

Pensionnews

Summary of the Trustees' Report & Financial Statements 2013-2014

Chairman's Statement

Year under review

In what has been an eventful year for the Funds we saw a return to a more positive market environment in the first three quarters and above benchmark investment returns, only to have this performance reversed by a mix of new concerns about global recovery and geopolitical factors in the final quarter of the Scheme year. Still, despite market fluctuations and some difficult investment conditions, there have been further signs of a strengthening of economic activity in the first quarter of the new financial year and we constantly keep abreast of expert intelligence on how this may affect our investment strategy.

A significant amount of our time during the year was taken up by events following on from the three-yearly formal actuarial valuation of the Open Fund's defined benefits (DB) Sections as at 31 March 2013. In particular the actions required following confirmation of an anticipated valuation deficit, given the significance the result has on our Participating Employers deficit recovery plans and ongoing standard contribution rates.

Throughout the period since the 2010 valuation, interest rates have been at very low levels and it is this impact of persistently low interest rates that represents a major challenge for pension funds. To a large extent it has had a counter-balancing effect on the positive performance of the Open Fund's investments and the deficit contribution funding paid by our Participating Employers in the period covered by the actuarial review. This is because low interest rates reflect in Government bond yields which are used to determine the discount rate; the rate used to calculate the present value of the Scheme's future defined benefit liabilities, which is then compared with the Scheme assets to establish whether the Scheme is in surplus or deficit.

Open Fund Actuarial Valuation – process

The valuation process includes reference to various assumptions which in turn lead to the Statement of Funding Principles which your Trustees prepare for the formal agreement of our Participating Employers. The production and maintenance of this Statement is at the heart of the valuation process as it records our decisions, taking into account the actuarial advice of the Scheme Actuary, regarding the valuation assumptions. The assumptions were chosen prudently with the objective of securing the long term health of the Scheme. In arriving at the assumptions for the valuation we took account of a statement from The Pensions Regulator which provided a steer for our salary related DB Sections of the ITB Scheme, on its expectations for funding valuations in current market conditions. Key to the whole approach is an examination of each Employer's covenant; the Employer's legal obligation and ability to fund the Scheme now and in the future, which influence the assumptions chosen as it underpins the whole Scheme funding process.

The foremost assumptions are the discount rate; investment return; inflation; salary increases; pension increases and member life expectancy which can have a significant impact on the Scheme's pension liabilities as pensions are likely to be paid for longer than previously assumed. We also state the reasoning

behind the assumptions chosen in our policy for meeting the Statutory Funding Objective, which puts a value on the Scheme's liability to pay benefits and the period and manner within which any deficit in the Scheme is to be remedied. The contribution funding requirements are then normally reassessed at the time of the next formal valuation, that being as at 31 March 2016.

The results of the 2013 valuation revealed the requirement for an increase in the Scheme standard contribution rates and also the necessity of further deficit contributions from Participating Employers in order to strengthen the funding of the Scheme. The objective is to reduce the deficit as quickly as possible, while recognising that Employers pension contributions should be affordable. Following detailed discussions with Employers various deficit recovery periods have been agreed.

In conjunction with the Scheme's Actuary and the Trustees' Employer covenant advisers we have throughout the process sought to achieve the appropriate balance between prudence, given the reduction in the Fund's solvency level since the last valuation, and the ability of the Employers to support the Scheme in the event of adverse circumstances; without damaging the ongoing viability of the Employers by requiring contributions at an unaffordable level.

As part of the overall review, following the valuation we will again review the investment strategy of the Scheme, its asset allocation and fund managers and consider what changes are required going forward.

Further details on the results of the valuation and deficit recovery plan are contained in the Actuarial Valuation section in this report.

Employer Covenant

What Employers can afford to pay without damaging their business prospects requires mutual agreement between each Employer and our professional advisers, which is completed in confidence. The choice of prudent valuation assumptions is needed in the context of the Scheme's objectives and the

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Chairman's Statement (cont.)

strength of the Participating Employers' covenants. Throughout our deliberations we have been mindful to balance our obligations as Trustees to ensure the security of the Fund with the need to avoid unnecessary strain on the Employers' businesses, but we are also alert to The Pensions Regulator's repeated statement to pension fund trustees that prudence should not be watered down to help employers experiencing short term financial stress. Instead, as Trustees we should look more to setting a recovery period that Employers could afford. It is for this reason why we employ independent specialists to review Employers financial circumstances and develop appropriate recovery plans.

By monitoring the financial strength and other developments which may affect our Participating Employers we are better able to make decisions on the Scheme's funding assumptions, whether changes are needed to our investment strategy, and what recovery periods are appropriate for each Employer to repay their share of the funding deficit, along with their ability to meet the required ongoing contribution rate. This regular monitoring of Employer covenants is a fundamental element of our risk control policy.

It is reassuring to know that the result of the recent review by our specialists advises that overall our Participating Employers had performed in line with expectations.

Further Flexibility

Given the required increase in the standard contribution rates identified by the 2013 valuation, we had concerns that some members may be unwilling or not be able to afford to pay any increase in member contributions and therefore may consider opting-out of the Scheme altogether. It was against this background that with effect from 1 January 2014 the Trustees agreed to authorise the flexibility for Employers to allow their existing members who wished it, to opt-out of DB Sections and become members of the less costly DC Section for future service. This is a significant step for members to take and should be considered very carefully as members who may decide to elect this option will become entitled to deferred pensions in the DB Scheme with no link to future salary increases.

Auto-enrolment

Since the introduction of the DC Section of the Scheme in April 2012 the majority of our Participating Employers have supplanted DB provision for new members with the more cost certain DC provision.

Following a set of pro-forma modifications to the rules of the DC Section that would enable the DC Section to be used for auto-enrolment, our Employer with the largest number of members, Construction ITB, decided they would use the DC Section to meet their auto-enrolment obligations from their staging date in September 2013. A number of our other Employers have also indicated that the DC Section is their vehicle of choice to auto-enrol their members as their organisations reach their statutory staging dates through 2014 to 2017.

Closed Fund – interim assessment

The purpose of the interim assessment, most recently carried out as at 31 March 2013, is to provide information on any changes to the Closed Fund's funding position since the most recent formal actuarial valuation; in this case being the valuation carried out as at 31 March 2012. The Trustees are not required to make any decisions regarding the funding method and assumptions, and the review does not give rise to a surplus for distribution.

Closed Fund members will recall that in April 2011 the Trustees insured the vast majority of the Fund's benefits through a bulk annuity policy with Pension Insurance Corporation (PIC), thus

removing much of the longevity and investment risk to which the Fund was previously exposed. The 2013 interim assessment considered material changes in the Fund's residual assets (those assets in excess of the bulk annuity policy), to meet future outgo not covered by the policy.

As normally is the case with an interim assessment, the 2013 update was carried out in line with the approach used in the Fund's previous formal valuation, being the valuation carried out as at 31 March 2012.

The 2013 assessment revealed a surplus of £21.8 million (2012 £19 million) that was derived from a market value of the Fund's assets of £67.4 million as at 31 March 2013 (2012 £63 million) and liabilities (excluding insured liabilities) of £45.6 million (2012 £44 million).

There are no active members in the Closed Fund and membership is comprised of pensioners and members with deferred pensions.

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

Open Fund – Interim Assessment

There was no interim assessment of the Open Fund DB Sections as at 31 March 2013 owing to the formal triennial valuation being carried out as at that date. The next interim assessment due as at 31 March 2014 will be carried out once the 2013 actuarial valuation is finalised.

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

However, following the 2013 Open Fund Valuation we are currently in the process of reviewing the SIPs and consulting with the Participating Employers before adopting what is expected to be a number of changes to the Open Fund's investment strategy.

Governance

Your Trustee Board is committed to high standards of governance and sees this as central to our role as Trustees. We consider all aspects of the governance of the business of the Funds, including risk management. We underpin this by endeavouring to ensure that your Trustees, and the Funds' Office staff, are properly trained to carry out our respective duties.

To further assist our effectiveness as a board we seek to have timely access to accurate and relevant information, which is supported by access to a secure website of ITB Funds' specific information. Agendas and supporting papers for board and committee meetings are circulated by the Funds' Office in good time prior to the meeting date to allow sufficient time for review to enable informed debate and challenge at meetings. An accurate record is made of all decisions taken at meetings of the board and its committees.

Our ultimate goal as your Trustee Board is to collectively and effectively manage the Funds in protecting the security of members' benefits, while delivering long-term sustainable success for the benefit of all of our stakeholders.

Procedures to deal with Trustees' conflicts of interest

The Board has and formally applies procedures for the disclosure and review of conflicts of interest. Prior to appointment and then periodically thereafter a trustee is required to provide information on any other offices they hold or relationships that may represent a potential conflict of interest. All Trustees are asked to declare any potential conflicts of interest in relation to any matters to be discussed at the start of each board meeting.

In this way each Trustee is aware of their responsibility to avoid a situation where they have an actual or potential conflict of interest and of the requirement to keep the matter under review and inform the Chairman and Director of any change in their situation. A procedure is in place for the board to manage conflict situations, should they arise.

Regulation and Legislation

The Government, its agencies and The Pensions Regulator from time to time adopt statutes and issue regulations and guidance that directly or indirectly affect the operation of the Funds and Scheme benefits.

Over recent years far reaching reforms to the pensions market have been introduced and further reforms were introduced by the Chancellor in his Autumn Statement, supplemented by far more fundamental changes announced in the March 2014 Budget. These wide-ranging changes include the removal of the requirement to buy an annuity on retirement which will primarily impact DC benefits and to introduce greater flexibility when taking benefits as cash. While some of the changes will not take place until April 2015, some had an effect from 27 March 2014. The details of some of these reforms are still to be published. Meanwhile we are currently working with our legal advisers on other reforms that have more immediate effect. We recognise that members will wish to access these new options as soon as possible and once we have completed our review we shall issue further information and guidance on the Funds' website. In the interim more about these upcoming changes can be found in the Principal Activities section of this Report.

Communication

Our internet communication facilities have been used by both our members and Participating Employers for a number of years now.

The ITB Funds' website www.itb-online.co.uk is where DB members have access to an array of member information, including pension and additional voluntary contribution (AVC) modelling facilities. It is a password protected platform hosting information about member's pensions administered by the Funds. Deferred members and pensioners also have access to information and benefits relevant to their category of membership.

Our Participating Employers are also well served by the ITB website with individual Employers able to access information specific to them and their membership through Employer authorised personnel user password access.

For ITB DC members the ITB website provides a link through to the Legal & General website; the current DC investment manager and service provider. There, members can gain access to such information as the value of their DC investment and review the various DC funds available to them for investment.

Trustees

My thanks go out to my Trustee colleagues for their continued support and valued guidance throughout the year, and to their Employers who nominate and release them for this responsibility.

A critical element of the success of the Trustee Board is that we have the right mix of individuals with experience and expertise who are provided with the right information and support. This enables us to arrive at key decisions through free debate and constructive challenge so that we act in accordance with the Trust Deed and Rules and with a good understanding of the long-term interests of the various stakeholders in the ITB Pension Funds.

Funds' Staff

The hard work and support of the Funds' Director, Vincent Gordon, his executive Dave Faulkner and the team at the Funds' Office is also significant to our continuing operational success. I would like to acknowledge their high level of commitment and professionalism.

During 2012 Dennis Matthews, the Funds' Communications and Benefits Manager, advised he would retire in July of 2013. A highly committed individual with relevant and deep knowledge of the Funds and pensions generally, Dennis made a wide ranging and consistently strong contribution to the organisation from the time he joined the Funds in 1996. Concurrent with Dennis' retirement, Chris Bettles, who worked with Dennis and headed his administration team for many years, was promoted as Pensions Administration Manager for the Funds. He takes over a number of Dennis' responsibilities on the next stage of our journey.

On behalf of the board I would like to thank Dennis for his excellent contribution during his years of service and wish him well in his retirement.

Outlook

The ITB Pension Funds has a strong history. With the support of our Participating Employers on whom we rely to underpin Scheme benefit provision, we shall work to accelerate the restoration of Open Fund DB Sections to a fully funded position, without overburdening and possibly restricting Employers' future business development plans.

In doing so we are committed to working with our Participating Employers to understand the changing dynamics of their respective businesses, as this important information features strongly in our future funding considerations for the Scheme. An appreciation and understanding of the changes and challenges taking place within our Participating Employers is crucial in ensuring we can deliver the benefit expectations of members. It is our role as Trustees to balance these interests carefully and continue to review the options regarding what actions we can take to mitigate long-term risk to the Scheme.

In summary, your Trustees will continue to diligently monitor developments and respond as necessary; which will include adopting investment policy for the Funds to suit the economic climate and Employer covenant and have various triggers in place to further de-risk the Fund as circumstances change.









Jonathan Swift
Chairman of Trustees – 4 July 2014



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







 <p>David Birtwistle Nominated by: Science, Engineering and Manufacturing Technologies Alliance (Remuneration Committee Member for SEMTA)</p> 	 <p>Terry Lazenby, MBE Nominated by: Engineering Construction ITB (Retired Chairman of ECITB)</p> 	 <p>Newell McGuinness Nominated by: Scottish Electrical Charitable Training Trust (SECTT), CAPITB Limited (Managing Director of SELECT)</p> 
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 <p>Gordon McNeil Nominated by: OPITO Limited (Technical Programs Director for OPITO Limited)</p> 	 <p>Theo de Pencier Nominated by: Skills for Logistics (Chief Executive of Freight Transport Association)</p> 	 <p>Tony Pringle Nominated by: Cogent SSC Limited (Director of TPPLAST Ltd)</p> 
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 <p>Peter Rogerson, OBE (Deputy Chairman- Employers) Nominated by: Construction ITB (Retired Deputy Chairman of Construction ITB)</p> 	 <p>Jonathan Swift (Chairman) Nominated by: Lantra (Deputy Chairman of Lantra)</p> 	 <p>Simon Tarr Nominated by: People 1st (Chief Operating Officer for People 1st)</p> 
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Members' Trustees

 <p>Roisin Boyer Nominated by: People 1st (Head of HR for People 1st)</p> 	 <p>Reg D'Souza Nominated by the Trade Union 'Unite' for: Science, Engineering and Manufacturing Technologies Alliance (Research Manager for SEMTA)</p> 	 <p>Chris Hall Nominated by: Skills for Logistics (Finance & Administration Director for Skills for Logistics)</p> 
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 <p>Madge Moore Nominated by: Lantra (National Director - England for Lantra)</p> 	 <p>Susan Smart Nominated by: Engineering Construction ITB (Regional Account Manager – Offshore)</p> 	 <p>Rob Sweeney Nominated by the Trade Union 'Unite' for: Construction ITB (Product Developer for Construction ITB)</p> 
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Note: No Joint Members' Trustee in place for CAPITB Limited, Cogent SSC Limited, OPITO Limited and Scottish Electrical Charitable Training Trust (SECTT) as at 31 March 2014.

Pensioners' Trustees

<p>Maurice Alston Nominated by: Closed Fund Pensioners Previously Chemical and Allied Products ITB (Retired – formerly Senior Training Adviser Chemical and Allied Products ITB)</p> 	<p>David Barnett (Deputy Chairman- Members) Nominated by: Open Fund Pensioners Previously Road Transport ITB (Retired – Formerly Director General of RTITB)</p> 
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Members' Trustees

Chris Hall resigned his position as Joint Members' Trustee as a result of his Employer, Skills for Logistics, becoming a Large Employer for the purpose of nominating a Members' Trustee on 1 April 2013. He was subsequently appointed as Member Trustee for Skills for Logistics after being nominated by the active membership of Skills for Logistics.

Joint Members' Trustees

The position of Joint Member Trustee remains vacant as no nominations were received from the active members of the Employers eligible to participate in the nomination process. The Employers in this connection are CAPITB Ltd, Cogent SSC Ltd, OPITO Ltd and SECTT.

As Large Employers (which was determined by the active member headcount as at 31 December 2012) the active membership of Cogent SSC Ltd and OPITO Ltd would normally have each nominated a Member Trustee. However, there were no nominations received and therefore no appointments could be made in this respect. The Trustees therefore agreed a rule change so that where a Large Employer is unable to secure a member nomination for the office of Members' Trustee, the Employer concerned will come under the auspices of Joint Members' Trustee (or Joint Employers' Trustee in the case of the lack of an Employer nomination)

Consequently, the active membership of Cogent SSC Ltd and OPITO Ltd were able to participate with CAPITB Ltd and SECTT and nominate a Member Trustee jointly. However, no nomination for the Joint Member Trustee has to date been forthcoming.

Pensioner Trustees

Hugh Edwards retired from his position as Closed Fund Pensioner Trustee at the end of his period of office on 31 March 2014. Following a nomination process for Closed Fund Members, he was succeeded by Maurice Alston.

The period of office of the Open Fund Pensioner Trustee, David Barnett, is due to end on 30 September 2014. Mr Barnett has indicated his wish to stand for re-election.

Employers' Trustees

David Birtwistle, the Employer Trustee for SEMTA retired by rotation on 8 April 2013 and was reappointed to serve a further term from 9 April 2013.

Theo de Pencier was appointed as Employer Trustee for Skills for Logistics on 4 October 2013, succeeding Bob Monks who had resigned as a Trustee on 30 November 2012.

Peter Rogerson OBE, the Employer Trustee for Construction ITB retired by rotation on 31 March 2014 and was reappointed to serve a further term from 1 April 2014.

Jonathan Swift, the Employer Trustee for Lantra retired by rotation on 31 March 2014 and was reappointed to serve a further term from 1 April 2014.

Joint Employers' Trustee

Newell McGuinness, the Joint Employer Trustee for SECTT and CAPITB Ltd retired by rotation on 31 March 2014 and was reappointed to serve a further term from 1 April 2014.

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 OBE as Deputy Chairman (Employers) is due to end on 31 March 2015.

The period of office of David Barnett as Deputy Chairman (Members) is due to end on 29 February 2016.

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, Senior Managers and staff 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 and 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, actuarial and financial 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, financial and administration are discussed and decisions made.

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

There was overall 85% attendance at the Trustees' Board meetings during the review year.

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 2014 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 88% 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, making appropriate recommendations to the Trustee Board where necessary. They are assisted as required in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary.

Trusteeship (cont.)

During the year to 31 March 2014 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 100% 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 2014 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

Funds' Accountant

Dave Faulkner FCA

Communications & Benefits Manager

Dennis Matthews APMI (retired July 2013)

Pensions Administration Manager

Chris Bettles DipPMI

Advisers

Actuary

Trevor Llanwarne FIA, Government Actuary's Department

Solicitors

Mayer Brown International LLP

Investment Managers

Barings Asset Management; BlackRock Advisors (UK) Limited; Capital International; Insight Investment; Investec Asset Management; Liongate Capital Management (terminated May 2013); Longview Partners LLP; Pension Insurance Corporation (PIC); Ruffer LLP; Schroder Investment Management (UK) Limited; Legal & General Assurance Society limited (DC Section)

Property Investment Managers

Fletcher King

Investment Performance Monitors

Lane Clark & Peacock LLP

Investment Advisers

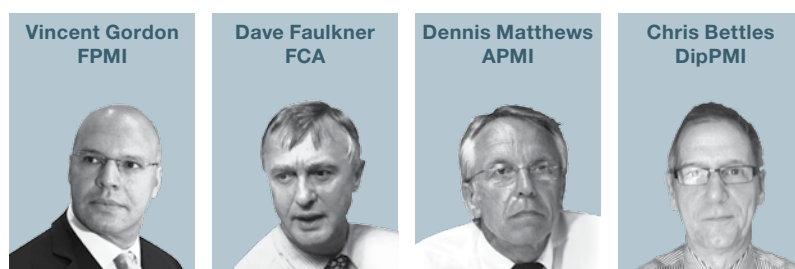
Lane Clark & Peacock LLP

Custodians

BlackRock Advisors (UK) Limited; JP Morgan Chase Bank; Universal Pension Trustees Limited; ITB Pension Trustees (1) Limited; ITB Pension Trustees (2) Limited

Auditor

Chantrey Vellacott DFK LLP



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.

Science, Engineering and Manufacturing Technologies Alliance advised during the year that it had changed the name of its subsidiary, EMTA Awards Limited, to Excellence, Achievement and Learning Limited.

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

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

Hospitality Guild

National Skills Academy for Retail

Skillsmart Retail UK Ltd

Science, Engineering and
Manufacturing Technologies
Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited

Metals Industry Skills and Performance Limited
(MetSkill)

Training Publications Limited

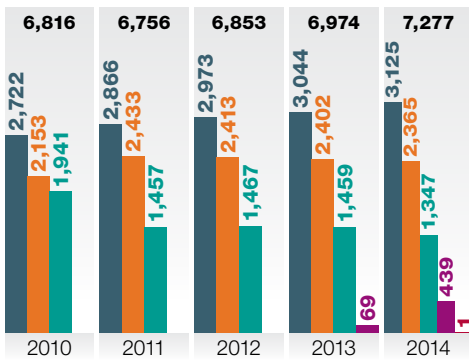
National Skills Academy for Manufacturing (NSAM)

Scottish Electrical Charitable
Training Trust

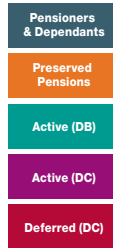
Skills for Logistics

Five Year Summary

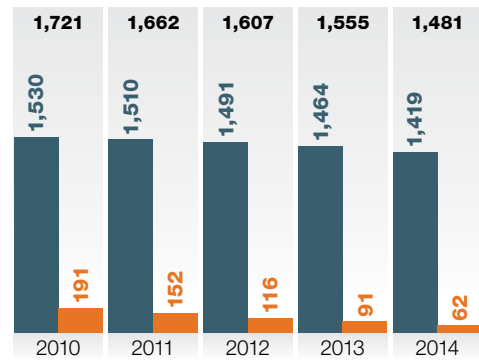
Open Fund - Membership



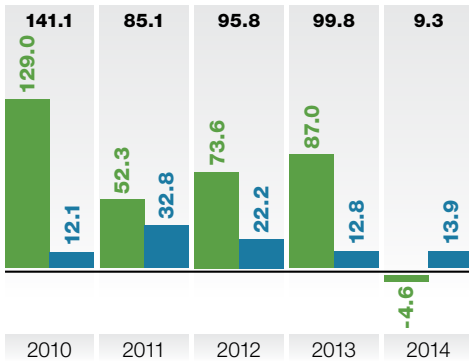
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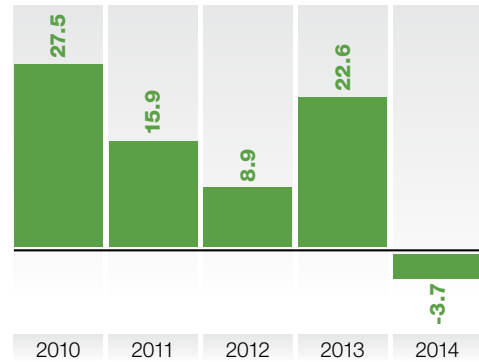
Closed Fund - Membership



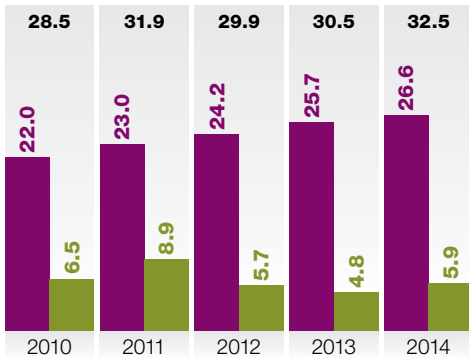
Open Fund (DB Section) - Income (£m)



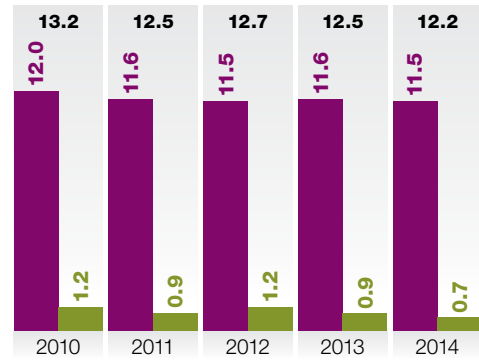
Closed Fund - Income (£m)



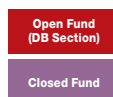
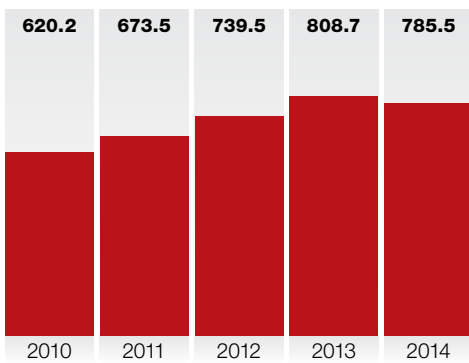
Open Fund (DB Section) - Expenditure (£m)



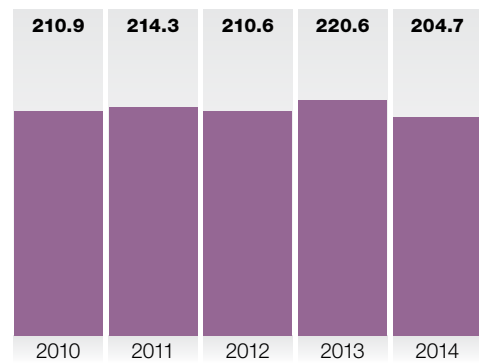
Closed Fund - Expenditure (£m)



Open Fund (DB Section) - Fund Value (£m)



Closed Fund - Fund Value (£m)



Summary Funding Statements

The ITB Pension Funds (Open Fund DB Section): Summary Funding Statement for period ending 31 March 2013.

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 Scheme 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 Open Fund showed that on 31 March 2013 the funding position was as follows:

Assets	£808.7 million
Liabilities	£832.5 million
Funding level	97%

The estimated amount as at 31 March 2013 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £1,165.4 million. Therefore, the Scheme was 69% funded on a full solvency basis as at 31 March 2013. 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 funding level increased from 92% to 97% between 31 March 2012 and 31 March 2013. This increase in funding level was principally down to a change in some of the assumptions used to calculate the value of the liabilities, higher than expected investment returns and deficit contributions paid by Employers.

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. Generally Employers will pay additional contributions for between 5 and 8 years from January 2014. Where such contributions extend beyond 5 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' which can be accessed via 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 2014.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2013.
- 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 2013.

The ITB Pension Funds' Trustees who look after the Scheme will provide an update of the Scheme's funding position each year in a statement similar to that shown below. This statement is based on the latest annual actuarial report, which sets out how the Scheme's funding position has changed since the last full actuarial valuation. It is essentially a snapshot of the financial position of the Fund that is based on the actuarial values of the Fund's assets and liabilities as at the date of the report.

The last ongoing funding valuation:

The most recent funding valuation of the Closed Fund showed that on 31 March 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 through 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 increased from £19 million to £22 million between 31 March 2012 and 31 March 2013. While the Trustees used part of the surplus to increase member benefits by 3.4% in February 2013, there has been a small increase in the surplus over the year due to favourable investment returns and proceeds related to the Scheme's insurance policy.

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' which can be accessed via www.itb-online.co.uk to estimate their own benefits.
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- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2012.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2013.
- 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.

	Closed Fund £'000	Open Fund £'000
Value of the funds as at 31 March 2013	220,643	808,738
Income: contributions	0	13,670
AVCs transferred to main Fund	0	188
Income from Investments	12,654	6,014
Total Income	12,654	19,872
Pensions and other benefits	(11,666)	(30,781)
Transfer values paid	-	(396)
Administration expenses	(541)	(1,323)
Pension Levy	(7)	(41)
Total expenditure	(12,214)	(32,541)
Income less expenditure for year	440	(12,669)
Net change in market value of investments	(16,363)	(10,605)
Value of Funds at 31 March 2014	204,720	785,464

Statement of Investment Principles (SIP)

The Pensions Act 1995, as amended, sets out certain requirements for trustees of pension schemes to prepare a 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 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 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 43-46 of the full Trustees' Report & Financial Statements 2013-2014.

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 are mindful of the Code of Practice No.13 produced by The Pensions Regulator which sets out the legal requirements, standards of governance and administration that Trustees of occupational DC trust-based schemes should aspire to attain. The Code provides a framework which can be used as a practical checklist to benchmark a scheme's investment governance process against 'best practice'. The Trustees consider that the Funds are mostly compliant with the principles laid down in the Code with a few relevant areas where they are working toward becoming fully compliant. The Trustees have also taken steps, where appropriate, to integrate the principles 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 was 2.7% and was payable from 7 April 2014.

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 2013 was 3.2%), 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 %
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
7 April 2014	2.7

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: 6 April 1978 to 5 April 1988 by:	Nil	Nil	In line with annual up-rating orders issued by the Government
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 over 3% 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 (cont.)

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). DC members participate in S2P as they and their Participating Employers pay full rate National Insurance contributions.

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.

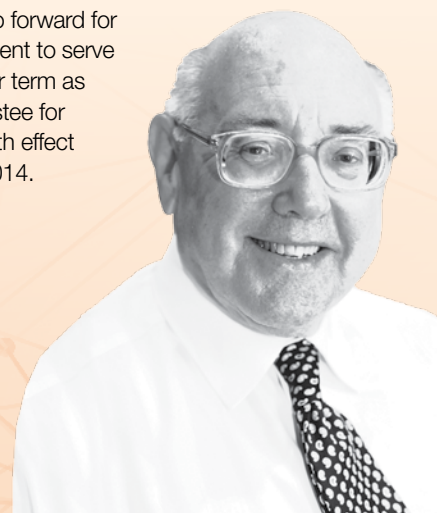
The Government has set out changes to the State Pension with the introduction of a flat-rate pension to take effect from 6 April 2016, when contracting-out is also to be abolished. The new pension will apply to people who reach State Pension Age after the changes are introduced, so will not affect people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

Pensioner Trustee Election Results

On the ITB Pension Funds' Board of Trustees there are two Pensioner Trustees – one each for the Open Fund and the Closed Fund. Pensioner Trustees are elected by their fellow 'pensioners', which in this context includes members entitled to a preserved pension and any member or beneficiary in receipt of a pension (other than a children's pension).

The term of office for a Pensioner Trustee is three years and for the Open Fund Pensioner Trustee, David Barnett, his term of office comes to an end on 30 September 2014. Mr Barnett had indicated his willingness to stand again as Pensioner Trustee.

A postal ballot was required to determine the Open Fund Pensioner Trustee. David Barnett won this ballot and therefore he will go forward for formal reappointment to serve a further three year term as the Pensioner Trustee for the Open Fund with effect from 1 October 2014.



Keeping our records up to date

Members are reminded that to ensure the ITB Pension Funds' Office keep their records up to date, they should be advised in writing of any change in:

- Address
- Marital Status, ensuring that the date of marriage and date of birth of the spouse are advised
- Name Changes
- Bank or Building Society Account (Pensioners only)
- Nomination forms advising the Trustees who to consider for any lump sum payable upon death (applicable only to Open Fund Active and Deferred Members and Open Fund Pensioners who retired less than 5 years ago). Nomination forms can be accessed via www.itb-online.co.uk



The content incorporated within *Pensionnews* is based on the content contained in the ITB Trustees Report & Financial Statements 2013/14.

Contact

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