

Pensionnews

 Summary of the
 Trustees' Report & Financial
 Statements 2012-2013

Chairman's Statement

Year under review

My first year as Chairman has passed by extraordinarily quickly, presenting a number of challenges along the way and thoroughly immersing me in the business of the Funds. It was a period that coincided with further disruption and volatility in global financial markets which brought with it the enduring problems associated with subdued economic growth. However, despite this backdrop markets rallied in the last quarter of the Scheme year ended 31 March 2013 when we broke new ground with the combined assets of the Open and Closed Funds for the first time topping the £1billion mark.

The progress made in these turbulent times is a reflection of sound investment advice and a well thought out investment strategy combined with the skill of our investment managers in meeting or exceeding the various investment performance targets set them by the Trustees' Investment Committee.

Against this success in increasing the value of the Scheme's assets we need to balance the continuing negative effects of historically low yields on gilts which increases the valuation placed on pension liabilities and contributing to the ITB Open Fund, like many others, being in deficit. Currently this situation shows no signs of changing with interest rates at an all time low and poor economic growth remaining a problem, despite the best attempts of many Governments to stimulate growth; which highlights one of the key issues faced when positioning our investment strategy. In conjunction with our advisers, we shall however continue to optimise the portfolio whenever we can.

Open Fund Valuation and Deficit Recovery Plan

Following agreement of the March 2010 formal actuarial valuation for the Open Fund, a deficit funding plan was agreed with Employers which was intended to eliminate the £51m shortfall over a seven year period (or ten year period if an Employer provides additional security). However, it is important to remember that valuations are extremely sensitive to a number of factors that are largely outside the control of your Trustees, including interest and mortality rates amongst others and changes in the value of the assets of the pension scheme. The deficit recovery plan is scheduled to be formally reassessed following the actuarial valuation being carried out as at 31 March 2013. This will determine the basis of the Scheme's funding requirements over the period to the 2016 triennial valuation and provide the background to discussions to agree an updated deficit recovery plan with Employers.

As part of the valuation process, the Actuary will also consider the implications for the funding of the defined benefit (DB) Sections of the Scheme given that most of our Participating Employers have introduced the defined contribution (DC) Section for their new eligible employees.

Work on the triennial valuation as at 31 March 2013 is currently underway.

Employer Covenant

When determining the assumptions to use in an actuarial valuation the strength of the covenant provided to

the Scheme by each of the Participating Employers is extremely important. The weaker that an Employer's covenant is perceived to be, the less tolerant of risk a Trustee Board is likely to be and hence the more prudent the adopted assumptions. Therefore the strength and capacity of each Employer to support the Scheme is of key importance.

This assessment of the financial strength of Employers to stand behind the pension promises and how this may have changed since the previous valuation and what other relevant plans or developments Employers have, as well as their ability and willingness to inject funds when needed, is all part of the now regular process undertaken by our independent professional covenant assessors who specialise in this area.

As a multi-employer scheme of non-associated employers the ITB Pension Funds is a much more complicated arrangement than many other single employer pension schemes, creating a sometimes complex challenge for covenant monitoring and agreeing deficit recovery plans to meet the needs of all parties. The covenant monitoring reports we commission from our advisers help us to better understand these matters.

Closed Fund

As the latest triennial actuarial valuation of the Closed Fund as at 31 March 2012 was the first to have taken place following the buy-in with PIC, it was important to ensure the assumptions used reflected the Closed Fund's changed circumstances, while maintaining the appropriate level of prudence in line with the requirements of legislation. As expected we took advice from our Actuary to ensure that the economic and actuarial assumptions we adopted for the 2012 Closed Fund valuation were appropriate.

We were also mindful that in the unlikely event that PIC was to default, despite our thorough due diligence investigations showing PIC to be one of the stronger insurance companies, the Financial Services Compensation

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Chairman's Statement

Scheme (FSCS) was expected to meet at most 90% of the value of the benefits payable. Consequently, following the buy-in we adopted a policy of retaining reserve assets as a hedge against such an event occurring, however unlikely.

As at the 31 March 2012 valuation date, after allowing for liabilities and based on the assumptions and approach adopted for the valuation, a distributable surplus of £18.8 million was declared. The Trustees are able to distribute up to one-third of this surplus without reference to the Employers who participate in the ITB Funds. This amount was sufficient to provide a special increase of 3.4% to all Closed Fund pensions in payment and deferred members' pensions, as at 1 February 2013. This special increase was in addition to the annual increase provided under the Rules, which was 2.2% this year and paid in April 2013.

The next full valuation of the Closed Fund is due as at 31 March 2015.

Interim Financial Assessments

Between the mandatory triennial valuations of the Open and Closed Funds we periodically obtain interim financial assessments to evaluate whether the funding strategy is on track and provide an update as to the current funding level. These assessments do not re-calculate contribution rates or deficit payments.

Open Fund

The Board of Trustees last commissioned an interim assessment as at 31 March 2012.

The interim valuation updated the last triennial valuation in 2010 using the same membership data and demographic/actuarial assumptions. However, the financial information was updated to reflect changes in market values as at 31 March 2012 and actual cash-flow data was used.

While the actuarial valuation sets the contribution rates and deficits payments required from Participating Employers for the three years following the valuation, the interim financial assessment provides some insight into how the funding position has progressed against the funding strategy set out at the 2010 triennial valuation. Put short, it is a snapshot of the funding level at a particular point in time and provides an opportunity to consider the options if the situation changes in a significant and or unexpected way.

As at 31 March 2012 the funding level was 92%. This compares to 98% at 31 March 2011, which represented an increase in the deficit from £16m to approximately £65m. This deterioration, which was despite the deficit contributions paid by Employers, is primarily due to the fall in discount rates which are based on long term gilt yields used to calculate pension liabilities. The present value of the liabilities is compared with the value of the Scheme assets to determine whether the Scheme is in surplus or deficit. A reduction in the discount rates increases the value of the liabilities. This position was not helped by the effects of quantitative easing which has had a significant impact on pension funds by having a downward influence on long term interest rates.

Closed Fund

There was no interim assessment of the Closed Fund as at 31 March 2012 because the triennial valuation was being carried out at the same date.

Statement of Investment Principles (SIP)

The Scheme SIP is a written statement of the principles governing decisions about investment for an occupational pension scheme which the Trustees are required to prepare and maintain through regular monitoring, particularly following an actuarial valuation or where there has been a

change in policy. The Trustees must have regard to advice from a suitably qualified person and consult with the Employers.

The SIP must set out the basis on which the Trustees plan to invest the Scheme assets. There are detailed regulations for the contents of a SIP and a pension scheme's sponsoring employers have a right to be consulted on the contents of the SIP and any revisions the trustees periodically make, but they may not dictate the scheme's investment policy.

The ITB Trustees' SIP for the Open and Closed Funds describes our investment approach and the current SIPs can be found on the ITB Pension Funds' website at www.itb-online.co.uk

Your Trustees regularly review the SIPs and are required to consult with the Participating Employers before changing the SIPs and adopting any new investment strategy.

Governance

Effective corporate governance is central to our ability as Trustees to operate successfully as a board and contributes towards the long term success of the Funds; bearing in mind we are responsible to the Funds' members, pensioners and Participating Employers for the security of benefits over the long term.

We consider all the aspects of the Funds' operations necessary to provide good governance including risk management and the internal control framework, underpinned by ensuring that the Trustees and Funds' Office staff are properly trained to carry out their responsibilities. Procedures are in place to ensure that your Trustees are properly briefed, so that decisions taken by the Board are based on the fullest available information. At every Board meeting there are reviews of operational, financial and administrative matters with the Funds' key professional advisers available to provide input and guidance.

Procedures to deal with Trustees' conflicts of interest

As a Trustee Board we are wholly aware that our primary operating purpose it is to serve the members, pensioners and yet be mindful of the important role that the Employers have in the context of funding the Scheme. One or more Trustees may on occasion be subject to conflicts of interest or perceived conflicts and we have adopted various policies, controls and procedures and ongoing careful monitoring to address or limit actual or perceived conflicts. This is a matter for the Board that as your Chairman I take very seriously.

Regulation and Legislation

The pensions industry is subject to extensive regulation, not least of all by The Pensions Regulator whose aim it is to provide codes of practice and guidance on key aspects of pensions regulation. We analyse these statements closely for how they may affect the Funds, the membership and the Employers for any action that may be required by the Trustees.

Furthermore, in his Autumn Statement the Chancellor unveiled a host of measures for the pensions industry, but the one with perhaps the most immediate impact is the reduction in the Annual Allowance, the maximum amount an individual can accrue in a year and receive tax relief, which will be reduced to £40000 from the current £50000 from April 2014. Furthermore, the Lifetime Allowance, the overall maximum amount of pension related benefits that an individual can accrue, will be cut to £1.25 million from the current £1.5 million from April 2014. Exceeding the Annual Allowance or Lifetime Allowance may mean the individual becoming subject to tax at a high rate.

Auto-enrolment

Basically, under the Pensions Act 2008 all employers will be obliged to automatically enrol most 'workers' (those aged between 22 and State Pension Age and have earnings in excess of the 'earnings trigger'; currently £9,440) into a suitable pension scheme. Employers must also give certain other workers the right to opt into or join a suitable pension scheme. The pension scheme an employer chooses to use for this purpose must meet certain conditions and minimum contribution levels. Employers may use any current pension scheme they have in place; establish a new pension scheme or utilise NEST (the National Employment Savings Trust), a pension scheme established by the Government that any UK employer may use.

Auto-enrolment will therefore have an impact on the Open Fund as it will involve Employers in making pension contributions for qualifying current non-members of the ITB Pension Funds. Construction ITB will be the first of the Participating Employers to be affected by auto-enrolment, but this will not be until 1 September 2013, with other Employers having to adopt the process between 2014 and 2017 depending on numbers of employees on their payroll.

When the Trustees approved the design of the DC Section in 2011 it is noteworthy that we did so with a view that it should accommodate the auto-enrolment requirements of legislation as requested by Employers, even though at the time auto-enrolment had still to be formalised by Government. It was also agreed with Employers that the combined minimum Employer/Member contribution to the DC Section should be 9% of Pensionable Salary. As the DC Section now contains the modifications required for auto-enrolment we anticipate that Employers will elect to use the DC Section to meet their obligations in this area. Ultimately though it is Employers responsibility to ensure that the scheme they choose for this purpose meets the requirements of auto-enrolment.

Communication

Further work to enhance the usefulness and flexibility of the Funds' websites was completed earlier in the year. This was important in helping us simplify the distribution of up to date information to members and the various Employers in a multi-employer, multi-benefit scheme like the ITB Pension Funds. These changes enable us to meet the changing needs of the Employers and membership going forward as the new system and structure has been developed so that accommodating Employer specific pages and content for situations like auto-enrolment is not an issue.

Members and Pensioners can now access on-line information and the MyITB pension and Additional Voluntary Contribution modeler on www.itb-online.co.uk with individual Employers able to gain entry to the information specific to them and their membership through user password access. DC members can also access their Membership Booklet via the website and link-in to the relevant part of the Legal & General website to access their DC accounts.

AVCs

Together with our professional investment advisers we periodically carry out a review of the Additional Voluntary Contribution (AVC) arrangements available under the Scheme to ensure the quality and suitability of AVC fund options available remain appropriate for member investment. Our practice is in keeping with the Regulator's guidance that trustees maintain a high standard of vigilance where members' investments are concerned.

This includes monitoring the charges and competitiveness of the investment choices and financial strength of the AVC provider over time in the light of market developments. Following the latest such review we decided to transfer

all accrued AVC funds from Prudential to Legal & General (L&G), with the exception that L&G did not operate a fund to replicate the Prudential With-Profit fund.

Trustees

Thanks go to my colleagues on the Trustee Board for their support and contribution throughout the year. They bring a wide range of experience to the table as we continue to work diligently and effectively in helping to build a successful future for the Funds.

An effective board is central to the long term sustainable success of the Funds and I am in no doubt that the performance of the Board is enhanced by the good working relationship I have with the Investment Committee and Management Panel which include my two fellow Deputy Chairmen, as we continue to work together to ensure that the best use of the time and talents of the Board are applied at Board meetings.

Funds' Staff

I would like to thank the Funds' Office for their longstanding emphasis on operational excellence through continuous improvement, whilst paying tribute to the leadership of Vincent Gordon and his senior management team of Dave Faulkner and Dennis Matthews for putting our plans into action and continuing to steer the Funds' operations on such a clear and purposeful course. It is their integrity and dedication that contribute to our success. They are an important asset.

Outlook


Undoubtedly, the major event in the Trustees' calendar this year is the triennial valuation of the Open Fund which is an involved process that extends over many months.

The results of the valuation, which are expected later this year, are of prime significance as they provide updated information on the circumstances, including the latest funding position of the Scheme. The results are of particular importance to our Participating Employers as they will want to know how it could impact their budgets, both in relation to the current deficit recovery plans that are in place and the ongoing Employer contributions required to fund the future benefits promised under the Scheme.

The abolition of contracting-out will be another significant upheaval for defined benefit schemes like the ITB Pension Funds and involve Employers in further scrutiny of their pension costs, as the National Insurance contracted-out rebate will be withdrawn by Government in consequence of the closure of the State Second Pension (S2P).

Members' contributions will be similarly affected when the rebate is withdrawn. Although this is not due to occur until April 2016 there will be a variety of implications for defined benefit schemes that will require advice, careful consideration and planning and time to implement. We shall be commencing our analysis of this upcoming and important change during the year.

Undeniably the Board of Trustees will face challenges as we remain focused on protecting the interests of members and pensioners whilst balancing the interests of the Fund's sponsoring Employers to agree long-term strategies that protect member benefits. We shall take these objectives head on to do all we can when working with Employers to strengthen the Funds for the years ahead.



Jonathan Swift
Chairman of Trustees - 5 July 2013



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



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





**Peter Rogerson,
OBE
(Deputy Chairman-
Employers)**
Nominated by:
ConstructionSkills*
(Retired Deputy Chairman of
CITB-ConstructionSkills)





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





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






Simon Tarr
Nominated by:
People 1st
(Chief Operating Officer
for People 1st)







Gordon McNeil
Nominated by:
OPITO Limited
(Technical Programs Director
for OPITO Limited)






Newell McGuinness
Nominated by:
Scottish Electrical
Charitable Training
Trust (SECTT),
CAPITB Limited
(Managing Director of
SELECT)






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





Note: No Employers' Trustee for Skills for Logistics in place as at 31 March 2013.

Members' Trustees





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






Susan Smart
Nominated by:
Engineering
Construction ITB
(Regional Account Manager -
Offshore)





Chris Hall
Nominated by:
Skills for Logistics,
CAPITB Limited,
Cogent SSC Limited,
Scottish Electrical
Charitable Training
Trust (SECTT)
(Finance & Administration
Director for Skills
for Logistics)





Rob Sweeney
Nominated by
the Trade Union
'Unite' for:
ConstructionSkills*
(Product Developer for
CITB-ConstructionSkills)





Madge Moore
Nominated by:
Lantra
(National Director - England
for Lantra)






Reg D'Souza
Nominated by
the Trade Union
'Unite' for:
Science, Engineering
and Manufacturing
Technologies Alliance
(Research Manager
for SEMTA)




Note (i): No Members' Trustee in place for OPITO Ltd as at 31 March 2013.
Note (ii): Mr Chris Hall became Members' Trustee for Skills for Logistics as at 1 April 2013, leaving vacant the position of Joint Members' Trustee.

Pensioners' Trustees



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



Hugh Edwards
Nominated by:
Closed Fund
Pensioners
Previously Road
Transport ITB
(Retired - Formerly Training
Assessment Manager RTITB)

*ConstructionSkills is the trading name of Construction ITB

Trusteeship

Members' Trustees

Mike Harris, the Member Trustee for ConstructionSkills resigned his appointment on 26 June 2012 and was succeeded by Rob Sweeney on 6 July 2012, who had been nominated by the Trade Union 'Unite'.

Reg D'Souza, the Member Trustee for SEMTA retired by rotation on 8 October 2012 and, after being re-nominated by the Trade Union 'Unite', was reappointed to serve a further term from 9 October 2012.

Gillian Black, the Member Trustee for OPITO, resigned her appointment on 31 December 2012. However, there was no new nomination for a Members' Trustee from OPITO as the company became a Small Employer as at 31 December 2012.

As a consequence of the active member headcount as at 31 December 2012, Cogent SSC Limited should have become a larger Employer for the purposes of nominating a Member Trustee with effect from 1 April 2013. However, Cogent advised that none of their active members was willing to serve as a Members' Trustee and, in such circumstances; the largest of the Small Employers is eligible to nominate a Members' Trustee.

OPITO Limited was the largest of the Small Employers, but OPITO, like Cogent, had also advised that none of their active members was willing to serve as a Members' Trustee.

Consequently, the next largest of the Small Employers, Skills for Logistics (S4L), was eligible to nominate a Members' Trustee. Therefore, Chris Hall of S4L was required to resign his position as Joint Members' Trustee as at 31 March 2013 and the nomination process needed to be undertaken for both a Members' Trustee for S4L (for which Chris Hall was eligible and subsequently nominated and appointed) and the nomination of a new Joint Members' Trustee (for which both Cogent's and OPITO's active members were eligible).

Pensioner Trustees

The period of office of the Closed Fund Pensioner Trustee, Hugh Edwards, is due to end on 31 March 2014.

The period of office of the Open Fund Pensioner Trustee, David Barnett, is due to end on 30 September 2014.

Employers' Trustees

Terry Lazenby, the Employer Trustee Engineering Construction ITB, retired by rotation on 2 July 2012 and was reappointed to serve a further term from 3 July 2012.

Bob Monks, the Employer Trustee for Skills for Logistics (S4L), resigned from office on 30 November 2012. As S4L had not named a replacement for their Employer Trustee the vacancy remained open at the Scheme year end.

Chairman

The period of office of the Chairman, Jonathan Swift, is due to end on 31 March 2015.

Deputy Chairmen

The period of office of Peter Rogerson as Deputy Chairman (Employers) is due to end on 31 March 2015.

The period of office of David Barnett as Deputy Chairman (Members) ended on 28 February 2013. He was reappointed to serve for a second three year term as Deputy Chairman (Members) from 1 March 2013, 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 these assessments relevant training courses are then organised throughout the year, and at least one annual training seminar for all Trustees is organised.

To identify and manage any potential problems related to Trustees conflict of interests, the Funds' Office also maintains a Trustees' 'Register of Interests'. The content of this Register has been updated during the past year and takes account of 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 Funds.

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. 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, is therefore in place and adhered to.

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 81% 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. Where members of the various committees are unable to attend any meeting then agenda matters are addressed with them either in writing or by telephone, both prior to and after the meeting. Where possible any committee member who is not able to attend a meeting in person will take part in the meeting by way of a conference telephone call.

Investment Committee

The Investment Committee's remit covers the financial and investment aspects of the Funds. They are assisted as appropriate in these roles by the Trustees' investment and other professional advisers.

The Investment Committee has at least five scheduled meetings during the year plus a number of other supplementary meetings as necessary.

During the Scheme year to 31 March 2013 the Investment Committee included four Trustees.

The formal members of the Committee were:

Mr JF Swift Chairman
Mr PG Rogerson OBE Deputy Chairman (Employers)
Mr DC Barnett Deputy Chairman (Members)
Mr SCV Tarr Employers' Trustee

In addition to the formal members of the Investment Committee, an invited Trustee also attends meetings to both contribute and improve their knowledge and understanding.

There was overall 100% attendance at the Investment Committee meetings.

Management Panel

The Management Panel is a committee established by the Trustees to carry out research and investigation into pension matters not dealt with by the Investment Committee,

Trusteeship (cont.)

making appropriate recommendations to the Trustee Board where necessary. They are assisted as appropriate in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary.

During the year to 31 March 2013 the Management Panel comprised three Trustees. The members were:

Mr JF Swift Chairman; Mr PG Rogerson OBE Deputy Chairman (Employers); Mr DC Barnett Deputy Chairman (Members)

In addition to the formal members of the Management Panel, an invited Trustee frequently attends meetings to both contribute and improve their knowledge and understanding.

There was overall 92% attendance at the Management Panel meetings.

Salaries Committee

The Salaries Committee was established by the Trustees to deal with Human Resource issues affecting staff employed by the ITB Pension Funds on behalf of the Trustees. The Salaries Committee meets as and when required.

During the year to 31 March 2013 the members of the Committee were:

Mr JF Swift Chairman; Mr PG Rogerson OBE Deputy Chairman (Employers)

There was overall 100% attendance at the Salaries Committee meetings.

Officers and Advisers

Officers

Director

Vincent Gordon FPMI

Accountant

Dave Faulkner FCA

Communications & Benefits Manager

Dennis Matthews APMI

Advisers

Actuary

Government Actuary

Solicitors

Mayer Brown International LLP

Investment Managers

Barings Asset Management

BlackRock Advisors (UK) Limited

BNY Mellon Asset Management

Capital International

Henderson Global Investors Limited

Insight Investment

Investec Asset Management

Liongate Capital Management

Longview Partners LP

Pensions Insurance Corporation (PIC)

Ruffer LLP

Schroder Investment Management (UK) Limited

Stenham Asset Management

Legal & General Assurance Society limited

(DC Section)
Fletcher King

Property Investment Managers

Investment Performance Monitors

Lane Clark & Peacock LLP

Investment Advisers

Lane Clark & Peacock LLP

Custodians

BlackRock Advisors (UK) Limited

JP Morgan Chase Bank

Universal Pension Trustees Limited

ITB Pension Trustees (1) Limited

ITB Pension Trustees (2) Limited

Chantrey Vellacott DFK LLP

Auditor



Vincent Gordon
FPMI



Dave Faulkner
FCA



Dennis Matthews
APMI

Participating Employers

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

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

CAPITB Limited

Cogent SSC Limited

Participating Subsidiaries:

Technical Apprenticeship Service Limited

(with effect from 1 April 2012)

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

Hospitality Guild

National Skills Academy for Retail

(with effect from 1 April 2013)

Skillsmart Retail UK Ltd

(with effect from 1 April 2013)

Science, Engineering and Manufacturing Technologies Alliance

Participating Subsidiaries:

EMTA Awards Limited

Metals Industry Skills and Performance

Limited (MetSkill)

Training Publications Limited

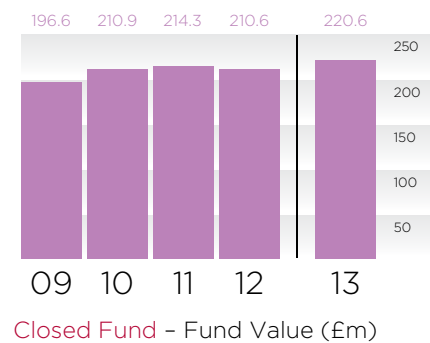
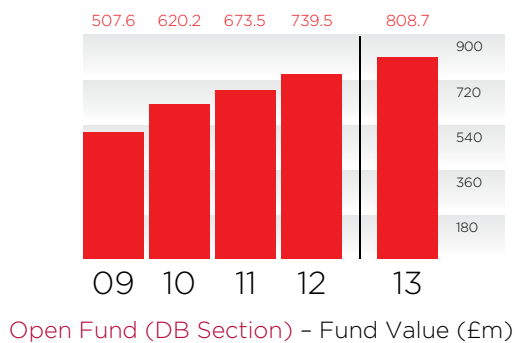
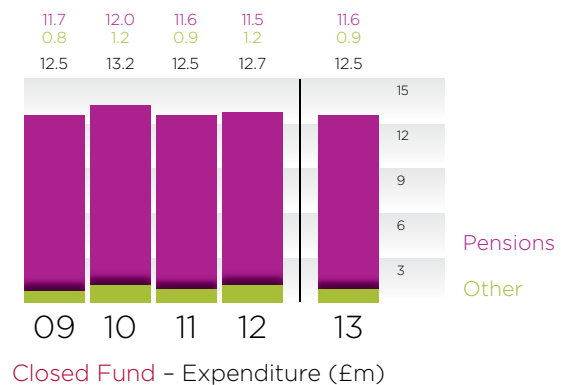
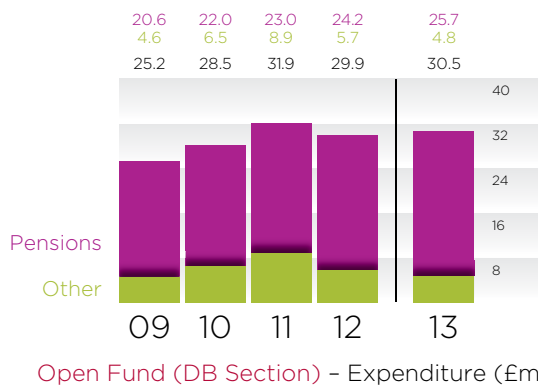
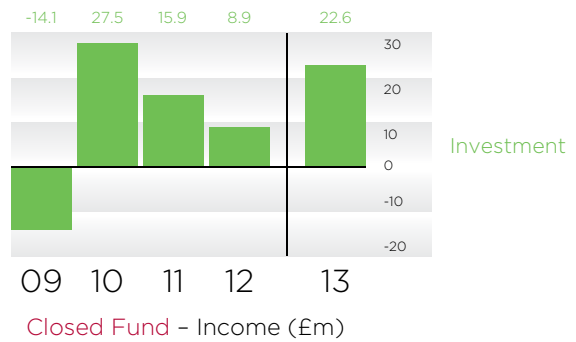
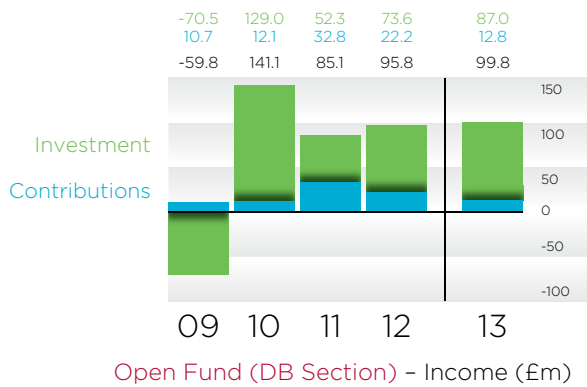
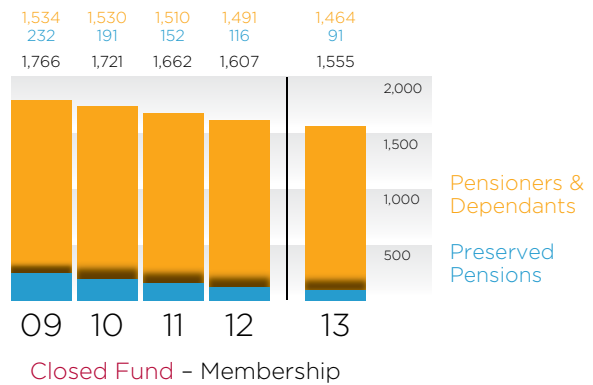
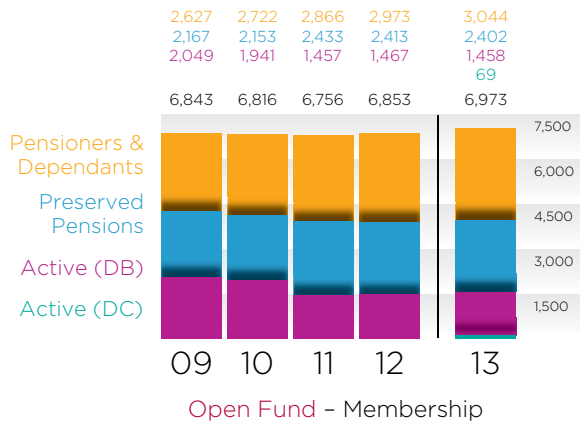
National Skills Academy for Manufacturing

(NSAM)

Scottish Electrical Charitable Training Trust

Skills for Logistics

Five Year Summary



Summary Funding Statements

The ITB Pension Funds (Open Fund DB Sections): Summary Funding Statement for period ending 31 March 2012.

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 Scheme 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 2010 the funding position was as follows:

Assets	£620.2 million
Liabilities	£671.5 million
Funding level	92%

The estimated amount as at 31 March 2010 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £874.9 million. Therefore, the Scheme was 71% funded on a full solvency basis as at 31 March 2010. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind up the scheme.

Change in funding position:

The Scheme Actuary carried out an interim review of the Open Fund as at 31 March 2012. 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 98% to 92% between 31 March 2011 and 31 March 2012. Although the assets performed better than expected and Participating Employers continued to make deficit payments to the Scheme, the decrease in funding level was primarily due to an increase in the value placed on the liabilities due to changes in market conditions.

Actions to return the Scheme to full funding:

The Participating Employers have agreed to pay additional contributions to the Scheme to restore the Scheme to full funding. Additional contributions will be paid for between 7 and 10 years from January 2011. Where such contributions extend beyond 7 years, Employers have agreed to provide additional security to the Scheme.

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, the 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	28%
Bonds/LDI mandate	30%
Alternative Investments	26%
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.itb-online.co.uk) 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 Recovery Plan: This shows the agreed actions to restore the Scheme to full funding.
- 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 2013.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2012.

- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2010.
- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they joined the Scheme, but a further copy can be requested).
- An Annual Benefit Statement: If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension, or visit www.itb-online.co.uk 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 2012.

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 2012 the funding position was as follows:

Assets	£63.0 million
Liabilities	£44.2 million
Surplus	£18.8 million

In April 2011, the Trustees insured the Scheme's benefits by investing in an insurance policy. This policy provides payments to the Scheme intended to cover benefit payments to members. The actuarial valuation of the Scheme excluded the insurance policy and the liabilities covered by it to the extent that they offset each other.

As a result of the valuation surplus, no further contributions were required. The Trustees decided to use some of the surplus to increase all members' benefits in early 2013.

Had the Scheme started to wind up on 31 March 2012, the Scheme Actuary assessed that the assets would have been sufficient to meet the liabilities of the Scheme in full on a solvency basis at that date. This assessment is based on the understanding that the terms of the Trustees' insurance policy would remain appropriate in a wind up. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind up the scheme.

Change in funding position

The surplus decreased from £36 million to £19 million between 31 March 2011 and 31 March 2012. The decrease in surplus reflects the purchase of the insurance policy and

consequential changes to the valuation approach, as well as changes in the value of the Scheme's assets.

Payment to the Employers

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

How the Scheme operates

How is my pension paid for?

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

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

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

How is the amount the Scheme needs worked out?

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

What is the Scheme invested in?

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

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.itb-online.co.uk) to estimate their own benefits.
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- 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.itb-online.co.uk to view online benefit 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.

Financial Summary 2013

	Closed Fund £'000	Open Fund £'000
Value of the funds as at 31 March 2012	210,566	739,453
Income: contributions	0	12,288
AVCs transferred to main Fund	0	459
Income from Investments	12,706	10,767
Total Income	12,706	23,514
Expenditure		
Pensions and other benefits	(11,718)	(29,040)
Transfer values paid	(169)	(326)
Administration expenses	(640)	(1,060)
Pension Levy	(17)	(62)
Total expenditure	(12,544)	(30,488)
Balance deducted/added from value of funds brought forward	162	(6,974)
Net change in market value of investments	9,915	76,259
Value of Funds at 31 March 2013	220,643	808,738

Statement of Investment Principles (SIP)

The Pensions Act 1995, as amended, sets out certain requirements for trustees of pension schemes to prepare SIP 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 the SIP. 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 the 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 portfolio of investments. Their appointments are reviewed by the Trustees annually in light of quarterly monitoring of the performance and investment process. The investment performance of both the Open and Closed Funds is shown on pages 42-46 of the full Trustees' Report & Financial Statements 2012-2013.

The recommendations of a report on institutional investment for defined benefit pension schemes – the Myners Report – which have previously been accepted by the Government, identified a set of investment principles which pension schemes should comply with on a voluntary basis. The Trustees consider that

the Funds are currently mostly compliant with the Report's recommendations (with a few relevant areas where the Trustees are working towards becoming fully compliant) and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures.

In April 2012 a defined contribution (DC) Section of the Open Fund was introduced. The Trustees were mindful of the Principles included within The Pensions Regulator (TPR) publication which concerned the governance matters TPR recommended be considered when setting up and operating a DC pension scheme. These Principles were designed to encourage better investment governance and decision making by Trustees. They provide a framework which can be used as a practical checklist to benchmark a scheme's investment governance processes against 'best practice' agreed by stakeholder representatives within the Investment Governance Group of TPR. The Principles are a guide to best practice for Trustees but are not a legal requirement. However, as with the Myners Principles, referred to above, the Trustees consider that the Funds are currently mostly compliant with the guidance recommended by the TPR (again with a few relevant areas where the Trustees are working towards becoming fully compliant) and have also taken steps, where appropriate, to integrate the guidance into working practices and procedures.

Increases in Pensions

Open Fund (Old Section) and Closed Fund

The Rules require pensions to be increased as if they were 'official pensions' to which the Pensions (Increase) Act 1971 applied (since incorporated into s59 Social Security Pensions Act 1975).

The increases are made in accordance with up-rating orders issued by the Government each year, stating the percentage rate of increase for that year, based on the rise in the "general level of prices". The legislation leaves it to the Secretary of State to decide what the appropriate inflation measure is for this purpose from time to time.

The level of increase is currently determined by reference to the annual rise in the CPI at the end of September each year, with any increase being applied from the first Monday following the beginning of the new tax year.

This year the increase is 2.2% and is payable from 8 April 2013.

Open Fund New and 2007 Sections

Under the Rules of the Open Fund, New and 2007 Sections pensions are increased in line with the annual increase in the Retail Price Index (RPI, for the year to September 2012 was 2.6%), subject to a maximum increase cap as described for the New and 2007 Sections in the table below. Increases commence on the first Monday after 6 April each year.

10 year pension increase history

Date of Increase	Increase %
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
11 April 2011	3.1
9 April 2012	5.2
8 April 2013	2.2

Pensions in Payment – Increase Methods (All ITB Schemes):

	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:	In line with annual up-rating orders issued by the government	*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:	In line with annual up-rating orders issued by the government	*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
The **GMP is increased as follows:	Nil	Nil	In line with annual up-rating orders issued by the government
6 April 1978 to 5 April 1988 by:			
6 April 1988 to 5 April 1997 by:	Lesser of 3% and the annual up-rating orders issued by the government	Lesser of 3% and the annual up-rating orders issued by the government	Excess of the annual up-rating orders issued by the government

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

Preserved Pensions – Increase Methods (All ITB Scheme Sections)

The methods by which any annual increases to preserved pensions currently apply are shown below in the following table:

	Closed Fund & Open Fund (Old Section)	Open Fund (New Section) & Open Fund (2007 Section)
Pensions accrued before 6 April 2009:	In line with annual up-rating orders issued by the government	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:	In line with annual up-rating orders issued by the government	Increased in line with the lower of the accumulated rise in the RPI and 2.5% pa compound

continues on page 12

Increases in Pensions

Contracting-out

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).

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 known as 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.

The Government has set out changes to the State Pension with the introduction of a flat-rate pension to take effect from 6 April 2016, when contracting-out is also to be abolished. The new pension will apply to people who reach State Pension Age after the changes are introduced, so will not affect people who are already pensioners.

Lump Sum Life Assurance and Death Benefit Payments

The Importance of Completing a Nomination Form and Keeping it Up To Date.

You are strongly recommended to complete a **Nomination Form** to say whom you would like the Trustees to consider paying the lump sum in the event of your death. There is flexibility as to who receives any lump sum. It could be your husband, wife or civil partner, but you can nominate any person. Nomination Forms are available from the Funds' website www.itb-online.co.uk or from the ITB Pension Funds' Office.

You can if you wish send the original copy of the completed **Nomination Form** under confidential cover direct to the ITB Pension Funds' Office for safe keeping. The Trustees will take account of your wishes, but the final decision as to distribution of the sum payable rests with the Trustees. This ensures that the payment does not form part of your estate, and so does not give rise to inheritance tax.

The lump sum itself will normally be tax-free. Please remember to complete a new form should your personal circumstances change.

The following overview is intended to highlight the lump sum benefits to members and not to cover every eventuality or benefit amount.

Active Members (Old, New and 2007 Sections) - Payable to your beneficiaries a lump sum life assurance amount becomes payable of a multiple of your Pensionable Salary at date of death (in the case of certain Late Entrants this life assurance cover will not become applicable until after the completion of 2 years' Pensionable Service). Please see your Membership Booklet for the life assurance multiple of Pensionable Salary in your case.

Active Members (DC Section) - For DC Active members an additional sum for the value of their DC Account is payable in addition to the lump sum multiple of salary mentioned above.

Deferred Members (Old, New & 2007 Scheme Sections) - a proportion of Pensionable Salary or a refund of contributions, plus interest, whichever the greater.

Deferred Members (DC Section) - a refund of the value of your DC Account.

Pensioners (Old, New and 2007 Sections) - If you die within 5 years of retirement, a lump sum will be paid to your beneficiaries equal to the pension payments you would have received in the remainder of the 5 year period.

This is calculated as follows:

60 months less the number of monthly instalments actually paid to date of death

times

the gross monthly pension in payment at date of death

This payment is made in addition to any spouse's/civil partner's pension that may be payable.

Members are also reminded to keep the Funds' Office updated in writing to advise about:

Any change in marital status, name changes, change of address and for pensioners, any change to the bank or building society accounts where ITB Funds' Office pays their pensions.



Contact

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