

Chairman's Statement



Over the past several years as Chairman of the Trustees I have remarked in my yearly reports on the increasing challenges and workload that your Trustees and the Funds' staff have had to deal with in both legislative and investment matters. This past year has been even more demanding as I will explain further in this report. Since pensions and related matters are nowadays of such concern to pension fund members, I would like to advise you at the outset that, whilst in my report to you last year I was able to state that the ITB Pension Funds' assets had increased in value, I am pleased to say that over this past year there have been further increases in the value of both the Closed and Open Funds.

During this Scheme year the Funds' Actuary carried out the triennial Actuarial Valuation of the Open Fund. Based on data available at the 31 March 2004, the results of his study indicated that there had been a reduction over the three years in the Open Fund surplus on an ongoing actuarial basis. This was not unexpected since in two of the three years being considered there had been falls in the value of the Funds' equity assets due to weaknesses in financial markets world-wide. The result of this has been to cut back the period over which Member and Participating Employer contributions may be paid at current levels to June 2010 for Members and at varying dates for Participating Employers but on an average until June 2008 (previously for both until March 2014). However, I am pleased to report to you that on an ongoing basis, the Open Fund remains in a healthy position. This is reported in greater detail on page 8 of this edition of Pension News.

As is usual on completion of the Actuarial Valuation, the Funds' Actuary was requested to carry out an Asset and Liability assessment study based on the Open Fund's present investments. This assessment involved a detailed investigation of a number of investment strategies and the selection and proposing of the strategy which is expected to be the most suited to the Fund's needs in meeting its anticipated liabilities over the next ten or so years. I can advise you that the strategy selected closely resembled the strategy already in place and after some minor adjustments, will be implemented once the necessary consultations with our investment managers, investment consultants and the Participating Employers has been completed.

It goes without saying that a Final Salary-or Defined Benefit- scheme such as the Open Fund, will only succeed in the medium to long term if the underlying asset investment performance is able to meet expectations where the principal requirement of the strategy is the achieving of growth in value of the assets while maintaining security of our investments. Whilst there is nothing that the Trustees can do to impact on the overall performance of the investment and financial markets, what is in their control is the investment strategy. Together with the Fund's investment managers and advisers, the Trustees continue to closely monitor these investments in a structured and disciplined way. We remain flexible in our approach, recognising that being aware of movements in the financial markets and implementing changes in our investment policy, where deemed necessary, is key to the Fund's future success.

As mentioned earlier, the Closed Fund has increased in value over this past year and there will be an Actuarial Valuation of the Fund carried out next year based on the value of assets and liabilities on the 31 March 2006. The results will be published later in that year.

Chairman's Statement

The Trustees' Statements of Investment Principles (SIP) embodies our investment approach and the current SIP can be found on the ITB Pension Funds website at www.itb-online.co.uk. Your Trustees review these at least every year and are required to consult with the Participating Employers before changing the SIP and adopting any new investment strategy. As stated earlier, this consultation process is presently underway based on the results of the 2004 Actuarial Valuation of the Open Fund, following which a revised SIP will be prepared for formal approval by the Trustees and then updated on the website.

I commented earlier about the challenges and changes the Funds face in the legislative and regulatory environment in which UK pension funds are now managed and administered. At the beginning of April 2005 the Pensions Act 2004 came into force. In anticipation of this a revised Trust Deed and Rules was introduced during the year simplifying many parts and incorporating a number of recent deeds of variation. Further revision will be required as a result of this new Act and the additional legislation due to become law on 6 April 2006 - known as A-day - on tax simplification and other changes for pension funds. The Trustees are already in consultation with Participating Employers on these Government proposals and their likely effect on the Members of the ITB Pension Funds. These tax changes will, from a Members' perspective, allow for a more generous interpretation of Inland Revenue rules in such matters as maximum pension benefit accrual, lump sums on retirement and greater flexibility in payment of contributions. There are many other proposed changes, some of which are still in the discussion stage, and we have a programme in place to assess the impact on our Funds and to be fully prepared for their implementation on A-day. These changes, in themselves, do not necessarily mean that the ITB Pension Funds will be substantially changed but the situation must be closely monitored and prepared for and further updates on progress and any effects on Members will be reported in future issues of "ITB Pension News" as the implications become clearer.

An important and significant part of your Trustees' overall strategy for improving Member communications is putting and maintaining an Internet web site in place for the Funds. The Funds' existing web site on www.itb-online.co.uk was supplemented with the launch in October 2004 of "My ITB" (www.myitb.com). This is an interactive section of the web site that

provides Members access to comprehensive web based pensions modelling facilities. It is pleasing to confirm that the "MyITB" web site has been very well received by Members and additional to this success was the special recognition awarded to it when judged winner in two categories by "Professional Pensions" magazine for "Best Use of IT" and "Web Site Design".

The ITB Pensions Funds are very fortunate to have such experienced and dedicated Trustees who bring many years of business acumen and common sense, from a wide variety of sectors, to the benefit of the Funds. This collective input of knowledge, skill and integrity to the decision making process affords the highest level of protection to Members' interests while safeguarding the long term viability of the Funds. I am most grateful to my fellow Trustees for their selfless contribution and assistance given so generously to the Funds and myself over the past year.

The staff of the Funds' Office at Watford, headed by the Director Vincent Gordon, are in their day to day work committed to providing the membership with a service which meets the highest standards. The challenge of the continuous volume of change required by Government and other regulatory bodies to the way pension funds are administered, as well as the ongoing running of the Funds, is demanding of all the staff. Their dedication and proficiency require their participation in a programme of continued professional development. Their success in meeting these exacting standards was recognised by them achieving the Investors in People (IIP) standard in October 2004. On behalf of the Trustees I thank them most sincerely for their professionalism, hard work and efforts over this past year.

Finally, may I say that, on completion of another demanding and exacting year where it has been my privilege to serve you as Chairman, it is gratifying for me to be able to report that both the Closed and Open Funds are in good shape, have increased in value over this last year and have the resources and assets to meet the expectations of the membership for the foreseeable future.



NORMAN DUNLOP CBE
Chairman of Trustees 1 July 2005

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 Managing Trustees consisting of nine Employer, seven Member and two Pensioner Trustees.

The Trustees are as follows:

Norman Dunlop, CBE *Employers' Trustee*
(Chairman)
Nominated by:
Engineering Construction ITB
(Formerly Managing Director of Foster Wheeler Energy Limited)



Ken Potter *Members' Trustee*
(Deputy Chairman)
Nominated by:
JTL
Scottish Electrical Charitable Training Trust
(Financial Controller for JTL)



David Barnett *Pensioners' Trustee*
Nominated by:
Open Fund Pensioners
Previously Road Transport ITB
(Retired - Formerly Director General of RTITB)



John Edwards *Members' Trustee*
Nominated by the Trade Union for:
Engineering Construction ITB (ECITB)
(Account Manager)



Madge Moore *Members' Trustee*
Nominated by:
Lantra
(National Director - England)



Peter McCulloch *Members' Trustee*
Nominated by Trade Union for:
Construction ITB (CITB)
(Training Adviser for CITB)



D'Arcy Payne *Employers' Trustee*
Nominated by:
Science, Engineering and Manufacturing Technologies Alliance
- succeeded Stephen Ingram who retired from office
on the 31 March 2005
(Vice President of Science, Engineering
and Manufacturing Technologies Alliance)



Peter Rogerson, OBE *Employers' Trustee*
Nominated by:
Construction ITB (CITB)
(Deputy Chairman of CITB)



Maureen Webster *Members' Trustee*
Nominated by:
People 1st
(Payroll Administrator for HTF)



George Beveridge *Employers' Trustee*
(Deputy Chairman)
Nominated by:
Cogent SSC Limited
(Management Consultant)



Professor Tom Cannon *Employers' Trustee*
Nominated by:
CAPITB plc
(Chief Executive Officer of Respect)



Bob Hanks *Employers' Trustee*
Nominated by:
Polymer Industry Education and Training Trust Limited
Automotive Skills Limited
Road Haulage and Distribution Training Council
Skills for Logistics
(Managing Director of Ian Burg Plastics Ltd)



Neville Gall *Members' Trustee*
Nominated by:
Cogent SSC Limited
CAPITB plc
Polymer Industry Education and Training Trust Limited
Automotive Skills Limited
Road Haulage and Distribution Training Council
Skills for Logistics
(Human Resources Manager for Cogent)



Horace Parker *Pensioners' Trustee*
Nominated by:
Closed Fund Pensioners
Previously Printing and Publishing ITB
(Retired - Formerly Advisory Services Manager for PPITB)



Jonathan Swift *Employers' Trustee*
Nominated by:
Lantra
(Group Managing Director of BHF Group)



David Young *Employers' Trustee*
Nominated by:
JTL
Scottish Electrical Charitable Training Trust (SECTT)
(Retired - Formerly Chief Executive of SECTT)



Allan Whatmore
Nominated by Trade Union for:
Science, Engineering and Manufacturing Technologies Alliance
(SEMTA)
(Sector Skills Adviser for SEMTA)

People 1st -
no Employer Trustee in place
at year end

Changes to the Trustees

Member Trustees

Maureen Webster the Member Trustee for People 1st retired by rotation on 31 March 2005 and was re-appointed to serve for a further term from 1 April 2005.

John Edwards became the Member Trustee for Engineering Construction ITB on 21 January 2005, succeeding John Cushing who retired from service 31 December 2004.

Pensioner Trustees

The periods of office of the two Pensioner Trustees, David Barnett (Open Fund) and Horace Parker (Closed Fund), are due to end on 30 September 2005.

Employer Trustees

Peter Rogerson OBE, the Employer Trustee for Construction Industry ITB, retired by rotation on 31 March 2005 and was duly re-appointed to serve for a further term from 1 April 2005.

Jonathan Swift, the Employer Trustee for Lantra retired by rotation on 31 March 2005 and was duly re-appointed to serve for a further term from 1 April 2005.

Professor Tom Cannon, the Joint Employer Trustee representing CAPITB plc, Automotive Skills Limited and Skills for Logistics relinquished his appointment on 31 March 2005, as his Employer CAPITB plc, became one of the larger Employers and therefore entitled to appoint their own Employer Trustee. Professor Cannon was duly appointed to commence a term as Employer Trustee for CAPITB Plc from 1 April 2005.

Bob Hanks, the Employer Trustee for Polymer Industry Education and Training Trust, relinquished his appointment on 31 March 2005, as his Employer became one of the smaller Employers.

Bob Hanks was duly appointed to become the Joint Employers' Trustee for Polymer Industry Education and Training Trust, Automotive Skills Limited, Skills for Logistics and Road Haulage & Distribution Training Council on 1 April 2005, succeeding Professor Tom Cannon as a result of CAPITB plc becoming one of the larger Employers.

David Stanton, the Employer Trustee for People 1st, left service and resigned as a Trustee on 31 January 2005. People 1st are seeking to nominate a replacement for Mr Stanton as Trustee.

Chairman

Norman Dunlop's period of office is due to end on 31 March 2006.

Deputy Chairmen

The period of office of George Beveridge as Deputy Chairman (Employers) is due to end on 30 September 2005.

The period of office of Ken Potter as Deputy Chairman (Members) is due to end on 31 December 2006.

Trustee Training – Induction and Updating Knowledge

All new Trustees undertake an induction program shortly after becoming a Trustee. The aim of this programme is to introduce new Trustees to the Funds' business, its operations and its governance arrangements. The induction programme includes meetings with the Director and Senior Managers at the Funds' Office in Watford. Upon appointment new Trustees are issued with personal copies of all the Funds key documentation. Also, special arrangements are made for new Trustees to attend training courses arranged by outside providers. In addition, regular training opportunities are provided throughout the year and at least one annual Training Seminar for all the Trustees is organised.

Meetings

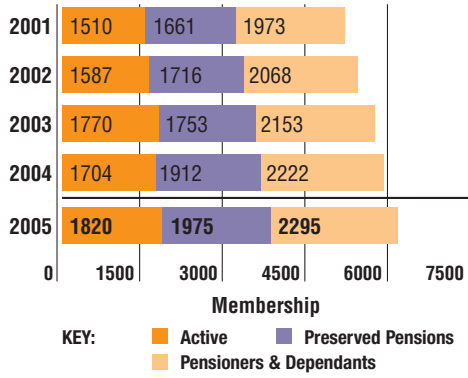
The Trustees normally meet at least four times a year where they are presented with detailed information by the Director, the Funds legal and actuarial advisers and by two Committees – the Investment Committee and the Management Panel – serving the Trustees. On these occasions matters of significance such as those concerning legal, actuarial, administration and investment planning are discussed and decisions made.

Committees

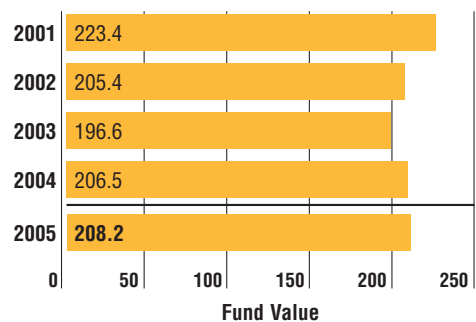
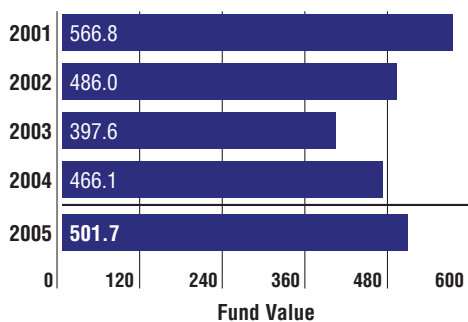
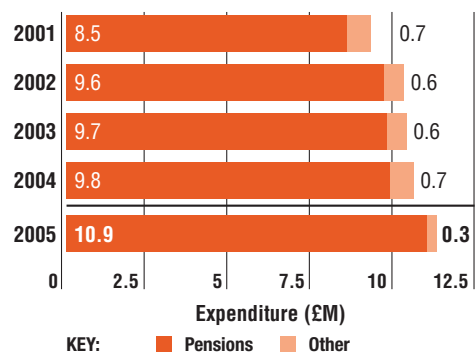
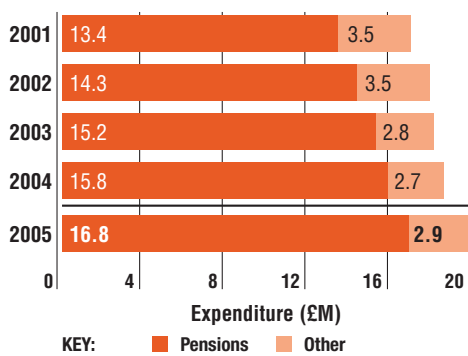
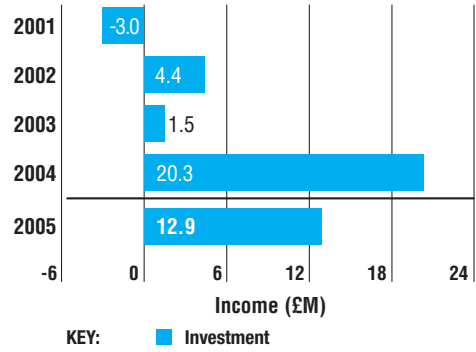
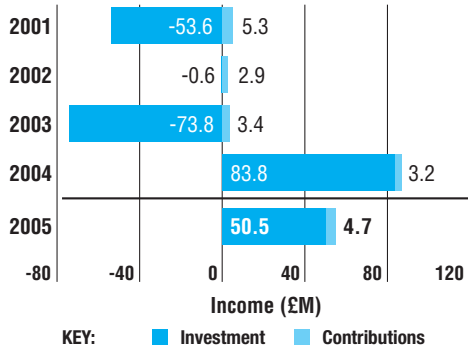
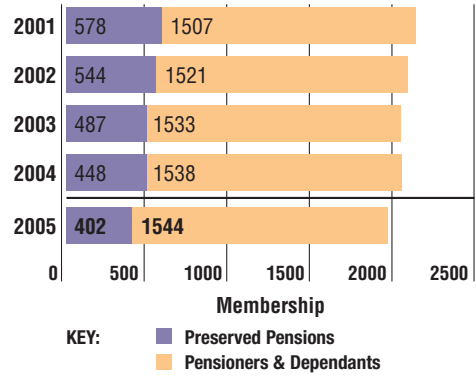
The Investment Committee, Management Panel and the Salaries Committee are formally set up by resolution in accordance with the Rules and have carefully defined remits.

Five Year Summary

Open Fund



Closed Fund



Officers and Advisers at 31 March 2005

Officers

Director	Vincent Gordon APMI
Accountant	Dave Faulkner FCA
Communications & Benefits Manager	Dennis Matthews APMI

Advisers

Actuary	Government Actuary
Solicitors	Mayer, Brown, Rowe & Maw LLP
Investment Managers	Barclays Global Investors Limited
	Fidelity Pensions Management Limited
	Morley Fund Management Limited
	Schroder Investment Management (UK) Limited
Property Investment Managers	Fletcher King
Investment Advisers	Watson Wyatt Limited
	Russell/Mellon Europe Limited
Custodians	JP Morgan Chase Bank
	Barclays Global Investors Limited
	Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK LLP

Vincent Gordon (left)
Dennis Matthews (centre)
Dave Faulkner (right)



Financial Summary

	Closed fund £'000	Open fund £'000
Value of Funds at 31st March 2004	206,449	466,148
Income		
Contributions	-	4,393
Transfer values received	-	335
Income from investment	4,906	12,819
Total income	4,906	17,547
Expenditure		
Pensions and other benefits	(10,738)	(18,725)
Transfer values paid	(31)	(55)
Administration expenses	(442)	(921)
Total expenditure	(11,211)	(19,701)
Balance deducted from value of Funds brought forward	(6,305)	(2,154)
Net movement in market value of investments and unrealised gain movements	8,027	37,694
Value of Funds at 31st March 2005	£208,171	£501,688

Investment Report

The Trustees employ external Investment Managers who have discretion to invest the assets of the Funds within the Trustees prescribed guidelines.

The Trustees' investment strategy aims, over the long term, to achieve good investment growth while maintaining a secure funding position for the Open Fund. The strategy to achieve the investment objectives involves the Funds assets being invested across a range of asset classes and geographical areas.

As the Closed Fund has no current Participating Employers with active Members an investment strategy has been adopted whereby the liabilities have been

broadly matched by an underlying portfolio of index-linked gilts. Because of the surplus in the Closed Fund a portfolio representing the reserve assets has been established and placed in a range of investments comprising global equities and bonds.

No individual shareholding forms more than 5% of the total value of each Fund's investments. The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. 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.

Pension Increases

The method by which increases apply to pensions in payment from the ITB Pension Funds is as follows:				
	Closed Fund	Open Fund (Old Section)	Open Fund (New Section)	The State
Before State Pension Age the Scheme increases total pension by:	RPI	RPI	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
After State Pension Age the Scheme increases:				
Excess over GMP by:	RPI	RPI	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
For GMP accrued between:				
6 April 1978 to 5 April 1988 by:	Nil	Nil	Nil	RPI
6 April 1988 to 5 April 1997 by:	Lesser of 3% and RPI	Lesser of 3% and RPI	Lesser of 3% and RPI	Excess of RPI over 3%

Calling all pensioners!

The Trustees have decided that pensioners and those in receipt of a spouse's pension from the Funds will no longer automatically be sent a regular copy of ITB Pension News. If you are a pensioner or spouse and would like to continue to receive this newsletter, please complete the cut-out slip on the left and send it to: The ITB Pension Funds Office, 23 King Street, Watford, Hertfordshire WD18 0BJ. If we do not hear from you by 30 September 2005, this will be the last newsletter which you will receive. Remember, though, that you can continue to read the newsletters on the ITB website at: www.itb-online.co.uk

I am in receipt of a pension from the ITB Pension Funds. Please send me future issues of ITB Pension News.

Name _____

Date of birth _____

Address _____

Open Fund Actuarial Valuation as at 31 March 2004

The ITB Pension Funds (Open Fund) is a final salary scheme. This means that the pension paid to a Member is based on their service at, and salary near to, retirement. This type of arrangement is sometimes known as a defined benefit scheme. The Participating Employers operate the Open Fund for the substantial majority of their employees. The assets of the Fund are held separately from the finances of the Participating Employers.

Actuarial valuations of the Fund are carried out as determined by the Trustees at intervals of not more than 3 years. In his valuation the Actuary assesses the funding position of the Scheme and the expected future cost of benefits accruing to members under the Scheme, recommending a rate of contribution to be paid by Employers. In intervening years, the Actuary reviews the continuing appropriateness of the contribution rates.

Broadly and in accordance with the Rules, where a surplus arises it will first be used to extend the period over which Employers' and Members' contributions are paid at the rate of 5% of salaries for a further three years or such longer or shorter period as determined by the Actuary allowing, where appropriate, for any 'catchup' from previous valuations. Any surplus remaining will be divided between Employers and Trustees with the Trustees receiving 25% of the surplus for distribution to the Members (subject to a maximum of £12.5 million), with the balance being allocated to Employers and held within the Fund.

Special arrangements are also in place for consultations to take place between the Actuary and Employers about the methods and actuarial assumptions for each valuation.

The most recent valuation of the Open Fund was completed by the Actuary as at 31 March 2004,

revealing a reduction in the surplus in the Fund of £18 million. The Actuary valued the liabilities of the Fund at £493.9 million and the assets at £539.4 million, including future expected contribution income, but excluding £22 million notionally allocated to individual Employers and held within the Fund in accordance with the previous agreement with Employers and advised in the December 1999 edition of 'Pension News'. Moreover, since the last Open Fund valuation in 2001 there has been the introduction of contribution abatement pots. These represent the value of the expected contribution abatements to 31 March 2014 (as recommended by the 2001 valuation). These were apportioned to each contributing Employer at 30 June 2002. Since that date, the cost of contribution abatement has been debited against each Participating Employer's own contribution abatement 'pots'. The aim of the revision was to ensure fairness between Participating Employers and, in particular, to deal with the widely differing rates of expansion and contraction in the workforce of Participating Employers. As part of this change, the period over which Members can benefit from a contribution reduction is protected from the effects of an expansion by particular Employers or by Employers in general.

The result of the 2004 valuation has been to cut back the period over which Member and Employer contributions may be paid at current levels to June 2010 for Members and at varying dates for the Employer, but on average to June 2008 (previously until 31 March 2014).

The Trustees continually monitor the Funds' financial status between formal valuations.

The next actuarial valuation of the Open Fund will take place as at 31 March 2007.

**Enquiries about the Funds, or about entitlement to benefits should be addressed to the
ITB Pension Funds, 23 King Street, Watford Herts, WD18 0BJ**

Telephone: 01923 226264

Website: www.itb-online.co.uk E-mail to: pensions@itbpensionfunds.demon.co.uk