

pension news

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for your future

Summary of the Trustees' Report & Financial Statements 2010

August 2010 - Issue 24

Background

The past year has proved a challenging one for your Trustees and for the ITB Funds on a number of fronts, although, above all else, has been the performance of investment markets and the consequences for the Open Fund actuarial valuation which is to take place based on data as at 31 March 2010. Despite the recoveries in equity markets since March 2009, long-dated gilt yields, which determine the discount rate used to value the liabilities, have decreased since the 2007 valuation, increasing the value placed on the Fund's liabilities.

Over the past few years we have taken a number of steps to reshape the ITB Funds' investment portfolios in line with an increased focus on diversification to, as far as practicable, take some of the risk out of investment. I can report that our strategy has indeed helped protect both the Open and Closed Funds against the full impact of the unpredictable and adverse market conditions which have been experienced, but could not completely avoid any negative impact on funding levels.

Open Fund Actuarial Valuation

In my statement to you last year I reported that the interim actuarial 'snapshot' assessment of the Scheme's funding position as at 31 March 2009 forecast that, given the then economic conditions, there was the prospect of a deficit result from the 2010 valuation. The Participating Employers were therefore updated on the likelihood of a requirement for additional deficit contribution funding.

Against the still fragile economic backdrop, both we, your Trustees and the Participating Employers, remain concerned about the potential for additional long term funding requirements coming out of the formal actuarial valuation of the Fund as at 31 March 2010. The expected increase in liabilities will be contributed to by the fall in interest rates referred to above and the continuing increase in longevity (whilst improvements in life expectancy has been good news for individuals, the resultant length and increase of pension payments has a detrimental financial impact when the Actuary values the Scheme's pension liabilities).

This valuation, which will take a number of months to complete, will determine the future contribution requirements of the Fund in relation to the ongoing benefits and will also identify additional Employer contribution requirements where a deficit is revealed. It will also, as normal, be undertaken on a prudent basis with the objective of securing the long term health of the Scheme. After taking actuarial advice we, your Trustees, must agree a new funding basis with the Participating Employers to meet the statutory funding objective. This funding objective must lead to the Scheme having assets which are sufficient to cover its "technical provisions" (broadly, its liabilities). A key aim will be to reduce any deficit as quickly as possible, while recognising that Employers' pension contributions

should be affordable. Deficit recovery periods will therefore need to be agreed with Employers. Currently, the Employers make payments to the Fund only to cover the cost of any ongoing benefits being earned.

The valuation results, which are expected to be announced in the first half of 2011, will be published in an edition of 'Pensions News' and placed on the Funds' website www.itb-online.co.uk.

Cost and Benefit Flexibility

One of your Trustees' priorities is to ensure that the Open Fund continues to deliver long term benefits to members on a realistic and sustainable basis for Employers. The Open Fund is currently comprised of three Sections; the Old, New and 2007 Sections, where benefits are based on employees' length of service and final salary, typically averaged over one, three or six years salary.

It is against a setting of the substantial financial challenges of the past few years that Employers sought to adopt a more sustainable approach to the delivery of pension provision. Your Trustees therefore received a number of requests from Participating Employers for further flexibility in relation to their future contribution costs. Introducing changes in future benefit provision is not something that your Trustees do without a great deal of thought and consideration. But, we have to be pragmatic and recognise that the increasing cost of defined benefit final salary pension provision causes a further strain on our Employers' businesses in an already difficult operating environment.

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Consequently, the measures taken principally include options for Employers who feel it is necessary to switch members of the Old or New Sections into the lower cost 2007 Section of the Scheme for their future service. Additionally, Employers may now also choose to increase the rate at which members contribute to the Scheme by up to half of the Scheme Section standard contribution rate. Employers now, therefore, have further capacity to continue to provide pension benefits that they find affordable to their circumstances.

These major changes, intended to be both realistic and affordable to Employers, reduces both the future service cost and the future funding risk to Employers and provide a platform on which to develop the long term financial health of the Open Fund.

Employer Covenant

The Employer Covenant review is an objective and independent assessment of the overall financial strength of an Employer. This helps us to understand the financial position and prospects of the Scheme's Participating Employers and to use this information with the Scheme Actuary in determining the appropriate funding and investment strategy of the Fund.

We recognise that an important factor for the ongoing stability of the Scheme is the long term financial capacity of the Employers. That is why we, your Trustees, along with our advisers, have a process in place for the Participating Employers to provide us with regular financial information, the objective of which is to identify any concerns and to arrive at possible solutions.

The requirement for employer covenant reviews is to ensure that sponsoring employers are able to meet the financial obligations to their pension scheme stemmed from the Pensions Act 2004. This has been amplified by the Pensions Regulator who considers it essential for pension scheme trustees to form an objective assessment of the employer's financial position and prospects, as well as their willingness to continue to fund the scheme's benefits, as it will inform decisions on both actuarial assumptions on scheme liabilities and any recovery plan needed.

Your Trustees work hard at maintaining good channels of communication with the Scheme's Participating Employers and in building an open dialogue to achieve a good working relationship that is both helpful to us as Trustees and also to the Employers, in together understanding individual Employer circumstances and overall current levels of security offered to the Fund.

One high priority matter was identified as the relicensing process of those Employers which are Sector Skills Councils. Despite the difficult economic conditions, the Sector Skills Councils relicensing generally went according to plan for the Scheme's Participating Employers, apart from Skillfast-UK whose licence was not renewed.

The other issue was a medium term priority item concerning the need for Employers to maintain a reasonable level of reserves to meet potential buy-out debts in the event of failure or withdrawal from the Scheme. Your Trustees will be intently focusing on working with Employers to achieving these objectives, which will not be simple or easy.

Employer terminations

PIETT: Further significant time has been spent in pursuance of the best settlement that could be achieved for the Funds in the matter of PIETT, which has now spanned some three years. It was when PIETT sold its loss making subsidiary, PTL, to a third party that your Trustees had their concerns heightened about PIETT's ability to continue to meet its financial obligations to the Scheme. A great deal of time and effort was spent in exploring the financial

feasibility of either PIETT continuing its participation, or possibly PTL becoming a Participating Employer in its place. What then followed was the liquidation of PIETT and a subsequent winding-up of PTL and indeed thereafter the insolvency of the third party who had acquired PTL. This is a sorry tale, but is one in which we have had to act in the best interests of the Scheme's membership as a whole. The Trustees are still actively engaged in recovering as much as possible of PIETT's buy-out debt, which is PIETT's share of the deficit in the Scheme at the time they withdrew. Those former PIETT members who have not taken refunds of their contributions or transfer values out of the Scheme still have secured benefits in the Scheme.

Skillfast-UK: During the year it became evident that Skillfast-UK, a Participating Employer in the Scheme, was not going to have its Sector Skills Council license renewed. Without Sector Skills Council backing the organisation did not feel it could continue to participate in the Scheme or, for that matter, continue in operation. It is in matters such as this that the Employer covenant review process can be valuable in bringing concerns to your Trustees' attention at an early stage, so that they can be promptly addressed. As a result of this development the Skillfast-UK board decided to wind up the organisation and terminate its participation in the Scheme and to reach agreement with your Trustees over the settlement of their debt to the Scheme. In such circumstances the approval of the Pensions Protection Fund is required and for that reason the matter will overrun this Scheme year end. All of Skillfast-UK's members have been advised of their pension rights in the Scheme.

JTL: In December 2009 JTL gave the required notice that they would be withdrawing from participation in the Scheme, effective 31 March 2010. JTL, who are not a Sector Skills Council, continues its business activities as normal and have advised they have sufficient reserves to meet their financial obligations and will pay their buy-out debt to the Scheme in full. All of JTL's members have been advised of their pension rights in the Scheme. The precise calculation of JTL's buy-out debt will be undertaken by the Actuary when completing the 2010 actuarial valuation of the Scheme and it is anticipated that receipt of funds in full settlement by JTL will be received by the Funds during the Scheme year ending 31 March 2011.

Closed Fund

The most recent formal actuarial valuation of the Closed Fund was carried out as at 31 March 2009 and your Trustees' high-level objectives remained unchanged from those of the previous valuation. The main priority was to minimise the risk of a future deficit and current economic conditions reinforced the need to take a cautious approach to funding strategy. This included the use of more prudent longevity assumptions given the continuing rise in life expectancy and the fact that the Closed Fund did not escape the adverse investment conditions that prevailed in the valuation period.

Significantly, however, the Fund remains in a sound condition, with the results of this latest valuation disclosing a small surplus of £7.6 million of assets over liabilities. It was, however, out of concern for the reduction in the Scheme's surplus position and uncertain economic outlook, with its possible further negative effects on investment markets, that your Trustees decided that while the normal annual inflation linked increase would be paid, on this occasion discretionary special pension increases out of Closed Fund surpluses would not be paid. Your Trustees are very mindful of their principal aim with the Closed Fund and that is to ensure that it remains secure in order to be able to meet its pension obligations long into the future.

The Closed Fund remains in a relatively strong position because the Fund's assets are largely invested in index-linked securities intended to match its pension and deferred pension liabilities. However, the Fund

does have investments in assets such as equities. These assets were negatively affected by the performance of the investment markets in recent years, which have not been in line with expectations and this was a contributor to the reduction in the funding level of the Closed Fund. The next full valuation of the Closed Fund is due as at 31 March 2012.

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. The clearly defined investment strategy is 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.

Although the SIPs are in the process of being reviewed and updated, the current approved versions can be found on the ITB Pension Funds' website at www.itb-online.co.uk.

Communication

The importance of good communication when detailing pension arrangements for members and Employers is embedded in your Trustees' communication policy as it enhances the understanding, transparency and visibility of the Scheme. We adopt a number of channels of communication through the Funds' Office with the most widely used being the ITB Pension Funds' dedicated websites. They have been designed with members and Employers in mind and where constructive feedback is welcome, as this may help improve our communication objectives.

Our www.itb-online.co.uk website contains a vast range of information and documents for members and Employers and the www.myitb.com website allows active members, deferred members and pensioners easy and secure access to details of their pension benefits on-line through comprehensive pension modelling tools.

During the year we have improved our communications with the ITB Pensioners Association and I would like to place on record my appreciation to their Chairman, Bill Pitt, who has sought to embrace this closer liaison, which I hope will be beneficial to both the Pensioners and the Trustees in these challenging times.

Acknowledgements

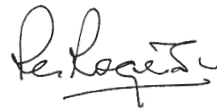
Trustees: Your Trustees play a critical role in the governance of the ITB Pension Funds and I have been extremely fortunate to benefit from the knowledge and solid experience of a strong team of individuals whose business insight has been vital for the increasingly demanding responsibilities placed on them. I would like to thank them all for their excellent work.

Committee works: I would also like to extend my thanks to my two Deputy Chairmen and fellow Trustees who work with me on the Management Panel and Investment Committee, who, throughout the Scheme year, have conducted their work with great diligence. Certain issues have demanded closer attention than others given the current economic environment and they have spared no effort to do what was necessary to deal with some particularly testing matters, while maintaining their firm commitment to the Trustees and the Funds.

Funds' Office: I can say first hand that we have a highly dedicated and committed staff at the Funds' Office at Watford who have to cope with significant challenges in very difficult times. Headed by the Funds' Chief Executive Vincent Gordon the small team has a diverse range of skills and capabilities that we greatly value. I thank them sincerely for all the work they do on behalf of all parties involved with the Funds.

Conclusion

The ITB Pension Funds is an institution that has been built over many years, delivering valuable and much appreciated pension benefits to members. We, your Trustees, will continue to diligently work to ensure that this remains the case, both in meeting the immediate challenges expected in the coming Scheme year and into the longer term future.



Peter Rogerson OBE

Chairman of Trustees - 2 July 2010





















Financial Summary 2010

	Closed Fund £'000	Open Fund £'000
Value of the Funds as at 31 March 2009	196,650	507,641
Income: contributions	0	11,641
AVCs transferred to main Fund	0	434
Income from Investments	3,165	9,852
Total Income	3,165	21,927
Expenditure		
Pensions and other benefits	(12,442)	(26,039)
Transfer values paid	(225)	(1,187)
Administration expenses	(545)	(1,193)
Pension Levy	(29)	(108)
Total expenditure	(13,241)	(28,527)
Balance deducted from value of Funds brought forward	(10,076)	(6,600)
Net change in market value of investments	24,312	119,198
Value of Funds at 31 March 2010	210,886	620,239




















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

<p>Peter Rogerson, OBE (Chairman)</p> <p>Nominated by: ConstructionSkills* (Deputy Chairman of CITB-ConstructionSkills)</p>  	<p>Jonathan Swift (Deputy Chairman-Employers)</p> <p>Nominated by: Lantra (Deputy Chairman of Lantra)</p>  	<p>Bob Monks</p> <p>Nominated by: Skills for Logistics (General Secretary of the United Road Transport Union)</p>  
<p>David Birtwistle</p> <p>Nominated by: Science, Engineering and Manufacturing Technologies Alliance (Global Reward Director for GKN plc)</p>  	<p>Tony Pringle</p> <p>Nominated by: Cogent SSC Limited (Skills Director for Polymer Industries)</p>  	<p>Simon Tarr</p> <p>Nominated by: People 1st (Chief Operating Officer for People 1st)</p>  
<p>Jacki Day</p> <p>Nominated by: OPITO Limited (Finance Director for OPITO Limited)</p>  	<p>Alan Ross</p> <p>Nominated by: Scottish Electrical Charitable Training Trust (SECTT), CAPITB plc (Chief Executive of Scottish Electrical Charitable Training Trust)</p>  	<p>Terry Lazenby, MBE</p> <p>Nominated by: Engineering Construction ITB (Chairman of ECITB)</p>  

*ConstructionSkills is the trading name of Construction ITB

Members' Trustees

<p>Lindsay Campbell</p> <p>Nominated by: People 1st (Operations Director – National Skills Academy for Hospitality)</p>  	<p>John Edwards</p> <p>Nominated by the Trade Union 'Unite' for: Engineering Construction ITB (Regional Account Manager – Offsite for ECITB)</p>  	<p>Chris Hall</p> <p>Nominated by: Skills for Logistics, CAPITB plc, Cogent SSC Limited, Scottish Electrical Charitable Training Trust (SECTT) (Finance & Administration Director for Skills for Logistics)</p>     
<p>Gillian Black</p> <p>Nominated by: OPITO Limited (Policy Affairs Director for OPITO Limited)</p>  	<p>Mike Harris</p> <p>Nominated by the Trade Union 'Unite' for: ConstructionSkills* (Training Adviser) (Succeeded Peter McCulloch who retired from service on 14 May 2010)</p>  	<p>Madge Moore</p> <p>Nominated by: Lantra (National Director – England for Lantra)</p>  
<p>Reg D'Souza</p> <p>Nominated by the Trade Union 'Unite' for: Science, Engineering and Manufacturing Technologies Alliance (Research Team Leader for Semta)</p>  	<p>Pensioners' Trustees</p> <p>Horace Parker</p> <p>Nominated by: Closed Fund Pensioners Previously Printing and Publishing ITB (Retired – Formerly Advisory Services Manager for PPIITB)</p> 	<p>David Barnett (Deputy Chairman-Members)</p> <p>Nominated by: Open Fund Pensioners Previously Road Transport ITB (Retired – Formerly Director General of RTITB)</p> 

Changes to the Trusteeship

Changes to the Trustees

Members' Trustees

Tim Mahoney did not seek re-election as Member Trustee for SEMTA after his term of office ended on 30 June 2009. He was succeeded by Reg D'Souza on 9 October 2009 who had been nominated by the Trade Union 'Unite'.

Ken Potter resigned his appointment as the Member Trustee for JTL and SECTT on 13 January 2010.

Due to OPITO Limited becoming one of the larger Employers for the purpose of nominating a Member Trustee, Gillian Black was duly appointed to commence a term as Members' Trustee for OPITO Limited with effect from 9 April 2010.

Pensioners' Trustees

The periods of office of the two Pensioner Trustees are due to end on 30 September 2011.

Employers' Trustees

Neil Davis resigned his appointment as Employer Trustee for ECITB on 31 March 2009. He was succeeded by Terry Lazenby (MBE) on 3 July 2009.

Denis Hird resigned his appointment as Employer Trustee for JTL on 13 January 2010.

D'Arcy Payne resigned his appointment as Employer Trustee for SEMTA on 31 March 2010. (Succeeded by David Birtwistle who was appointed on 9 April 2010)

Bob Monks relinquished his appointment as Joint Employer Trustee for S4L, CAPITB and Skillfast-UK on 31 March 2010, as his nominating Employer became one of the larger Employers for the purpose of nominating an Employer Trustee. Bob Monks was subsequently appointed as Employer Trustee for S4L on 1 April 2010.

Alan Ross was duly appointed to commence a term as Joint Employers' Trustee for SECTT and CAPITB with effect from 9 April 2010, due to SECTT and CAPITB becoming the current smaller Employers for the purposes of nominating a Joint Employers' Trustee.

Chairman

The period of office of the Chairman, Peter Rogerson (OBE), is due to end on 31 March 2012.

Deputy Chairmen

The period of office of Jonathan Swift as Deputy Chairman (Employers) came to an end on 31 March 2010. He was reappointed to serve for a second three year term as Deputy Chairman (Employers) from 14 April 2010, having stood unopposed in a ballot of Employers' Trustees.

Ken Potter the Deputy Chairman (Members) resigned from office on 13 January 2010. A nomination and ballot process was undertaken to appoint a new Deputy Chairman (Members). David Barnett won the ballot and was therefore appointed as Deputy Chairman (Members) with effect from 1 March 2010.

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 these assessments 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. 'Conflicts of interest' are regarded as a priority area for the Trustees in their governance of the ITB pension schemes.

The Trustees are committed to maintaining high standards of governance. The Board recognise that they, as Trustees of the ITB Pension Funds, are expected to act to the highest standards of responsibility at all times. 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 the authorised sub-committees – the Investment Committee, the Management Panel and the Salaries Committee – serving the Trustees. On these occasions, matters of significance such as those concerning legal, actuarial, investment and administration are discussed and decisions made.

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

There was overall 89% attendance at the Trustees' Board meetings.

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

Solicitors

Mayer Brown International LLP

Investment Managers

AXA Rosenberg Investment
Management Limited

BlackRock Advisors (UK) Limited

BNP Paribas (terminated June 2009)

BNY Mellon Asset Management

Henderson Global Investors Limited

Insight Investment

Investec Asset Management

Liongate Capital Management

Longview Partners LP

Ruffer LLP

Schroder Investment Management (UK)
Limited

Stenham Asset Management

Wegelin & Co

Property Investment Managers

Fletcher King

Investment Advisers

BNY Mellon Performance and Risk
Analytics Europe Limited

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 eight 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:

Skillfast-UK Limited did not have its Sector Skills Council License renewed which resulted in it terminating its participation in the Scheme, effective as of 31 March 2010.

The past Scheme year also saw the withdrawal of JTL as a Participating Employer as of 31 March 2010.

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

- ✓ Education
- ✓ Training
- ✓ Knowledge
- ✓ Safety
- ✓ Skills
- ✓ Responsibility
- ✓ Excellence

CAPITB plc

Subsidiary:

RTITB Limited

Cogent SSC Limited

Subsidiary:

Cogent (Telford) Limited

ConstructionSkills*

Engineering Construction ITB

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 (NSAM)

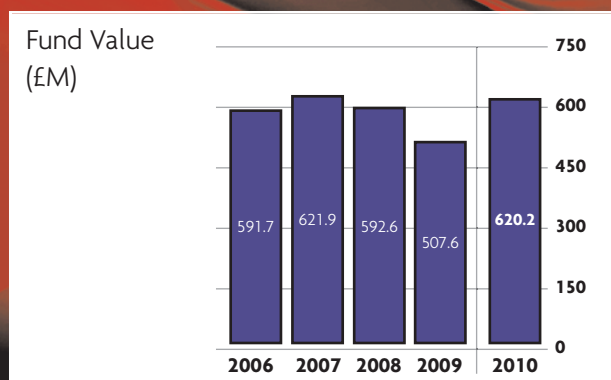
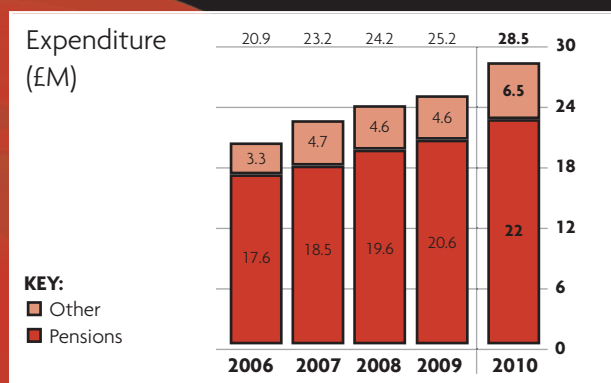
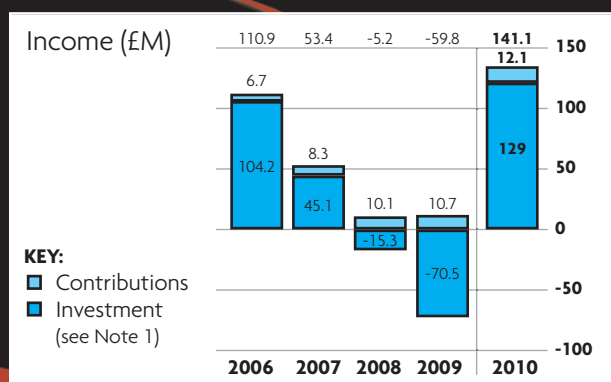
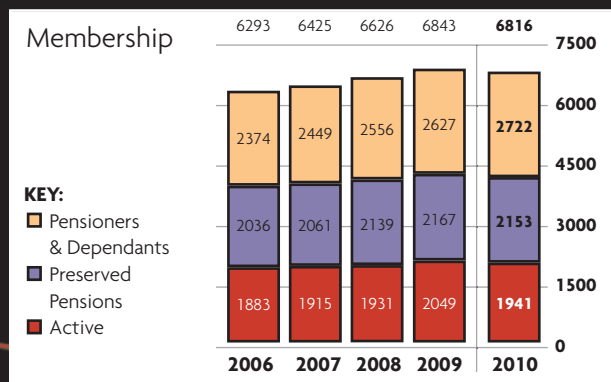
Scottish Electrical Charitable Training Trust

Skills for Logistics

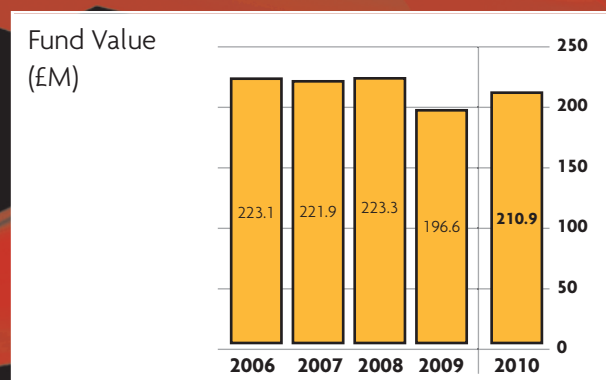
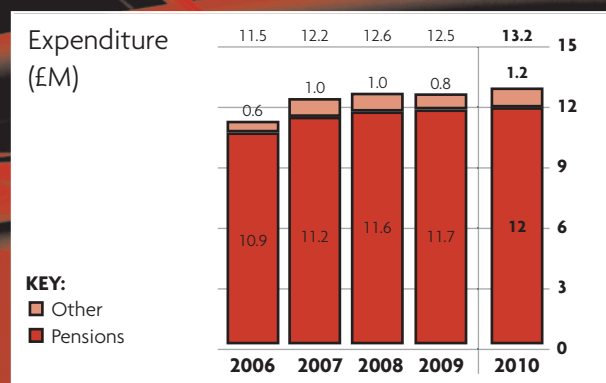
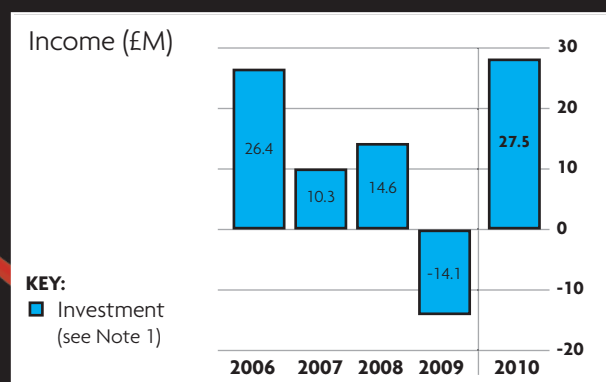
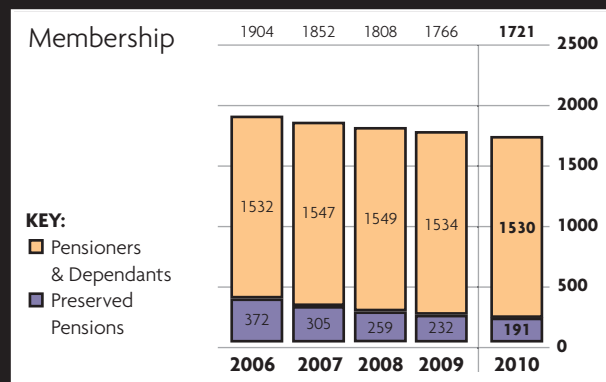
*ConstructionSkills is the trading name of Construction ITB

Five Year Summary

Open Fund



Closed Fund



Note 1 - please refer to the Financial Summary on page 3 to see a breakdown of the 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 2009

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 2009. 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 92% to 77% between 31 March 2008 and 31 March 2009. The decrease in funding level was largely due to investment losses on the Fund's assets.

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:

Global equities	37%
Bonds/LDI mandate	30%
Alternative Investments	17%
Property	13%
Cash	3%

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).

Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (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

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 2010.

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 2009.

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 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 2009

The ITB Pension Funds (Closed Fund): Summary Funding Statement for Period ending 31 March 2009.

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 2009 the funding position was as follows:

Assets	£196.7 million
Liabilities	£189.1 million
Funding level	104%

As a result, no further contributions were required, although the funding level was less than the Trustees' target level of 110%.

The Scheme Actuary assessed that, as at 31 March 2009, 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 113% funded on a full solvency basis as at 31 March 2009.) Inclusion of this information does not imply that the Participating Employers are thinking of winding up the Scheme.

Change in funding position

The funding level decreased from 119% to 104% between 31 March 2008 and 31 March 2009. The decrease in surplus between March 2008 and March 2009 was principally due to investment losses on the Scheme's assets and revisions to the valuation assumptions.

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).

Members of the Scheme can also use the Funds' secure modelling website 'MyITB' (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

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 2010.

The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2009.

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 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 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 Member's pensions to be increased both before and after payment in accordance with regulations, or as prescribed by legislation. The percentage amount of any pensions uplift depends 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 increases then commence on the first Monday after 6th April each year.

Details of the most recent increases to the Open Fund (Old Section) and Closed Fund pensions in payment are shown in the table to the right. The same increases apply to Open Fund (Old Section) and Closed Fund preserved pension members.

Open Fund (New Section) and Open Fund (2007 Section) pensions in payment are limited to the maximums described in the table immediately below, which also gives details of the methods by which pensions increases are worked out for all Scheme Sections.

Date of Increase	Increase %
9 April 2001	3.3
8 April 2002	1.7
7 April 2003	1.7
12 April 2004	2.8
11 April 2005	3.1
10 April 2006	2.7
9 April 2007	3.6
7 April 2008	3.9
6 April 2009	5.0
12 April 2010	0.0

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

From 6 April 1978 all members of the ITB Pension Funds were contracted-out of the Second Tier of the State Pension, known as the State Second Pension (S2P formerly called SERPS), up to 5 April 1997.

A requirement of contracting-out was that an occupational pension scheme had to provide its members with pension benefits which were broadly equivalent to the S2P pension that members would have accrued had they not been contracted-out. This was called a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post 5 April 1997 pensionable service, but members remain contracted-out and

still receive benefits broadly equivalent to the S2P pension based on the benefits set out under the statutory standard Reference Scheme (The Reference Scheme Test).

On attaining State Pension Age, members are advised by the Department of Work and Pensions (DWP) of the amount of the GMP that will be paid by the Funds as part of their total pension. The Department will also confirm that subsequent cost of living increases on the GMP will be payable by the Department by making the necessary addition to members' basic State Pensions. Spouses' GMPs are inflation protected by the State, irrespective of age.

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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.

Important – Post Scheme Year End News

Historically, Closed Fund and Open Fund (Old Section) pensions have been increased as if they were official pensions to which the Pensions (Increase) Act 1971 applied.

However, The UK Government has very recently announced that it intends to switch from RPI to CPI (Consumer Price Index) linking for working out increases to pensions from both public sector pension schemes and private sector

occupational pension schemes like the ITB Closed and Open Funds. The change will apply to revaluation in deferment as well as increases to pensions in payment.

The Trustees are in the process of consulting their legal and actuarial advisers to identify the full implications of the Governments announcement for the ITB Pension Funds and will provide further information in due course.

Contact

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

E-mail: pensions@itb-online.co.uk Telephone: 01923 226 264

Websites: www.itb-online.co.uk and www.myitb.com

