

Pensionnews

Chairman's Review

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

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

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

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

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

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

Actuarial

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

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

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

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

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Chairman's Review (cont.)

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

Open Fund Defined Benefit (DB) Investment Strategy

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

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

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

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

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

The Defined Contribution (DC) Section

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

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

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

The Closed Fund

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

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

Employer Covenant

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

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

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

Skills for Logistics

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

Trustees

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

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

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

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

Governance

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

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

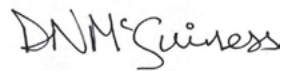
Funds' Staff

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

Outlook

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

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



David Newell McGuinness
30 June 2017



Board of Trustees

The Trustees are individuals who administer the ITB Pension Funds in accordance with the Trust Deed and Rules for the benefit of the members. The Trust has been set up independently from the Participating Employers' businesses. The ITB Pension Funds are controlled by 18 Trustees consisting of nine Employer Trustees, seven Member Trustees and two Pensioner Trustees. The Trustees at the financial year end were as follows:

Employers' Trustees



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





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

CAPITB Ltd



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





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





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





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





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





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







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




Members' Trustees





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







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







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





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

CAPITB Ltd



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





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



Pensioners' Trustees



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



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

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

Funds Constitution

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

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

Funds Structure

The Open Fund consists of four separate sections:

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

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

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

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

Trusteeship

Appointment and Removal of Trustees

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

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

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

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

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

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

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

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

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

Changes to the Trustees

Employers' Trustees

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

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

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

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

Members' Trustees

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

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

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

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

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

Trustees Report (cont.)

Joint Members' Trustees

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

Chairman of Trustees

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

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

Meetings

Trustees normally meet at least four times a year.

Committees

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

Officers and Advisers

Officers

Chief Executive and Director

Vincent Gordon FPMI

Funds' Accountant

Dave Faulkner FCA (retired May 2016)

Mike Thorpe ACA (appointed June 2016)

Pensions Administration Manager

Chris Bettles DipPMI

Advisers

Actuary

Martin Clarke FIA Government Actuary's Department

Auditor

Moore Stephens LLP

Covenant Adviser

CVR Global LLP

Investment Adviser and Performance Monitor

Lane Clark & Peacock LLP

Solicitors

Mayer Brown International LLP

Investment Managers

Allianz Global Investors GmbH

BlackRock Investment Management (UK) Ltd

Capital International Portfolios

Fidelity International

Fletcher King

GMO Funds PLC

Insight Investment Management (Global) Ltd

Investec Asset Management Ltd

Just Retirement Ltd (appointed 11 October 2016)

Legal & General Assurance Society Ltd

(DC Section and AVCs)

Longview Partners Investments (terminated
14 December 2016)

Pension Insurance Corporation PLC

Prudential Retirement Income Ltd (AVCs)

Royal London Mutual Insurance Society Ltd (AVCs)

Ruffer LLP

Schroder Investment Management (Luxembourg) S.A.

Custodians

JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

Participating Employers

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

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

CAPITB Limited

Cogent SSC Limited

Participating Subsidiaries:

Cogent Skills Services Limited

Science Industry Assessment Service Ltd

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

National Skills Academy for Retail

Skillsmart Retail UK Ltd

Science, Engineering and Manufacturing
Technologies Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited

Metals Industry Skills and Performance Limited

Training Publications Limited

National Skills Academy for Manufacturing

Scottish Electrical Charitable Training
Trust



Vincent Gordon
FPMI

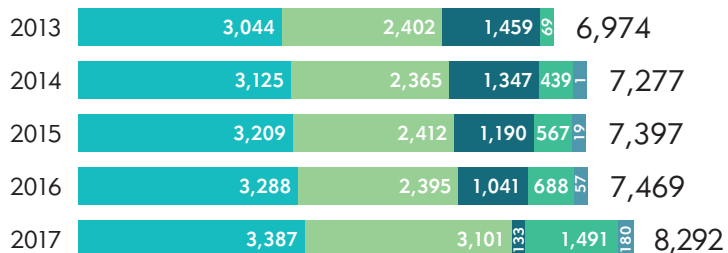


Chris Bettles
DipPMI

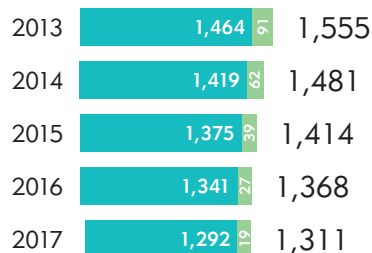


Mike Thorpe
ACA

Open Fund - Membership

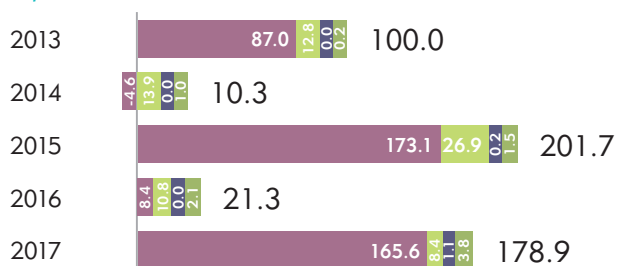


Closed Fund - Membership



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

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

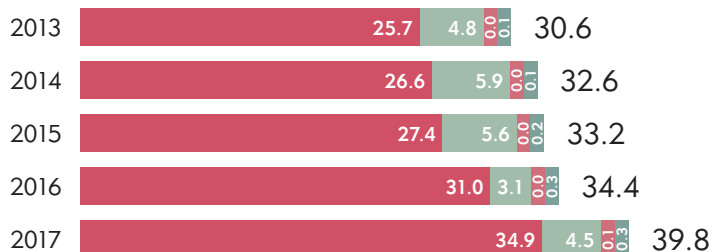


Closed Fund - Income (£m)

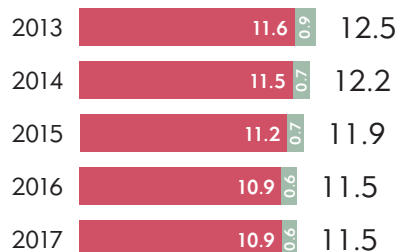


KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC) INVESTMENT CLOSED FUND

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

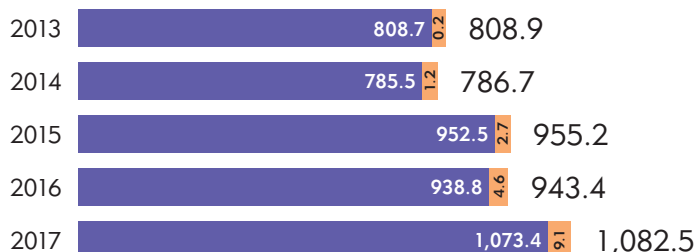


Closed Fund - Expenditure (£m)



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

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



Closed Fund - Fund Value (£m)



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

Summary Funding Statements

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

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. This statement is based on the latest actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the valuation.

The last ongoing funding valuation:

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

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

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

Change in funding position:

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

Payment to the Participating Employers:

There has not been any payment to the Participating Employers out of Scheme funds in the last twelve months.

How the Scheme operates:

How is my pension paid for?

The Participating Employers pay contributions to the Pension Scheme so that the Scheme can pay pensions to its members when they retire. Active members also pay contributions to the Scheme, and these are deducted from gross pay.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to an agreement with the Participating Employers on future contributions.

The importance of the Participating Employers' support:

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, success of the Scheme relies on the Participating Employers continuing to support the Scheme because:

- the Participating Employers meet the administrative expenses of running the Scheme
- the funding level can fluctuate, and when there is a funding shortfall, the Participating Employers will usually need to put in more money
- the target funding level may turn out not to be enough so that the Participating Employers will need to put in more money.

What is the Scheme invested in?

The Trustees' strategic target (which will be subject to periodic variation) is to invest in a broad range of assets subject to asset class targets, as at 31 March 2016, as follows:

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

The Pensions Regulator:

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

Where can I get more information?

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

- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Schedule of Contributions: This shows how much money is being paid into the Scheme.
- The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2017.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2016.
- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they joined the Scheme, but a further copy can be requested).
- An Annual Benefit Statement: If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

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

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

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. This statement is based on the latest actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the valuation.

The last ongoing funding valuation:

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

| | |
|--------------------|----------------------|
| Assets | £74.3 million |
| Liabilities | £38.3 million |
| Surplus | £36.0 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 2016.

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

Change in funding position

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

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

Payment to the Employers

There has not been any payment to the Employers out of Scheme funds in the last twelve months.

How the Scheme operates:

How is my pension paid for?

The Employers and employees have historically paid contributions to the Pension Scheme so that the Scheme can pay pensions to its members when they retire. There are no longer any contributing members in the Closed Fund.

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

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information, the Trustees come to a conclusion on whether the Scheme is adequately funded and if any further action is needed.

What is the Scheme invested in?

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

The Pensions Regulator:

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

Where can I get more information?

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

- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2017.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2015.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2016
- If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension.

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

Financial Summary 2017

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

Statements of Investment Principles (SIPs)

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

The Funds' SIPs can be viewed on the ITB website, www.itb-online.co.uk, or can be obtained by requesting a copy from the Funds' Office.

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

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

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

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

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

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

DC Default investment option

The DC section was introduced in April 2012 and a comprehensive review of the arrangements was concluded in December 2014 and, as a result, the current default arrangement was introduced in April 2015.

In the first quarter of 2017 the membership of the DC Section increased by 748 members (81%) due to Employers switching from defined benefit accrual to defined contribution accrual. The Trustees expect to perform a full review of the default strategy in 2017, as it is the third anniversary of the last full review and as there has been a significant increase in the membership of the DC Section.

A full review of the AVC arrangements was completed in May 2016 and the next full review is scheduled for May 2019.

The Investment Committee monitors the performance of the default strategy at each quarterly meeting, along with all the DC funds, and monitors the performance of the AVCs annually.

The Statement of Investment Principles for the default arrangement sets out three lifestyle investment strategies. The default investment strategy is a lifestyle strategy that targets income drawdown at retirement. The other lifestyle strategies are an annuity strategy and a cash strategy. The default strategy provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches. Further information on the default strategy is set out in the SIP. The DC Section Statement of Investment Principles is within the Statement of Investment Principles for the Open Fund of the ITB Pension Funds and is available on application from the Funds Office and is also available on the Funds' website.

Financial Transactions

The Trustees regularly monitor the core financial transactions of the DC Section. These include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members. This is achieved through the review of quarterly reporting from the DC Section's administrator.

Contributions to AVC arrangements are also monitored.

The Trustees have undertaken a review of the DC Section's governance processes and internal controls and have confirmed that they are in compliance with the Pensions Regulators DC Code of Practice No. 13.

Based on the above, the Trustees are satisfied that the core financial transactions relating to the DC Section and AVCs have been processed promptly and accurately during the year.

Charges and Transaction Costs

The level of charges and transaction costs for the default arrangement (as measured by the total expense ratio - TER) is 0.68%, while the equivalent cost of the annuity strategy is 0.58% and the cash strategy is 0.68%. The TER for all the funds in which assets relating to members are invested during the Funds' year are stated in the Trustees' Report & Financial Statements.

The DC Fund Manager is working to develop capability to collate information on transaction costs for the DC funds. The work will deliver in two phases; explicit costs (commissions, taxes, etc.) and implicit costs (slippage costs less the explicit costs). Explicit costs for all the Fund Manager's pension funds are anticipated to be available by the end of 2017 and implicit costs early in 2018.

It is a constant objective of the Trustees that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire.

Trustee Knowledge and Understanding

The requirements for knowledge and understanding are met by a combination of an established induction programme for new Trustees, attendance at training courses driven by a training needs assessment, an annual formal training seminar, training sessions at each Trustee meeting and established governance structures and practices. The combined knowledge and understanding of the Trustees, together with the advice which is available to them and the experience of Funds' Office support staff, enables them to properly exercise their functions as Trustees of the Funds.

continues on page 12

Chairman's Statement (cont.)

Appointment of Trustees

The Funds are required to ensure that a majority of Trustees, including the Chairman, are 'non-affiliated' which, among other things, means they must be appointed through an open and transparent process (OTP). The Trustees are satisfied, having regard to guidance issued by the Pensions Regulator, that the Funds comply with this requirement. Steps were taken as described on page 5 to ensure that the appointments of all new Trustees during the year were through OTPs.

Membership Engagement

The Funds are also required to encourage members to make their views known to the Trustees. The Trustees do this using an annual newsletter and the Funds website, and more informally through Members Trustees. The Trustees also liaise with the Pensioners Association.

Signed by the Chairman on behalf of the Trustees

Signed: 

Dated: 30 June 2017

David Newell McGuinness (Chairman of Trustees)

Further information

The Pensions Regulator

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

Address:

Napier House, Trafalgar Place, Brighton BN1 4DW

Website: www.thepensionsregulator.gov.uk

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

Telephone: 0800 678 1174

The Money Advice Service

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

Website: www.moneyadviceservice.org.uk

Telephone: 0800 138 7777

Keeping our records up to date

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

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



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

Contact

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

E-mail: pensions@itbpen.com Telephone: 01923 226 264 Website: www.itb-online.co.uk

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