

ITB PensionNews

The newsletter for members of the ITB Pension Funds

Welcome

A warm welcome to the latest edition of ITB Pension News. We hope that you will find much to interest you. You can read the latest information on the performance of the Open Fund following an Actuarial Valuation.

There is a special feature about our new website and what it offers you, along with a competition for you to enter. There is also news about this year's pension increase, and an update on the issue of transfers-in to the Funds of pensions with Guaranteed Minimum Pensions.

Open Fund remains strong

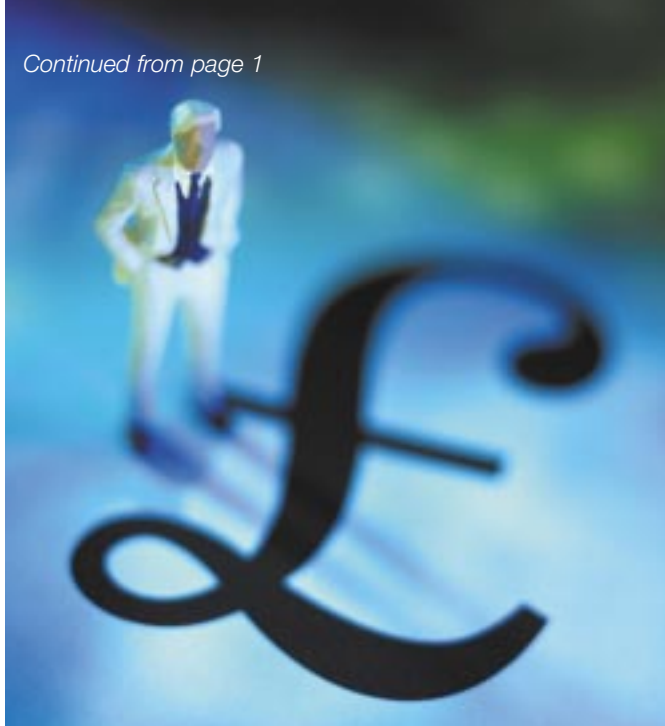
The Actuarial Valuation of the Open Fund as at 31 March 2001 showed that the Fund continued to be in a healthy position, despite serious financial downturns in world markets in 2000/01. The assets and present levels of contributions are expected to be sufficient to meet both accrued and future liabilities.

A relatively small surplus of £3 million has been generated since the 1998 Valuation, sufficient to maintain the current levels of employee and employer contributions until 31 March 2014, that is for one additional year (previously until 2013). The 2001 surplus was arrived at as follows:

	£m
Value of assets	470.1
Total liabilities	467.1
Surplus	3.0

In making a Valuation of a pension fund, assumptions are made about expected future financial and demographic trends. In completing his Valuation, the Actuary therefore took into account changes in assumptions about inflation, investment returns and the increasing longevity of the population.

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Longer view is optimistic

Events on 11 September and their repercussions made individuals feel more insecure and uncertain than ever before. Investor confidence had before then been severely shaken by the collapse in the value of the new economy stocks and the negative economic messages then coming out of the USA. Indeed, prior to the events, the global economy was already thought by many to be on the brink of a recession.

Investment strategy is key to success

As a final salary pension scheme, the objective of the Open Fund is to enable members, along with the contributions of their Employers, to save with confidence to provide a satisfactory level of financial security at retirement and for the Fund to deliver on that basis.

Key to this objective is a sound investment policy. It is therefore important that the Trustees keep this area under constant review. Following the Valuation, they asked the Actuary to assess the Funds' current investment strategy and investigate possible alternatives as to the impact these would have on the Funds' future funding level.

With the benefit of this information, your Trustees are better equipped to decide whether to stay with the current asset allocation, or change to a different allocation that they believe, after input from their investment advisers, would be a more efficient approach to meet the Funds' future requirements.

Predicting the movement of the financial markets, and the performance of pension funds, is no easy matter. However, members can be confident that any changes made by your Trustees will be as a result of very careful and detailed consideration of all the information and guidance available to them.

Against this negative economic background, the Open Fund has performed relatively well. In the nine months following the Valuation to December 2001, the Funds' Managers achieved a return of -1.9%, while the benchmark return was -3.7%.

Indications are that global equity markets have started to recover from the events of last September and information technology stocks have strengthened. Whilst the outlook for the US economy, seen by many to be the key driver of the global economy, remains uncertain, the outlook for the UK remains optimistic overall compared with other countries.

It is worth remembering that market setbacks in times of economic crisis have always been followed by periods of recovery. Investors generally look for the world economy to improve during 2002.



Pensions in the news

There has been much coverage in the press and other media lately about the underfunding of some pension schemes of major UK companies, and in a number of cases the closure of their final salary pension arrangements. This has partly arisen as a result of the fall in the value of their pension scheme investments.

More recently, however, a new and soon to be introduced financial reporting standard (FRS17), will impose very complex requirements for reporting pension assets and liabilities in company accounts, compared to previous arrangements.

Although FRS17 has no direct implications for the ITB Pension Funds Trustees Report and Accounts, our Actuary's view is that the Open Fund can be treated as a multi-employer Scheme, where the reporting requirements in Employers' accounts are much simplified.

It is reassuring to see that the Open Fund's investments have stood up relatively well to the serious economic shocks of the recent past, and hopefully the new financial reporting requirements will have little if any effect on our Employers.

Annual pension increases for 2002/03

Pensions in payment are increased in April each year in accordance with Section 59 of the Social Security Act 1975 (as amended). The amount payable is based on the annual increase in the Retail Price Index (RPI) up to the previous September, which is announced by the Government in October each year.

The pension increase being paid by the Open and Closed Funds this year is 1.7%, which is the published annual rise in RPI as at September 2001. The increase, which comes into effect from 8 April 2002, will be included in your May pension payment.

Members who retired after April 2001 will receive a proportional increase this year and a full increase in 2003. After State Pension Age, the same increases will only apply to that part of the ITB Scheme pension in excess of the Guaranteed Minimum Pension (GMP), where applicable.

Pensions in payment arising from compulsory retirement or redundancy are not eligible for increase until the member reaches the age of 55. Ill health and disability pensions granted under the Funds are not affected by this restriction.

The pension increases apply equally to preserved (deferred) pensions, which receive increases for the period from the date of leaving to the date payment begins as well as thereafter.

Business online -

We are pleased to announce that the ITB Pension Funds now has its own website: www.itb-online.co.uk. This is a welcome addition to our existing means of communication.

The site will be the subject of ongoing development, but initially provides the usual search and scroll features, and data download and print facilities.

For the more technically adept, the initial development was aimed at achieving the best balance between functionality and ease of use by members. Therefore, the browser capability was based on the commonly available Version 4 browser (Microsoft Explorer and Netscape Navigator) and later versions.

Adobe Acrobat files are used extensively throughout the site, so the site visitor will need Adobe Acrobat Reader software to get the most from their visit. This is free of charge and can be downloaded from the site.

Similarly, 'Flash' software, which allows for greater creativity in design and presentation, is used in a Scheme induction. Again, if you do not have 'Flash' software on your computer, it can be downloaded from the site free of charge.

What does the website offer?

New Employees - the Scheme induction, although mainly provided for new members and those considering membership, is also intended as a useful quick reference guide for other interested parties.

This includes:

- A brief history of the ITB Pension Funds
- Types of pension scheme
- Summary of benefits
- Cost of contributing
- Benefits in greater detail
- Overview of alternative or additional forms of saving/benefit provision



Active Members – may also find the 'Flash' presentation mentioned earlier to be a useful, quick reference guide to Scheme benefits. In addition, the more detailed information can be obtained from the online version of the Member Booklet, the Additional Voluntary Contributions (AVCs) guide and Trustees Report and Financial Accounts. Access is also available to the latest and previous editions of Pension News.

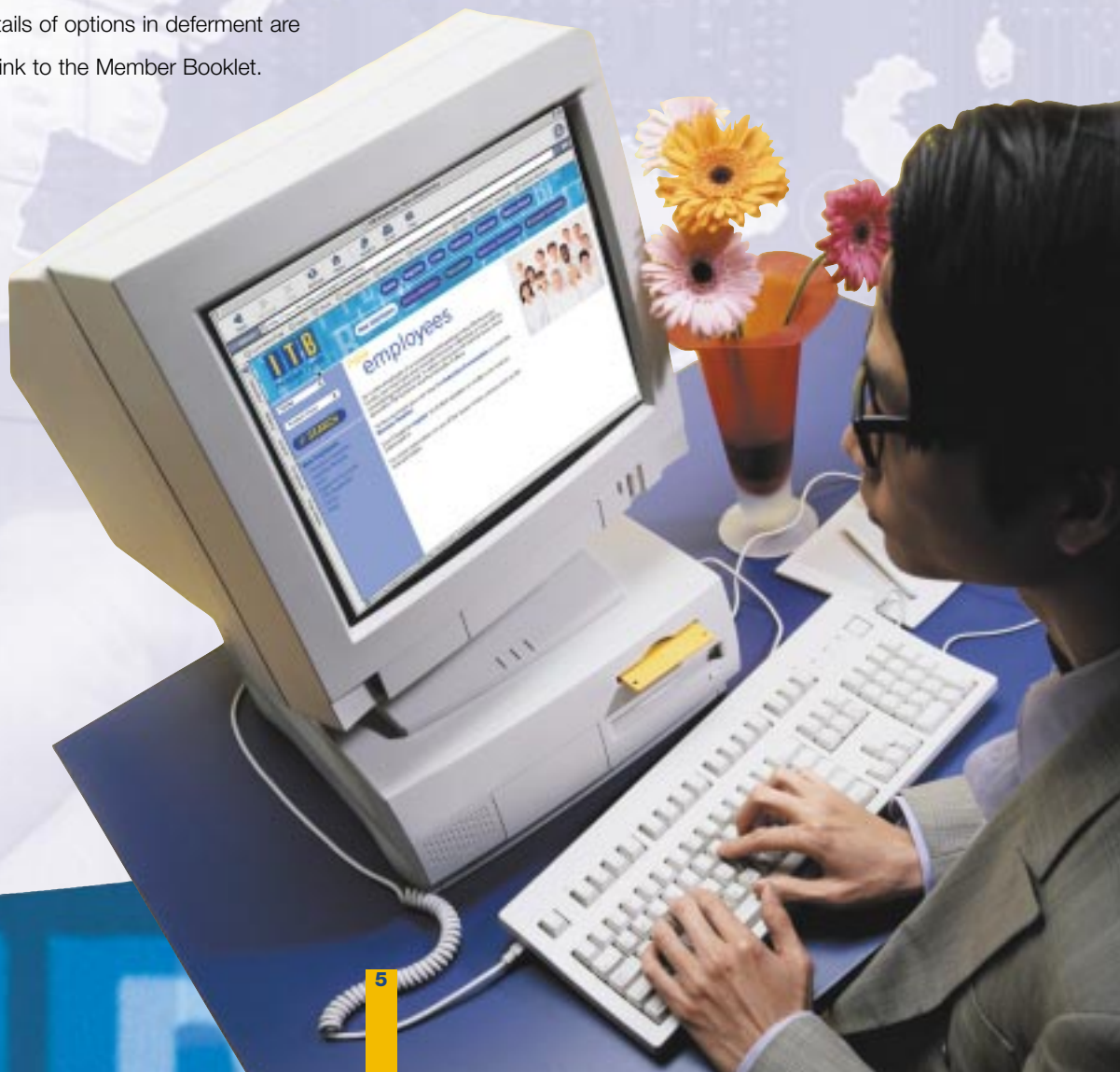
Pensioners – can click on and obtain a number of forms - eg Change of Marital Status or Bank/Building Society account. There is also information about pensions in payment, payroll matters, tax, P60s and pension increases.

There is news on retirement issues and other related matters, and if you live abroad, or intend to do so, information is available on your ITB pension being paid overseas.

Deferred Members – details of options in deferment are provided. There is also a link to the Member Booklet.

By registering your details with the site now, you will be among the first to receive any new or updated information on ITB Pension Funds.

See page 6 for our website competition.





Enter the ‘Frequently Asked Questions’ website competition

Each category of membership also has a section for Frequently Asked Questions (FAQs). Currently we have only included a few FAQs as we believe that some of you may like to enter a competition, sponsored by the site designers.

We would like you to offer us some suggestions for this section. Six of the best FAQs in each of the four categories of membership (New Employees, Active Members, Pensioners (including Spouses) and Deferred Members) will be selected by the Funds Office. You must be in the membership category you are entering in order for your suggestions to be considered. Those who provide the best FAQs will receive a prize of gift vouchers of their choice to the value of £10 per FAQ chosen.

Discount schemes

The ITB Pension Funds Office has been successful in obtaining discounts for members and pensioners with the following providers as shown on our website.

However, we cannot guarantee the level of service provided, or that the price quoted will always be the best. Members interested in these services and the discounts offered are free to use them after they satisfy themselves that the terms on offer are acceptable.

Company	Service
Airport Parking and Hotels	Airport car parking and hotels
BCP	Airport parking and travel services
Greenflag	National vehicle recovery and roadside assistance
LEGOLAND® Windsor	Family leisure attraction
RAC	National vehicle recovery and roadside assistance
Vision Select	Nationwide high street opticians

Do you know of any other service provider or goods stockists who may be prepared to provide reasonable discounts to ITB Pension Fund members? If so, please let us know via email on Pensions@itbpensionfunds.demon.co.uk or telephone 01923 226264 or by post to the ITB Pension Funds, 23 King Street, Watford, Hertfordshire, WD18 0BJ. We will then contact them to see the terms offered and what can be arranged.

The future

Increasingly, the Net will play a much larger role in communication, as it is able to provide for differing degrees of curiosity, yet has the benefit of being quick and relatively inexpensive to update.

With the introduction of interactive TV, access to the Net is no longer restricted to those with a PC, and even those of us who may still be uncomfortable with new technology will gradually become absorbed.

Limit on some transfers-in – *an update*

In Pension News Issue 8, in May 2000, members were advised that in certain circumstances the Trustees would not accept transfers-in to the Open Fund in respect of members' previous membership of other schemes.

These circumstances relate to transfers-in which include a Guaranteed Minimum Pension (GMP) or equivalent.

We are waiting for a technicality to do with the equalisation of GMP retirement ages to be clarified in law.

To continue to accept such transfers might adversely affect the liability being accepted. It is hoped that the issue will be resolved later this year and that transfers can recommence as before.

It should be emphasised that transfers-in which do not include a GMP, or the equivalent 'Protected Rights' under a Personal Pension policy, will continue to be accepted by the ITB Pension Funds Trustees.

This matter also has implications for deferred members wishing to arrange a transfer from the ITB Pension Funds to their new pension arrangements, as the receiving scheme may also not be prepared to accept the GMP included in the ITB Pension Funds transfer.

You have to be an active member of the ITB Pension Funds in order to arrange a transfer-in, but it is not necessary for you to transfer-in to become a member.

What is a **GMP**?

For guidance, a GMP is the broad equivalent of the additional pension a member would have received from the State Earnings Related Pension Scheme (SERPS) if they had not contracted-out by joining the ITB Pension Funds. GMPs ceased to accrue in April 1997.

How much does it cost to be a member?

Although your contribution rate is 5% of basic salary, net cost of membership is considerably less because you automatically receive tax relief through payroll at the highest rate of tax you pay.

The cost is further reduced as you pay lower National Insurance contributions.

Pensionable Salary	£15k pa £ pm	£20k pa £ pm	£25k pa £ pm
Gross contribution @ 5%	63	83	104
Less tax relief	(14)	(18)	(23)
NI rebate	(14)	(21)	(27)
Net cost per month	35	44	54

Although your gross contributions are shown separately on your payslip, the effect of the allowances for tax relief and lower National Insurance contributions are reflected automatically in your net pay.

The important point to remember is that the Employers meet the balance of the cost of providing current and future benefits. In addition, unlike a personal pension where you pay the full expense of administering your plan, no money is deducted from your contributions to meet the Fund's running costs.

Pensioners – don't lose touch!

Please make sure that you notify the Funds Office as soon as possible if there are to be any changes in your circumstances that will affect the efficiency of our payments to you, such as change of address or bank account details.

If we lose touch with a pensioner due to the return of mail or pension payments from their bank accounts, and we are unable to re-establish contact quickly, then we have no alternative but to suspend any further pension payments immediately.

Unfortunately, it has become much more difficult to trace pensioners when contact is lost. Due to the centralisation of personal bank/building society accounts and the requirement of companies to comply with the Data Protection Act, the method we have used in the past, of sending the letter via the bank/building society, has become much less effective and can cause long delays.

If you wish to notify a change please contact the Payroll Administrator at The ITB Pension Funds, 23 King Street, Watford, Herts WD18 0BJ. If you have any queries relating to this please contact us on 01923 226264.

..... and that means **Deferred Members too!** (ie if you have left the service of an ITB Employer but are not yet drawing a pension from the Scheme).

Please remember to advise us of any change of address in order that we are able to keep in contact with you and know where to write to you when it comes time to draw your pension from the Scheme.

Help is just a phone call away

If you would like further information on Fund benefits or AVCs, you can write to us, or contact the Pensions helpline on our dedicated number which is 01923 801528.

During normal office hours, someone will be pleased to help you with any queries. Outside office hours, an answer service will be available for you to leave a message - please ensure you leave your full name and phone number so we can return your call.