

# PensionNews

August 2009 - Issue 23

## Summary of the Trustees' Report & Financial Statements 2009

### Chairman's Statement

#### Background

In recent years longer life expectancy and its impact on pension scheme funding has been the subject of much discussion by those involved with pension schemes. However, overshadowing all else this year has been the effects of the collapse in financial markets in late 2008. Pension schemes have inevitably been affected by all this turmoil, not simply because of the volatility in investment markets but also because of the fall in interest rates. This has impacted the ITB Funds, which although it has performed far better than many other pension schemes has still nonetheless seen a significant reduction in the market value of its investments.

Then again stock market securities and property for that matter are historically subject to volatile conditions in times of uncertainty. It is part of the overall experience that a defined benefit scheme has to contend with in funding what is, by its very nature, a long term commitment not driven by short term fluctuations in markets. Therefore, as long as the sponsoring Employers are there to provide effective support, the ITB Funds would expect to 'ride out' the current market conditions as it has in the past.

#### Longevity

Greater longevity; the fact that people are generally living longer after retirement adversely affects pension scheme funding, because the longer people live the longer they draw a pension and the greater the cost to the pension scheme. The Pension Regulator, who supervises the pension industry, has noted that evidence points to more rapid future improvements in mortality and that scheme trustees and employers who administer pension schemes should be more prudent in their longevity assumptions. Your Trustees,

together with the Scheme Actuary, already operate a policy of regularly monitoring and assessing how improvements in life expectancy may influence the funding requirements of the ITB Schemes.

#### Employer Solvency

The Trustees are expected to monitor the financial strength of sponsoring Employers and to consider their ability to financially support the Scheme. This is important because it is the Employers who meet the balance of the cost of providing the Scheme's benefits over and above the contributions paid by members and investment returns. The appraisals are regularly performed by the Trustees' specialist advisers to ensure that your Trustees remain aware of any relevant Employer related issues and that they comply with guidance issued by the Regulator.

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### Preparing for the Future...

## PIETT

The same elements were very much present in the process of your Trustees maintaining ongoing checks on the trading structure and financial position of one of the smaller Participating Employer's in the Scheme, Polymer Industry Education and Training Trust Limited, (PIETT). Following the sale of its training subsidiary and the transfer of most of its staff to a new owner, your Trustees concluded it would be appropriate to terminate PIETT's participation in the Scheme and recover as much as possible of the company's debt to the Open Fund. This action was taken following advice from our specialist advisers and after obtaining agreement from the Scheme's other sponsoring Employers.

## Open Fund – forward looking statements

The interim annual assessment of the Open Fund as at 31 March 2009 is currently underway and the results are due out later this year. The overall purpose is to give an indication of whether the Scheme's financial position is in line with the actuarial assumptions used in its last formal actuarial valuation. These regular 'health checks' alert the Trustees and Employers to any aspects which may affect the long term funding of Scheme liabilities. The funding approach for the Open Fund is different to that of the Closed Fund because the Open Fund has active members with salary related liabilities and has more exposure to equity markets. Since the annual assessments coincide with the Funds' year end on 31 March 2009 the results of the latest assessment will, in line with legislation, take into account the market value of the Open Fund's assets and value the liabilities using rates of return derived from market conditions on that date. Even though the use of market related values can lead to year-on-year volatility in valuation results these annual checks on Scheme health help give us insight on the current funding level of the Scheme.

It will come as little surprise to anybody that the Open Fund, like other pension schemes, has experienced particularly difficult investment conditions over the past year due to the effects of the global financial turbulence on nearly all asset classes. This is reflected in the significant fall in the value of Scheme assets as at 31 March 2009. The decline comes on top of the Scheme's less than expected investment returns in recent years because of the investment conditions that prevailed. Against the current backdrop it is expected that the Open Fund will have a deficit on an ongoing basis at the next formal triennial valuation which is due as at 31 March 2010.

It is therefore evident that the Open Fund no longer enjoys the surplus position it once did. Furthermore, since the previous formal valuation in 2007 and in light of the changed economic circumstances and reduction in the ongoing funding levels of the Open Fund, the Trustees and sponsoring Employers have

approved changes to the Scheme Rules. Primarily this concerned a previous agreement made in 1998 over the way in which Scheme surpluses and deficits are dealt with. Part of that agreement was that contribution rates of Members of the then sponsoring Employers would be subsidised by 1% out of previous Scheme surpluses built up in the 1980's and '90's. However, after taking account of advice from the Scheme Actuary this 1% subsidy will be stopped with effect from 1 April 2010. In addition the level of contributions paid by the sponsoring Employers will also be reviewed at that time and are expected to increase. A summary of the Scheme funding position as at 31 March 2008 is embodied in an annually updated Scheme Funding Statement which is shown on pages 8 to 10 of this abbreviated Report.

## Closed Fund valuation

The formal triennial actuarial valuation of the Closed Fund as at 31 March 2009 is in the advanced stages of completion and the results are expected to be available in the Autumn. As required by legislation, the assumptions and method to be used for a valuation will be set by your Trustees with advice from the Actuary and then incorporated into a Statement of Funding Principles for the consideration of Participating Employers.

The Closed Fund is largely invested in index linked securities intended to match its pension and deferred pension liabilities. Whilst the Closed Fund may not be so greatly affected by the changes in equity markets it too is also subject to the greater costs of pension provision resulting from increasing longevity, a trend which is expected to continue. The Scheme Actuary will take these factors into account when carrying out the Valuation. However, even though investment returns are anticipated to reduce, the Fund is still expected to be in a sound condition.

## Statement of Investment Principles

The Trustees' Statement of Investment Principles (SIPs) sets out the policy for the type of investments to be held by the Open and Closed Funds, the balance between different asset classes and the expected investment returns. These clearly defined investment parameters are regularly reviewed by your Trustees after consultation with their investment advisers and as required, the sponsoring Employers are consulted before any significant changes are made and any new investment strategy implemented.

The current SIPs can be found on the ITB Pension Funds' website at [www.itb-online.co.uk](http://www.itb-online.co.uk).

## Communication

Your Trustees believe that good communication is key and your Trustees together with the Funds' Office are proactive about communicating with Members and Employers. The internet readily lends itself to the

## Chairman's Statement & Financial Summary

Funds' comprehensive facilities that include pension modelling tools to enable members and pensioners to gain access to details of their pension benefits easily on-line. General information about the Funds can be accessed on [www.itb-online.co.uk](http://www.itb-online.co.uk) and the address for pension modelling is [www.myitb.com](http://www.myitb.com).

### Trustees

In all that we have had to contend with in this most challenging of years I have been amply supported by my two Deputy Chairmen and all of my fellow Trustees who bring their own independent judgement to the major matters affecting the Funds. Integrity is central to these individuals, who between them have the wide ranging business experience that allows for informed and broadly based debate. I give them all my wholehearted thanks for their assistance and for their attention to making sound decisions in the long term interests of Scheme members.

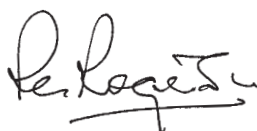
### Funds' Office

Last but not least, in the Funds' Office we are supported by a team of committed professional people who assist your Trustees in completing the Funds' business. I am confident that this exceptionally

high level of commitment and dedication will continue to play a critical role in the year ahead. On behalf of my fellow Trustees I would like to express appreciation for the work of the Funds' Director Vincent Gordon and all of his team in Watford.

### Preview of 2009/10

As we look forward to this new financial year we anticipate that we shall need to deal with a further array of challenges. Overall though it will remain your Trustees' high level objective to ensure that the Funds are well positioned for the future. Inevitably, that will mean steering the Funds through what is expected to be an evolving pensions landscape that will require our sponsoring Employers continuing commitment to supporting the Funds.



**Peter Rogerson OBE**

Chairman of Trustees -  
3 July 2009



## Financial Summary

	Closed Fund £'000	Open Fund £'000
<b>Value of Funds at 31 March 2008</b>	<b>223,259</b>	<b>592,554</b>
<b>Income</b>		
Contributions	0	10,514
Transfer values received	0	180
Income from investment	3,637	13,118
<b>Total Income</b>	<b>3,637</b>	<b>23,812</b>
<b>Expenditure</b>		
Pensions and other benefits	-11,879	-23,374
Transfer values paid	-11	-512
Administration expenses	-531	-1,159
Pension Fund Levy	-31	-104
<b>Total expenditure</b>	<b>-12,452</b>	<b>-25,149</b>
Balance deducted from value of Funds brought forward	-8,815	-1,337
Net movement in market value of investments and realised gain movements	-17,794	-83,576
<b>Value of Funds at 31 March 2009</b>	<b>196,650</b>	<b>507,641</b>

## Board of Trustees

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

### Employers' Trustees



**Peter Rogerson,  
OBE  
(Chairman)**

Nominated by:  
ConstructionSkills\*  
*(Deputy Chairman of  
CITB-ConstructionSkills)*

**Jonathan Swift  
(Deputy Chairman)**

Nominated by:  
Lantra  
*(Deputy Chairman of Lantra)*



**Jacki Day**

Nominated by:  
OPITO Limited  
*(Finance Director for  
OPITO Limited)*



**Bob Monks**

Nominated by:  
Skills for Logistics  
CAPITB plc  
Skillfast-UK Ltd  
*(General Secretary of the  
United Road Transport Union)*

**Denis Hird**

Nominated by:  
JTL  
Scottish Electrical  
Charitable Training Trust  
(SECTT)  
*(Chief Executive of JTL)*



**Terry Lazenby, MBE**

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



**Tony Pringle**

Nominated by:  
Cogent SSC Limited  
*(Skills Director for  
Polymer Industries)*

**Simon Tarr**

Nominated by:  
People 1st  
*(Finance Director for  
People 1st)*



**D'Arcy Payne**

Nominated by:  
Science, Engineering  
and Manufacturing  
Technologies Alliance  
*(Vice President of Science,  
Engineering and Manufacturing  
Technologies Alliance)*

### Members' Trustees



**Ken Potter  
(Deputy Chairman)**

Nominated by:  
JTL; Scottish Electrical  
Charitable Training Trust  
(SECTT)  
*(Finance Director for JTL)*

**Madge Moore**

Nominated by:  
Lantra  
*(National Sector Lead for  
Lantra)*



**Lindsay Campbell**

Nominated by:  
People 1st  
*(Operations Director – National  
Skills Academy for Hospitality)*



**Chris Hall**

Nominated by:  
CAPITB plc, Skillfast-UK Ltd  
Skills for Logistics,  
Cogent SSC Limited,  
OPITO Limited  
*(Finance & Administration  
Director for Skills for Logistics)*

**Tim Mahoney**

Nominated by the  
Trade Union 'Unite' for:  
Science, Engineering  
and Manufacturing  
Technologies Alliance  
*(Regional Sector Lead for Science,  
Engineering and Manufacturing  
Technologies Alliance)*



**John Edwards**

Nominated by the  
Trade Union 'Unite' for:  
Engineering  
Construction ITB  
*(Regional Account Manager -  
Offsite for ECITB)*



**Peter McCulloch**

Nominated by the  
Trade Union 'Unite'  
for:  
ConstructionSkills\*  
*(Company Development Adviser  
for ConstructionSkills)*

### Pensioners' Trustees

**David Barnett**

Nominated by:  
Open Fund Pensioners  
Previously Road  
Transport ITB  
*(Retired – Formerly Director  
General of RTITB)*



**Horace Parker**

Nominated by:  
Closed Fund Pensioners  
Previously Printing and  
Publishing ITB  
*(Retired – Formerly Advisory  
Services Manager for PPITB)*

\*ConstructionSkills is the trading name of  
Construction ITB

## Changes to the Trustees

### Changes to the Trustees

#### Member Trustees

Ken Potter, the Member Trustee for JTL and SECTT, retired by rotation on 31 December 2008 and was reappointed to serve a further term from 1 January 2009.

Peter McCulloch, the Member Trustee for ConstructionSkills, retired by rotation on 31 December 2008 and was reappointed to serve a further term from 1 January 2009.

Madge Moore, the Member Trustee for Lantra, retired by rotation on 31 March 2009 and was reappointed to serve a further term from 1 April 2009.

Lindsay Campbell was appointed as Member Trustee for People 1st on 1 April 2009, as People 1st had become one of the larger Employers for the purposes of Trustee nomination.

Peter Crowther, the Member Trustee for OPITO, retired from office on 31 January 2009. With effect from 1 April 2009 OPITO came under the office of the Joint Members' Trustee, Chris Hall of S4L, as OPITO became one of the smaller Employers for the purpose of appointing a Member Trustee.

#### Pensioner Trustees

The periods of office of the two Pensioner Trustees came to an end on 30 September 2008. Following a ballot of pensioners and deferred members, David Barnett (Open Fund) formerly of Road Transport ITB, and Horace Parker (Closed Fund) formerly of Printing and Publishing ITB, were both duly re-appointed as Pensioner Trustees. Their appointments took effect from 1 October 2008.

#### Employer Trustees

D'Arcy Payne, the Employer Trustee for SEMTA, retired by rotation on 30 June 2008 and was reappointed to serve a further term from 1 July 2008.

Simon Tarr, the Employer Trustee for People 1st, retired by rotation on 6 October 2008 and was reappointed to serve a further term from 7 October 2008.

Denis Hird, the Employer Trustee for JTL, retired by rotation on 6 October 2008 and was reappointed to serve a further term from 7 October 2008.

Tony Pringle was appointed as Employer Trustee for Cogent SSC and OPITO on 10 October 2008. He succeeded Clare Fisher-Smith who was required to vacate office when she left the service of her Employer, Cogent SSC Limited.

Subsequently, as they had become one of the larger Employers in their own right for the purpose of nominating an Employer Trustee, OPITO decided they would decouple their membership from that of Cogent SSC and instead nominate their own Employer Trustee.

Jacki Day was then appointed as Employer Trustee on 1 April 2009, following her nomination by OPITO.

Neil Davis, the Employer Trustee for ECITB, retired by rotation on 31 March 2009 (Succeeded by Terry Lazenby (MBE) who was appointed on 3 July 2009).

Bob Monks vacated the office of Employer Trustee for S4L on 31 March 2009, as his nominating Employer became one of the smaller Employers for the purpose of nominating an Employer Trustee.

Bob Monks was subsequently appointed as Joint Employers' Trustee on 1 April 2009, after being nominated by the following current smaller Employers; S4L, CAPITB and Skillfast-UK.

#### Chairman

The period of office of the Chairman, Peter Rogerson (OBE), came to an end on 31 March 2009. He was re-appointed to serve for a second three year term as Chairman from 1 April 2009, having stood unopposed in a ballot of Employers' Trustees.

#### Deputy Chairmen

The period of office of Jonathan Swift as Deputy Chairman (Employers) is due to end on 31 March 2010.

The period of office of Ken Potter as Deputy Chairman (Members), came to an end on 31 December 2008. He was re-appointed to serve for a further three year term as Deputy Chairman (Members) from 1 January 2009, having stood unopposed in a ballot of Members' Trustees.

### Trustee Training, Induction and Governance

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

The Funds' Office also maintains a Trustees' 'Register of Interests'. The content of this Register has been updated during the past year to take account of the recent guidance issued by the Pensions Regulator, where 'conflicts of interest' are identified as a priority area for Trustees in their governance of pension schemes.

The Trustees are committed to maintaining high standards of governance. The Board recognises that they as Trustees of the ITB Pension Funds are expected to act to the highest standards of responsibility at all times. There are in place 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.

### Meetings

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

#### 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.

## Officers and Advisers

### Officers

#### Director

Vincent Gordon FPMI

#### Accountant

Dave Faulkner FCA

#### Communications & Benefits Manager

Dennis Matthews APMI



Pictured left to right:

**Vincent Gordon, Dave Faulkner,  
Dennis Matthews**

### Advisers

#### Actuary

Government Actuary  
(Trevor Llanwarne succeeded  
Chris Daykin as the Government  
Actuary, taking up his  
appointment in the Spring of 2008)

#### Solicitors

Mayer Brown International LLP

#### Investment Managers

AXA Rosenberg Investment  
Management Limited  
Barclays Capital (*terminated June  
2008*)  
Barclays Global Investors Limited  
BNP Paribas  
BNY Mellon Asset Management  
Fidelity Pensions Management  
Limited (*until April 2008*)  
Henderson Global Investors Limited

Insight Investment  
Investec Asset Management  
Longview Partners LP  
Santander (*lapsed December  
2008*)  
Schroder Investment Management  
(UK) Limited  
Wegelin & Co

#### Property Investment Managers

Fletcher King

#### Investment Advisers

BNY Mellon Asset Servicing  
Lane Clark & Peacock LLP

#### Custodians

Barclays Global Investors Limited  
JP Morgan Chase Bank  
Universal Pension Trustees Limited

#### Auditors

Chantrey Vellacott DFK LLP

## Participating Employers

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

During the year the following changes occurred:

Cogent SSC Ltd changed the name of its participating Subsidiary Successor Body, Skills Assurance Services, to Cogent (Telford) Ltd on 21 July 2008.

People 1st formed a new and wholly owned subsidiary, the National Skills Academy for Hospitality (NSAH) and applied for NSAH to become a Subsidiary Successor Body participating in the ITB Pension Funds. After conducting due diligence the Trustees approved the application and NSAH became a participating

Subsidiary Successor Body on 1 October 2008.

Polymer Industry Education and Training Trust Limited (PIETT) participation in the Scheme terminated on 30 September 2008.

CAPITB dissolved its subsidiary Global Resource Management Limited on 31 March 2009.

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 as follows:

#### **CAPITB plc**

Subsidiary:  
RTITB Limited

#### **Cogent SSC Limited**

Subsidiary:  
Cogent (Telford) Ltd

#### **ConstructionSkills\***

#### **Engineering Construction ITB**

#### **JTL**

#### **Lantra**

#### **OPITO Limited**

#### **People 1st**

Subsidiary:  
National Skills Academy for  
Hospitality (NSAH)

#### **Science, Engineering and Manufacturing Technologies Alliance**

Subsidiaries:  
EMTA Awards Limited  
Metals Industry Skills and  
Performance  
Limited (MetSkill)  
Training Publications Limited  
National Skills Academy for  
Manufacturing Limited (NSAM)

#### **Scottish Electrical Charitable Training Trust**

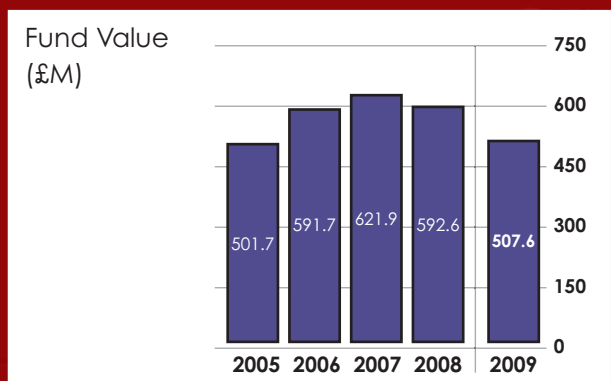
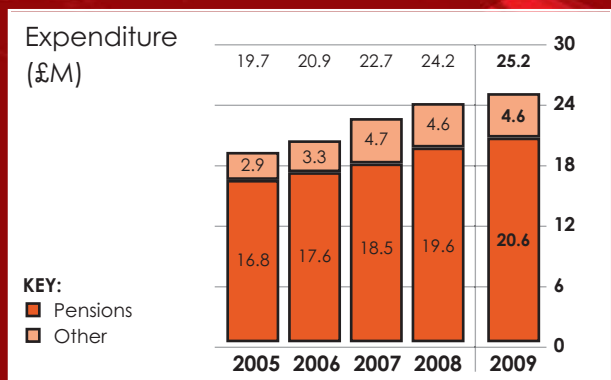
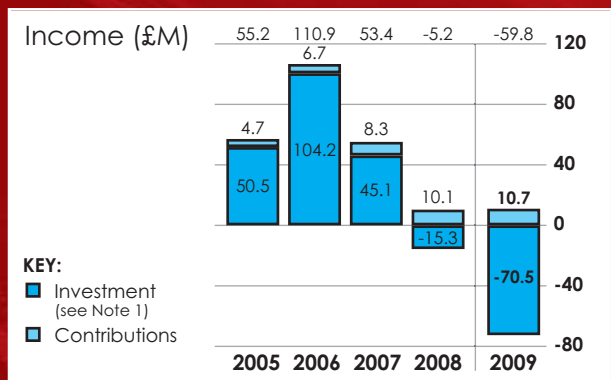
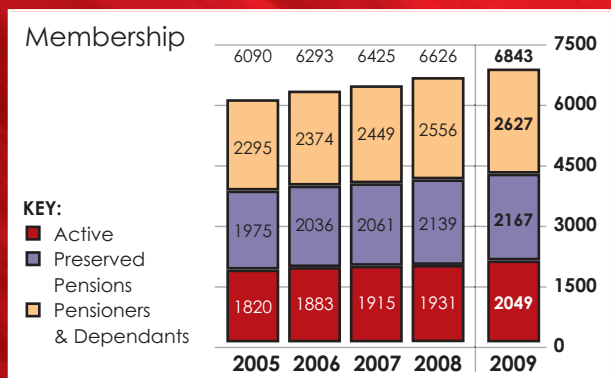
#### **Skillfast-UK Limited**

#### **Skills for Logistics**

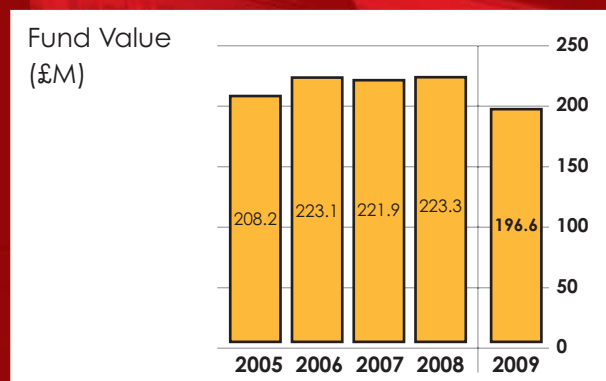
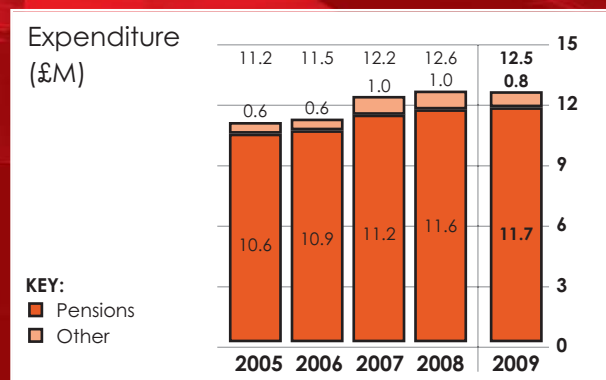
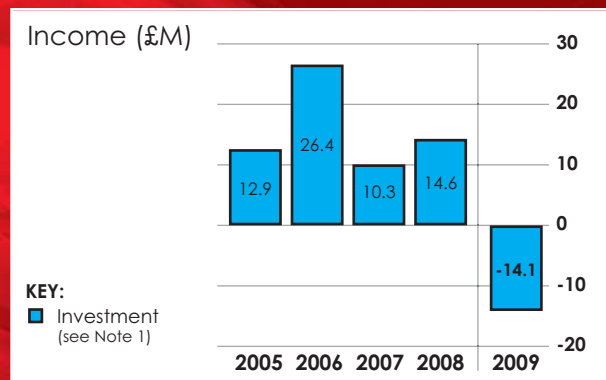
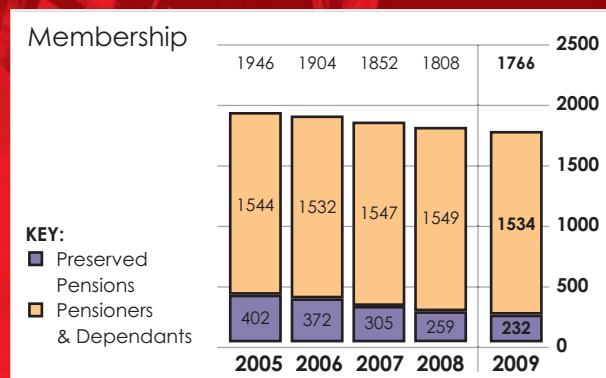
\*ConstructionSkills is the trading name of Construction ITB

## Five Year Summary

### Open Fund



### Closed Fund



Note 1 - please refer to the Financial Summary on page 3 to see a breakdown of both the 2008 and 2009 losses which have been caused, to a significant extent, by a negative movement in the provision for unrealised gains.

## Summary Funding Statements

### The ITB Pension Funds (Open Fund): Summary Funding Statement for Period ending 31 March 2008

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 2007 the funding position was as follows:

Assets	£621.9 million
Liabilities	£576.1 million
Funding level	108%

The estimated amount as at 31 March 2007 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £738.3 million. Therefore, the Scheme was 84% funded on a full solvency basis as at 31 March 2007. Inclusion of this information does not imply that the Participating Employers are thinking of winding-up the Scheme.

#### Change in funding position

The Scheme Actuary carried out an interim review of the Open Fund as at 31 March 2008. The purpose of that review was to assess how the Scheme's funding position has changed since the last full actuarial valuation.

This interim review showed that the funding level decreased from 108% to 92% between 31 March 2007 and 31 March 2008. The decrease in funding level was largely due to lower than expected investment returns on the Fund's assets combined with an increase in the value placed on the Fund's liabilities due to changes in market conditions.

#### Payment to the Participating Employers

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

### How the Scheme operates

#### How is my pension paid for?

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

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

#### How is the amount the Scheme needs worked out?

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

#### The importance of the Participating Employers' support

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

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

#### What is the Scheme invested in?

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

UK Equities	20%
Overseas Equities	20%
Fixed Interest and Index Linked	30%
Property	15%
Alternative Investments	15%



### 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)).

Members of the Scheme can also use the Funds' secure modelling website 'MyITB' ([www.myitb.com](http://www.myitb.com)) to estimate their own benefits.

**Additional documents available on request or in some cases on the Funds' website [www.itb-online.co.uk](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 Annual Report and Accounts* of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2009.

The full report on the *Actuarial Valuation* following the Actuary's check of the Scheme's situation as at 31 March 2007.

The report on the *Interim Actuarial Review* of the Scheme as at 31 March 2008.

*The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets* (you should have been given a copy of the booklet relevant to the Section you are in when you joined the Scheme, but a further copy can be requested).

*An Annual Benefit Statement.* If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension, or visit [www.myitb.com](http://www.myitb.com) to view online benefits statements and model your pension.

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

### The ITB Pension Funds (Closed Fund): Summary Funding Statement for Period ending 31 March 2008

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 2006 the funding position was as follows:

Assets	£223.1 million
Liabilities	£202.3 million
Funding level	110%

As a result, no further contributions were required.

(The liabilities include a 10% margin for risk. Excluding this margin, the funding level was 121%).

The Scheme Actuary assessed that, as at 31 March 2006, the assets of the Scheme were very likely to be sufficient to pay for the liabilities in full if the Scheme had started to wind up at that date. (The Scheme was 131% funded on a full solvency basis as at 31 March 2006.) Inclusion of this information does not imply that the Participating Employers are thinking of winding up the Scheme.

### Change in funding position

The Scheme Actuary carried out an interim review of the Closed Fund as at 31 March 2008. The purpose of that review was to assess how the Scheme's funding position has changed over the previous year.

This interim review showed that the funding level decreased from 113% to 108% between 31 March 2007 and 31 March 2008. (The funding level had increased from 110% at 31 March 2006, the date of the most recent full actuarial valuation, to 113% at 31 March 2007.) The decrease in surplus between March 2007 and March 2008 was due to the value placed on the Scheme's liabilities increasing by more than the value of the Scheme's assets due to changes in market conditions.

Excluding the 10% margin for risk, the funding level decreased from 124% as at 31 March 2007 to 119% as at 31 March 2008.

### Payment to the Employers

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

## Summary Funding Statements & Statement of Investment Principles (SIPs)

### How the Scheme operates

#### How is my pension paid for?

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

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

#### How is the amount the Scheme needs worked out?

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

#### What is the Scheme invested in?

The Trustees' policy is to invest the majority of the Scheme's assets in index-linked gilts to match the liabilities of the Scheme as they come due. The reserve assets are invested in a broad range of assets, the majority of which are expected to be equities. Cash is held to pay the most imminent liabilities.

#### 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)).

Members of the Scheme can also use the Funds' secure modelling website 'MyITB' ([www.myitb.com](http://www.myitb.com)) to estimate their own benefits.

#### **Additional documents available on request or in some cases on the Funds' website [www.itb-online.co.uk](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 2009.

The full report on the *Actuarial Valuation* following the Actuary's check of the Scheme's situation as at 31 March 2006.

The report on the *Interim Actuarial Review* of the Scheme as at 31 March 2008.

*An Annual Benefit Statement.* If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension, or visit [www.myitb.com](http://www.myitb.com) to view online benefit statements and model your pension.

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

## Statement of Investment Principles (SIPs)

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

The SIPs are regularly reviewed. The full versions of SIPs can be viewed by accessing the ITB website on [www.itb-online.co.uk](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 portfolios of investments. Their appointments are regularly reviewed by the Trustees in light of quarterly monitoring of the performance and investment process.

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 longterm 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.

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.

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.

## Increases in Pensions

The Funds' Rules provide for Members' pensions to be increased both before and after they come into payment in accordance with regulations, or as prescribed by legislation. The increases commence on the first Monday after 6th April each year and the amount is based on the annual increase in the Retail Price Index (RPI). The methods by which these increases currently apply are shown in the following table.

### Pensions in Payment:

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)	The State
Before State Pension Age the Scheme increases total pension by:	*RPI	*RPI subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
After State Pension Age the Scheme increases Excess over **GMP by:	*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	*RPI
6 April 1988 to 5 April 1997 by:	Lesser of 3% and *RPI	Lesser of 3% and *RPI	Excess of *RPI over 3%

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

Since 6 April 1978 all members of the ITB Pension Funds ('the Funds') are contracted-out of the State Second Pension (S2P), formerly the State Earnings Related Pension scheme (SERPS) between 6 April 1978 and 5 April 1997. Where relevant National Insurance (NI) contributions have been paid the S2P/SERPS sits on-top of the State basic 'old-age pension'.

For the period members are in contracted-out employment under the Funds they benefit from a reduction in their NI contributions. From State Pension Age the Funds then becomes responsible for paying the broad equivalent of the S2P/SERPS benefit members would have earned had they not been contracted-out. Prior to 6 April 1997 this benefit was termed 'Guaranteed Minimum Pension,' or GMP. The

post 1997 S2P benefit is termed 'Protected Rights'. Normally these benefits form only part of members' pensions from the Funds, except for lower earners where the Fund pension may be broadly equivalent to the S2P benefit.

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 the member's basic State Pension. Spouses' GMPs are inflation protected by the State, irrespective of age.

### Preserved Pensions

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)
Pensions accrued before 6 April 2009:	RPI	Increased in line with the lower of the accumulated rise in the RPI and 5% pa compound.
Pensions accrued on or after 6 April 2009:	RPI	Increased in line with the lower of the accumulated rise in the RPI and 2.5% pa compound.

## Calculation of Transfer Values

At the request of the Trustees, the Scheme Actuary recently undertook a review of the actuarial factors used in the calculation of Open Fund transfer values. This request was made in light of the results of the recent actuarial valuation of the Open Fund and the new legislation governing the calculation of transfer values (called a Cash Equivalent Transfer Value – or CETV) which is due to come into force in October this year.

Transfer value factors are used to calculate the sum of money to be paid to a receiving pension scheme in exchange for giving up pension benefits in the transferring scheme. They are also used to calculate the value of pension benefits for divorce settlements. The factors depend on various assumptions, in particular the investment return on the Scheme assets, the rate of inflation and the increasing trend for people to have a longer life expectancy, which reflects in the increasing cost of pension provision.

What will these changes mean to transfer values in the Open Fund? In short, transfer values calculated on or after the effective date of 1 October 2008 will increase from their current levels, in some cases quite significantly.

Do note however that the Trustees have not changed their position about transfers-in to the Scheme, which are not accepted because of the financial risk elements in doing so.

The current Closed Fund transfer value basis was last reviewed in 2006 and takes into account the financial and mortality assumptions adopted for the 2006 valuation.

If you are planning to leave the Scheme, think carefully about whether a transfer would suit you. Remember that the Scheme provides potentially valuable benefits to you and your dependants and a decision to leave it should not be taken lightly. We strongly suggest if you are considering leaving the Scheme that you should take independent financial advice before taking any action.

## Contact

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

E-mail: [pensions@itb-online.co.uk](mailto:pensions@itb-online.co.uk)

Websites: [www.itb-online.co.uk](http://www.itb-online.co.uk) and [www.myitb.com](http://www.myitb.com)

