The insurance policy held by the Closed Fund has been valued on an actuarial basis.

#### c) Contribution income

Contributions relating to wages and salaries earned up to the year end have been included in these financial statements.

Augmentation costs represent amounts recoverable from Employers to improve the benefits of certain members and



these are due to the Open Fund from the relevant Participating Employers. These are recognised when agreed with the Participating Employer concerned.

Deficit funding contributions have been paid to the Scheme in accordance with an agreed Schedule of Contributions. These are recognised when due.

Employer's buy-out contributions, due under Section 75 of the Pensions Act 1995 when an Employer ceases to be a Participating Employer, are accounted for when received or determined by the Scheme Actuary, whichever is earliest, taking into account the likelihood of recovery.

**d) Investment income**

Dividend income and interest on Government stocks have been recognised on the ex-dividend/interest date. Rents, interest and annuity income are recognised on a receivable basis. Interest payable under repurchase agreements is recognised on an accruals basis.

**e) Foreign income**

Foreign income has been translated into sterling at the rate ruling at the date of the transactions. Income due at the year end is translated at the rate ruling at the year end. All differences are taken to the Fund Accounts.

**f) Benefits payable**

Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

**g) Transfers receivable**

Transfers receivable represent payments to the Open Fund from the separate money purchase schemes (see note 16). Amounts received into the Fund are paid out as part of a member's lump sum retirement benefit. Transfers are only taken into account where benefits are payable before the year end. Transfers from other pension funds into the Defined Benefit section of the scheme are not currently accepted. Transfers into the Defined Contribution section of the scheme are allowed.

**h) Withdrawal benefits**

Transfers payable relate to those early leavers whose transfers have been agreed by the Trustees during the year. Included under withdrawal benefits are accruals of contributions and interest in respect of members who left the Funds on or before the year end and who were entitled to a refund of these.

**i) Fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture - 10% per annum

Equipment - 20% per annum

**j) Administration expenses**

Administration expenses are allocated between the Closed Fund and Open Fund's DB and DC sections in accordance with a basis determined by the Trustees.

## 4 Contributions receivable

Normal contributions receivable by the Scheme during the year, including amounts outstanding at the year end (see note 13), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

Following the formal agreement of a revised Schedule of Contributions to deal with the deficit arising in the Open Fund valuation as at 31 March 2013, appropriate Employers continued to pay deficit recovery contributions and these have been included in the financial statements on the basis of amounts due under the Schedule of Contributions.

In addition to these contributions the following Section 75 debt was due in respect of a former employer. Skills For Logistics' membership of the Open Fund was terminated on 6 January 2015 when the company went into administration. At that time a Section 75 debt of £2,053,000 became due. No amount was received during the year and the amount that will be recovered is currently unknown, therefore no amount has been recognised in these financial statements.

# Notes to the Financial Statements

## for the year ended 31 March 2015

### 5 Transfers in

	2015 £'000	2014 £'000
<b>DB Section</b>		
Individual transfers from money purchase AVC schemes (see note 16)	242	188
<b>DC Section</b>		
Individual transfers from other schemes	46	102
<b>Total</b>	<b>£288</b>	£290

### 6 Retirement and death benefits

	Closed Fund 2015 £'000	Open Fund DB Section 2015 £'000	DC Section 2015 £'000	Combined Fund 2015 £'000	Combined Fund 2014 £'000
<b>Retirement benefits</b>					
Lump sums	112	3,224	-	3,336	4,171
Members' pensions	7,393	24,139	-	31,532	31,246
Total retirement benefits	7,505	27,363	-	34,868	35,417
<b>Death benefits</b>					
Lump sums	-	129	-	129	97
Dependants' pensions	3,799	3,283	-	7,082	6,885
Total death benefits	3,799	3,412	-	7,211	6,982
	<b>£11,304</b>	<b>£30,775</b>	<b>£-</b>	<b>£42,079</b>	£42,399
<b>2014</b>	£11,666	£30,733	£-		

## 7 Administration costs

	<b>Closed Fund 2015 £'000</b>	<b>Open Fund DB Section 2015 £'000</b>	<b>DC Section 2015 £'000</b>	<b>Combined Fund 2015 £'000</b>	<b>Combined Fund 2014 £'000</b>
<b>General administration:</b>					
Employment costs	276	444	7	727	711
Office accommodation	39	63	1	103	105
General expenses	103	177	4	284	284
Trustees' honoraria	30	48	1	79	76
	<b>£448</b>	<b>£732</b>	<b>£13</b>	<b>£1,193</b>	£1,176
<b>2014</b>	£444	£720	£12		
<b>Professional services:</b>					
Auditor's fees	16	26	-	42	42
Legal and professional services	53	127	2	182	139
Investment consultancy	9	109	28	146	122
Actuarial services	26	235	1	262	283
Other	4	95	-	99	117
	<b>£108</b>	<b>£592</b>	<b>£31</b>	<b>£731</b>	£703
<b>2014</b>	£97	£603	£3		

## 8 Investment income

	<b>Closed Fund 2015 £'000</b>	<b>Open Fund DB Section 2015 £'000</b>	<b>DC Section 2015 £'000</b>	<b>Combined Fund 2015 £'000</b>	<b>Combined Fund 2014 £'000</b>
Income from fixed interest securities	-	3,910	-	3,910	3,191
Income from index linked securities	397	4,286	-	4,683	3,925
Income from pooled investment vehicles	386	2,058	-	2,444	2,675
Net rents from properties	-	3,543	-	3,543	3,282
Interest on cash deposits	4	232	-	236	127
Derivative cost	-	(1,872)	-	(1,872)	(4,067)
Annuity income	11,450	-	-	11,450	11,889
Interest paid under repurchase agreements	-	(1,372)	-	(1,372)	(922)
	<b>£12,237</b>	<b>£10,785</b>	<b>£-</b>	<b>£23,022</b>	£20,100
<b>2014</b>	£12,700	£7,400	£-		

Income related to derivative cost and interest paid under repurchase agreements is included in the related income categories.

# Notes to the Financial Statements

## for the year ended 31 March 2015

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### 9 Investment managers' fees

Under the powers given to them under the Scheme Rules, the Trustees delegate most investment management to external investment managers; the exception being the index linked gilt stock in the Closed Fund. The non-property investments were managed during the year by the following managers: BlackRock Advisors (UK) Limited, Schroder Investment Management (UK) Ltd, Insight Investment, Baring Asset Management Ltd, Longview Partners LLP, Investec Asset Management, Ruffer LLP, Capital International Limited and GMO UK Limited all of which are registered in the UK.

The remuneration of these managers is calculated as a variable percentage of the market value of the assets under management. Properties are managed by Fletcher King who are remunerated on a fixed percentage of the market value of properties under management, with additional fees in respect of property purchases, sales, rent reviews and rental income.

### 10 Taxation

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004.

## 11 Investments

	Closed Fund valuation 2015 £'000	Open Fund DB Section valuation 2015 £ '000	DC Section valuation 2015 £'000	Combined Fund valuation 2015 £'000	Combined Fund valuation 2014 £'000
<b>Fixed interest securities</b>					
Public sector	-	158,880	-	158,880	98,312
Other	-	4	-	4	-
<b>Index-linked securities</b>					
Public sector	22,061	438,280	-	460,341	373,487
UK other	-	9,567	-	9,567	7,555
<b>Pooled investment vehicles</b>					
Index linked	4,994	77,799	25	82,818	64,649
UK equities	7,514	12,070	-	19,584	31,317
Overseas equities	16,929	146,560	1,146	164,635	214,107
Diversified	21,625	203,347	1,373	226,345	212,275
Commercial property	-	15,970	-	15,970	18,132
Cash	-	-	11	11	45,106
<b>Derivative assets</b>	-	397,767	-	397,767	84,998
<b>Commercial property</b>					
Freehold	-	48,166	-	48,166	45,583
Long leasehold	-	9,982	-	9,982	9,337
<b>Insurance policy</b>	134,200	-	-	134,200	137,400
<b>Bank deposits &amp; loan notes</b>	948	48,568	-	49,516	20,548
<b>Other investment assets</b>	105	1,953	13	2,071	2,696
<b>Investment assets</b>	208,376	1,568,913	2,568	1,779,857	1,365,502
<b>Derivative liabilities</b>	-	(617,202)	-	(617,202)	(375,542)
<b>Other investment liabilities</b>	-	(139)	-	(139)	(168)
<b>Net investments at 31 March 2015</b>	<b>£208,376</b>	<b>£951,572</b>	<b>£2,568</b>	<b>£1,162,516</b>	£989,792
31 March 2014:					
Investment assets	204,593	1,159,791	1,118	1,365,502	
Investment liabilities	-	(375,710)	-	(375,710)	
<b>Net investments at 31 March 2014</b>	<b>£204,593</b>	<b>£784,081</b>	<b>£1,118</b>	<b>£989,792</b>	

Basis of valuation - as set out in note 3 b). Commercial properties are mainly industrial and office premises with rent review periods of five years.

The insurance policy is a bulk annuity policy (also known as a "buy-in") with Pension Insurance Corporation ("PIC") to secure the benefits of Closed Fund members. As the policy is written in the name of the Trustees and does not fully discharge their liabilities to those members the policy has been included in the Net Assets Statement at a value provided by PIC valued on an actuarial basis. The year end value represents 64% of the value of the Closed Fund and 12% of the total combined assets of the Funds.

There are no other investments in which more than 5% of the total value of the net assets of the Funds is invested.

# Notes to the Financial Statements

## for the year ended 31 March 2015

### 11 Investments (cont'd)

The movements in investments during the year were:	<b>Closed Fund 2015</b> £'000	<b>Open Fund DB Section 2015</b> £ '000	<b>DC Section 20145</b> £'000	<b>Combined Fund 2015</b> £'000	<b>Combined Fund 2014</b> £'000
Market value at 1 April 2014	204,593	784,081	1,118	989,792	1,013,065
<b>Purchases at cost and derivative payments:</b>					
Fixed interest	-	164,596	-	164,596	
Index linked	333	240,687	-	241,020	
Pooled investment vehicles	763	210,232	1,445	212,440	
Derivatives	-	987,734	-	987,734	
Bank deposits and loan notes	-	28,994	-	28,994	
Other assets	-	-	13	13	
Other liabilities	-	29	-	29	
	1,096	1,632,272	1,458	1,634,826	1,362,058
<b>Sales proceeds and derivative receipts:</b>					
Fixed interest	-	(132,747)	-	(132,747)	
Index linked	-	(206,171)	-	(206,171)	
Pooled investment vehicles	(711)	(352,919)	(246)	(353,876)	
Derivatives	-	(935,353)	-	(935,353)	
Property	-	(525)	-	(525)	
Bank deposits and loan notes	(27)	-	-	(27)	
Other assets	(9)	(628)	-	(637)	
	(747)	(1,628,343)	(246)	(1,629,336)	(1,358,377)
<b>Change in market value of investments</b>	3,434	163,562	238	167,234	(26,954)
<b>Market value at 31 March 2015</b>	<b>£208,376</b>	<b>£951,572</b>	<b>£2,568</b>	<b>£1,162,516</b>	£989,792

There are no transaction costs included within the above purchases and sales figures. Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996 and the Statements of Investment Principles adopted by the Trustees for both Funds. The Funds do not invest in any of the Participating Employers' businesses.

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

## 11 Other investment balances

	<b>Closed Fund</b>	<b>Open Fund</b>		<b>Combined Fund</b>	<b>Combined Fund</b>
	<b>2015</b>	<b>DB Section</b>	<b>DC Section</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£ '000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets:</b>					
Amounts due from brokers	-	-	13	13	-
Investment revenue receivable	105	1,949	-	2,054	2,671
Income tax receivable	-	4	-	4	25
	<b>£105</b>	<b>£1,953</b>	<b>£13</b>	<b>£2,071</b>	<b>£2,696</b>
<b>2014</b>	£115	£2,581	£-		
<b>Liabilities:</b>					
VAT	-	139	-	139	168
	<b>£-</b>	<b>£139</b>	<b>£-</b>	<b>£139</b>	<b>£168</b>
<b>2014</b>	£-	£168	£-		

### Derivatives

The Trustees hold derivatives in accordance with the Statement of Investment Principles for the Open Fund and use them to reduce the effect on the scheme of interest rate, inflation and foreign exchange fluctuations. At 31 March 2015 the open arrangements may be summarised as follows:

#### a) Swaps

<b>Type</b>	<b>Base</b>	<b>Settlement</b>	<b>Asset value</b>	<b>Liability value</b>
			<b>£</b>	<b>£</b>
Asset	ASSW	2020 – 2050	8,675,738	60,854,926
Interest rate	IRSW	2015 – 2063	289,877,995	256,136,290
Retail price index ("RPI")	UK RPI	2015 – 2063	68,658,997	60,234,467
Liability driven	UK LPI	2015 – 2058	6,036,557	3,031,745

The counterparties for all the swaps are banks. At 31 March 2015 the Funds had pledged collateral of £5,657,009 in a mixture of cash and UK gilts.

#### b) Repurchase agreements

Included in derivative assets and liabilities are amounts payable under repurchase agreements of £236,944,837 (2014 - £296,496,298) and amounts receivable under reverse repurchase agreements of £24,517,419 (2014 - £Nil) which mature over the period April to September 2015. The counterparties for all the repurchase agreements are banks which hold as collateral gilts to a value of £225,068,237.

# Notes to the Financial Statements

## for the year ended 31 March 2015

### 12 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1 April 2014	835	769
Additions	18	-
Disposals	(580)	(580)
Depreciation charge	-	38
Balance at 31 March 2015	273	227
Net book value: 31 March 2015	<b>£46</b>	
31 March 2014	£66	

### 13 Current assets

	Closed Fund 2015 £'000	Open Fund DB Section 2015 £'000	DC Section 2015 £'000	Combined Fund 2015 £'000	Combined Fund 2014 £'000
Bank balances	308	1,014	134	1,456	1,200
<b>Debtors:</b>					
Amounts due from employers					
Employers' contributions	-	585	8	593	1,267
Members' contributions	-	21	3	24	46
Sundry debtors	-	174	-	174	63
External current assets	308	1,794	145	2,247	2,576
Inter-fund balance	-	25	-	25	21
<b>Individual Funds' current assets 2015</b>	<b>£308</b>	<b>£1,819</b>	<b>£145</b>	<b>£2,272</b>	<b>£2,597</b>

	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
<b>31 March 2014:</b>				
External current assets	331	2,208	37	2,576
Inter-fund balance	-	21	-	21
Individual Funds' current assets 2014	£331	£2,229	£37	£2,597

Amounts due from employers in respect of contributions were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.



## 14 Current liabilities

	<b>Closed Fund 2015 £'000</b>	<b>Open Fund DB Section 2015 £ '000</b>	<b>DC Section 2015 £'000</b>	<b>Combined Fund 2015 £'000</b>	<b>Combined Fund 2014 £'000</b>
Unpaid benefits	-	130	-	130	-
Sundry creditors	184	796	13	993	1,096
External current liabilities	184	926	13	1,123	1,096
Inter-fund balance	22	-	3	25	21
<b>Individual Funds' current liabilities 2015</b>	<b>£206</b>	<b>£926</b>	<b>£16</b>	<b>£1,148</b>	<b>£1,117</b>

	<b>Closed Fund £'000</b>	<b>Open Fund DB Section £ '000</b>	<b>DC Section £'000</b>	<b>Combined Fund £'000</b>
31 March 2014:				
External current liabilities	183	912	1	1,096
Inter-fund balance	21	-	-	21
<b>Individual Funds' current liabilities 2014</b>	<b>£204</b>	<b>£912</b>	<b>£1</b>	<b>£1,117</b>

## 15 Member credited service

Additional voluntary contributions (AVCs) made during the financial year to purchase added years under the principal scheme are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the net assets statement.

# Notes to the Financial Statements

## for the year ended 31 March 2015

### 16 Money purchase schemes

Additional Voluntary Contributions (AVCs) are receivable for separate investment for the benefit of individual members. The Open Fund's AVC arrangements are operated by Royal London (RL), the Prudential Assurance Company (PAC) and Legal & General (L&G) and include a selection of unit linked investment funds.

The individual members receive details of their investments directly from the insurance company concerned and the investment and income are not treated as part of the Open Fund's assets and income as shown in the financial statements.

On retirement members may use the money purchase investments they may have accumulated under the AVC arrangements to provide a cash lump sum at retirement. This sum would be tax-free under current legislation and subject to certain limits. Such transfers from the AVC arrangements are included in individual transfers from Money Purchase Schemes (see note 5). There is also an 'Open Market Option' available to members where they may use their accumulated AVC funds to purchase an annuity with an insurer of their choosing.

All administration provided by the ITB Pension Funds does not incur any cost for Money Purchase members.

The amounts involved during the year are as follows:	<b>L&amp;G 2015 £'000</b>	<b>Prudential 2015 £'000</b>	<b>Royal London 2015 £'000</b>	<b>Total 2015 £'000</b>	<b>Total 2014 £'000</b>
Funds as at 1 April 2014	844	177	272	1,293	1,287
Members' AVC contributions	92	11	4	107	134
Interest credited by SLAC	-	-	15	15	15
Interest and bonuses credited by PAC	-	5	-	5	-
Change in market value of units	96	4	-	100	45
Transfers out (including to main Fund)	1,032 (202)	197 (12)	291 (28)	1,520 (242)	1,481 (188)
<b>Funds at 31 March 2015</b>	<b>£830</b>	<b>£185</b>	<b>£263</b>	<b>£1,278</b>	£1,293

Monies invested with RL are invested in the Royal London Deposit Administration Fund.

Monies invested with PAC are invested in the With Profits Fund.

Monies invested with L&G are invested in any of the following funds at the discretion of the Member concerned:

- Global Equity
- L&G Pension Standard Life Global
- Passive Multi Asset Strategy
- Over 5 Year Index Linked Gilts Index
- AAA-AA-A Corporate Bond Over 15 Year Index
- Over 15 Year Gilts Index
- L&G Cash
- Ethical Global Equity Index
- HSBC Life Amanah Fund

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## 17 Related party transactions

Certain of the Trustees are members of the pension scheme either as active or pensioner members. Their contributions and benefits, as appropriate, are paid in accordance with the Scheme Rules.

Trustees honoraria are disclosed in note 7.

## Internal Dispute Resolution

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint. It is hoped that members and beneficiaries will always be pleased with the service provided by the ITB Pension Funds and that no-one has reason to complain. However, in the unlikely event that a complaint arises and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal internal dispute resolution procedure is available upon request from:

The Director, The ITB Pension Funds,  
23 King Street, Watford WD18 0BJ.

## The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions covering State, occupational, personal and stakeholder schemes. TPAS is commonly used by members and beneficiaries to help resolve a pensions query or any difficulty which they have failed to resolve with the trustees of their pension scheme, which may be before or during an official dispute procedure.

Address: 11 Belgrave Road, London SW1V 1RB

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

Telephone: 0300 123 1047

## The Pensions Ombudsman

If you are unable to resolve your dispute using the internal dispute resolution procedure, and normally only after having sought the assistance of TPAS, an application can be made to the Pensions Ombudsman for adjudication. The Pensions Ombudsman's role and powers have been decided by Parliament, and he is appointed by the Secretary of State for Work and Pensions. He is completely independent and is available to investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. He does not charge for his services. The Pensions

Ombudsman's decision is final and binding on all the parties to the complaint or dispute. It can be enforced in the Courts. His decision can only be changed by appealing to the appropriate Court on a point of law.

Address: 11 Belgrave Road, London SW1V 1RB

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Telephone: 020 7630 2200

## The Pensions Regulator

The Pensions Regulator is the UK regulator of workbased 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)

## The Pension Protection Fund

The Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation. It was established to pay regular compensation to members of eligible defined benefit schemes when there has been a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation. The Pension Protection Fund is also responsible for the Fraud Compensation Fund - a fund that will provide compensation to occupational pension schemes that suffer a loss that can be attributable to dishonesty.

Address: Pension Protection Fund, Renaissance,  
12 Dingwall Road, Croydon, Surrey CR0 2NA

Website: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

Email: [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk)

Telephone: 0845 600 2541

## 'Pension Wise'

Pension Wise only provides guidance on defined contribution (DC) pensions. It is a free government service delivering free, impartial, broad guidance to defined contribution (DC) pension holders to help them make sense of their options at retirement. The service is operated through the Citizens Advice Bureau and the Pensions Advisory Service and is available on-line, over the phone or by appointment. See [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) for further details. However, none of this guidance is regulated by the Financial Conduct Authority and is not intended to replace independent financial advice.

## Independent Financial Advice

An Independent Financial Adviser (IFA) can for a fee provide more detailed advice taking account of individual financial circumstances. The IFA directory can be accessed at [www.unbiased.co.uk/pensions](http://www.unbiased.co.uk/pensions)

## Pension Tracing Service

If you think you may have an old pension, but are not sure of the details, contact the Pension Tracing Service. The Service (part of the Department for Work and Pensions) has access to a database of over 200,000 pension schemes and can be used, free of charge, to search for a scheme.

Address: The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LH

Website: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

Telephone: 0845 6002 537

## HM Revenue & Customs Registration

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 (HM Revenue & Customs Pension Scheme Tax Reference No. 00329981RF).

## ITB Pension Funds Tax Office

The Tax Office dealing with the ITB Pension Funds can be contacted via:

Address: HM Revenue & Customs, Pay As You Earn Self-Assessment, PO Box 1970, Liverpool, L75 1WX

Telephone: 0300 2003300

Open Fund Reference: 073/11012A

Closed Fund Reference: 073/11012

## 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 169 6565

## 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: 0300 500 5000

## Keeping us Informed

Please ensure that you keep the Trustees of the ITB Pension Funds advised of any change of address. You can do this by writing to the Funds' Office or using the Funds' website [www.itb-online.co.uk](http://www.itb-online.co.uk)

## Contact

The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ

Telephone: 01923 226 264

E-mail: [pensions@itbpen.com](mailto:pensions@itbpen.com)

Website: [www.itb-online.co.uk](http://www.itb-online.co.uk)

Scheme Reference No. 10169800



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