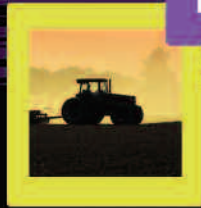




*The ITB Pension Funds*



# Trustees' Report

and Financial Statements 2007-08



INVESTOR IN PEOPLE

Scheme reference number 10169800

# Profile

The ITB Pension Funds, consisting of the Open and Closed Funds, is set up under a Trust Deed and Rules and administered by a Board of Trustees comprising of Member (including Pensioner) Trustees and Employer Trustees. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. Members are contracted-out of the State Second Pension (S2P).

The assets of the Funds are separate from those of its Participating Employers and in the case of the Open Fund, are invested by independent investment managers who are appointed by the Trustees. The Closed Fund has no Participating Employers paying contributions, and while it is predominantly invested in index-linked gilts, it also employs a number of independent external investment managers appointed by the Trustees.

Employees of the Participating Employers may join the ITB Pension Funds (Open Fund) subject to eligibility conditions. The Open Fund is a 'defined benefit scheme' and provides pension and life assurance benefits based on a member's salary and service. With effect from 1 January 2007, the Open Fund consisted of three separate sections:

- the original section of the Open Fund, known as the 'Old Section'
- the 'New Section', which was introduced on 1 September 2003
- the '2007 Section', which was introduced on 1 January 2007.

Both the 'New' and '2007' Sections are available to those Employers who wish to provide a revised level of benefits and have made the necessary election.

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# Chairman's Statement



Peter Rogerson  
OBE

**The year has proved a challenging one on a number of fronts for the Funds and your Trustees. The effects of the turmoil in investment markets along with the continuous flow of legal and regulatory developments have combined to provide a particularly heavy and complex workload for those managing the ITB Funds this year.**

One of the most important matters on your Trustees' agenda in the period has been the triennial actuarial valuation of the Open Fund, which was the first to be conducted by the Fund's Actuary under the Scheme Specific Funding Regulations that came into force on 30 December 2005. The new regime requires scheme trustees to set prudent assumptions for the basis of the valuation and to take into account actuarial advice in so doing, and then to agree those assumptions with the various Participating Employers.

An actuarial valuation is of prime importance to your Trustees in our management of the Funds, as the findings serve to assess whether the Scheme's assets are likely to meet its future liabilities. Based on the position as at 31 March 2007, the results of this valuation showed the Open Fund to be in a sound financial condition with a small surplus on an ongoing actuarial basis.

In light of the valuation results and recognising the requirement to set prudent assumptions for funding the Scheme, the Employer contribution rates for Old Section

members were increased with effect from 1 January 2008. Our Participating Employers have the flexibility under the Scheme Rules to react to increases in the cost of providing benefits by electing to introduce the lower cost 'New Section' or '2007 Section' of the Scheme and the majority of them have now done so.

The 2007 Open Fund actuarial valuation is also relevant because of an agreement between your Trustees and Participating Employers that was introduced following the 1998 valuation of the Open Fund to resolve how a surplus or deficit in the Scheme should be dealt with. That agreement is subject to review following the 2007 actuarial valuation and is currently under active consideration by your Trustees.

Furthermore, in recent years the Trustees have adopted a practice of asking the Actuary to conduct interim annual financial assessments of the Funds between each formal triennial actuarial valuation. Whilst this has become our normal practice it is also now required under the Pensions Act 2004, where a summary of the Scheme funding position is now embodied in an annually issued and updated Scheme Funding Statement. The purpose of the annual assessment is to alert trustees and employers to any factors that may have arisen which may affect the long-term liabilities of the pension scheme since the date of their previous formal valuation, for example, changes in interest rates and market values of investments, as well as inflation. We have asked the Scheme Actuary to conduct such a review of the Open Fund as at 31 March 2008.

The interim assessment of the Closed Fund carried out as at 31 March 2007, following the previous formal valuation as at 31 March 2006, found that the Fund continued to be well placed on an ongoing basis. The interim financial assessments help give us insight into whether the investment policy currently being followed continues to be appropriate.

The valuation results are reported in more detail under the Actuarial Valuation section of this report and will also be communicated in a later edition of the Funds' newsletter "ITB Pension News" currently scheduled for issue later this year.



Turning now to investment, I can report that the Funds encountered a turbulent time mid-year on investment markets as the full extent of the credit crisis became apparent and reflected in the negative impact on the Open Fund's investment returns. The year was also characterised by a number of significant actions as the Trustees' Investment Committee sought to further diversify the Funds' assets in order to position the Funds more favourably for the future, given the insight of the valuation assessments.

Typically, on completion of a formal actuarial valuation, the investment strategy of the Funds is analysed to decide on the best allocation of the Scheme's assets in relation to its liabilities. The review of the Open Fund's investment strategy therefore correspondingly followed the 2007 actuarial valuation. This study helped us to clarify our investment objectives, for example, "What rate of return was required in line with actuarial growth assumptions?" and "How much risk could be tolerated?" When considering risk tolerances, your

## THIS STUDY HELPED US TO CLARIFY OUR INVESTMENT OBJECTIVES

Trustees' Investment Committee took account of the ability of Employers to make extra contributions in the event of a deficit in the Scheme. The Investment Committee worked closely with our investment advisers in comparing risk and return statistics of various investment strategies with the objective to maintain a similar level of investment return, but if possible reduce the level of risk to which the Fund was exposed.

In conducting the study that led to a change in the Funds' investment strategy, the Investment Committee together with our newly appointed investment advisers, Lane Clark & Peacock, assessed the characteristics of the investment vehicles available in the sections of the market in which we wish to participate, along with the principal risks and uncertainties that may affect the Funds' long-term prospects. This resulted in the Committee's consideration being given to a wider range of investment options to maximise potential investment returns, without stepping outside the Trustees' risk and governance guidelines.

The pace of change in the investment management of pension funds has never been faster as new investment products and strategies come on stream to help scheme trustees to manage investment risk, while recognising the importance of diversification of investment across different asset classes.

The main point of the Funds diversifying is to deliver a similar investment return at a lower expected risk, where risk is defined as volatility, consequently suitable investment diversification can facilitate the spread of risk. The restructuring and implementation of the revised investment strategy was a very significant area of activity during the year and resulted in the appointment of several new investment managers over a wide spread of investment classes. This whole process has required careful thought and monitoring by the Investment Committee, assisted by the Funds' Office and the Funds' investment advisers.

However, risk is something we have to live with as it is not possible to eliminate risk in the Open Fund's investment portfolio altogether while still seeking positive returns. It is necessary to regularly review investment performance to determine whether any changes to investment policy are required.

I briefly referred in my opening remarks to the legal and regulatory controls that have had significant impact on the continuing operation of a defined benefit scheme like the ITB Pension Funds. It is fair to say that pension law and regulation can be a difficult subject in its complexity at the best of times, yet the issue of more directives, guidelines and law continues unabated. The Pensions Regulator with its wider and more flexible powers has now really got itself into gear, issuing guidance for pension trustees and sponsoring employers which is not only lengthy but wide ranging. Perhaps the most relevant of this guidance and law to the operations of the ITB Pension Funds and our sponsors, the Participating Employers, has been in relation to the recently amended Employer Debt Regulations 2005.

The Employer Debt Regulations 2005 apply to defined benefit schemes in which more than one employer participates. If any employer leaves the scheme it is required to meet its debt (so-called buy-out debt). Essentially, this is the amount required to fund its share of any pension liability in the scheme as though the members' benefits were instead bought-out with an insurance company.

With regard to matters concerning Scheme solvency we already have systems in place with the Funds' independent auditors, to monitor, assess and advise us on the financial strength and other relevant developments affecting our Participating Employers. The experience of this continuing focus is that most of our Participating Employers are moving towards better reserves as they take account of their obligations to the Funds, with any matters that merit concern being closely and carefully monitored by your Trustees. All Employers are as a minimum informed annually of their individual buy-out debt levels.

## THE FUNDS' WEBSITES ALLOW YOU TO ACCESS INFORMATION ON YOUR BENEFITS

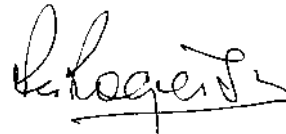
Now is also a good opportunity for me to remind members of the existing availability of ITB Pension Funds' award-winning pension website facilities at [www.itb-online.co.uk](http://www.itb-online.co.uk) and [www.myitb.com](http://www.myitb.com). Whether you are an active member, deferred member or pensioner, the Funds' website facilities allow you, wherever you are, to access information relating to your benefits of membership, or by using the pension modeller to obtain immediate online pension estimates.

In working alongside me on the Funds' business I have been fortunate indeed to have the support and wise counsel of my fellow Trustees. Their broad range of business experience and acumen has certainly helped see the Funds through what has been a very challenging year.

I also wish to record a special mention for the two Deputy Chairmen and my fellow members of the Trustees' Management Panel and Investment Committee. Their preparation and input to the Trustees on what were some very complex matters proved invaluable. Particular to this was the major restructuring of the Open Fund's investment portfolio and the changes in investment managers, which required an enormous amount of the Investment Committee's time and energy, for which I thank them wholeheartedly.

Without doubt the Funds have again demonstrated success through a good valuation result with the declaration of a small surplus from the 2007 valuation, and despite some adverse operational conditions our Participating Employers have supported the provision of defined pension benefits throughout. The Funds' success has also been down to the underlying commitment and dedication to duty of a succession of quality Trustees over the years. Moreover, all that has been achieved has been due in no small way to the efforts and commitment of the management and staff at the Funds' Office, who, under the leadership of the Funds' Director Vincent Gordon, provide us with a first class service. I thank all of them for their tremendous effort and energy over the past year.

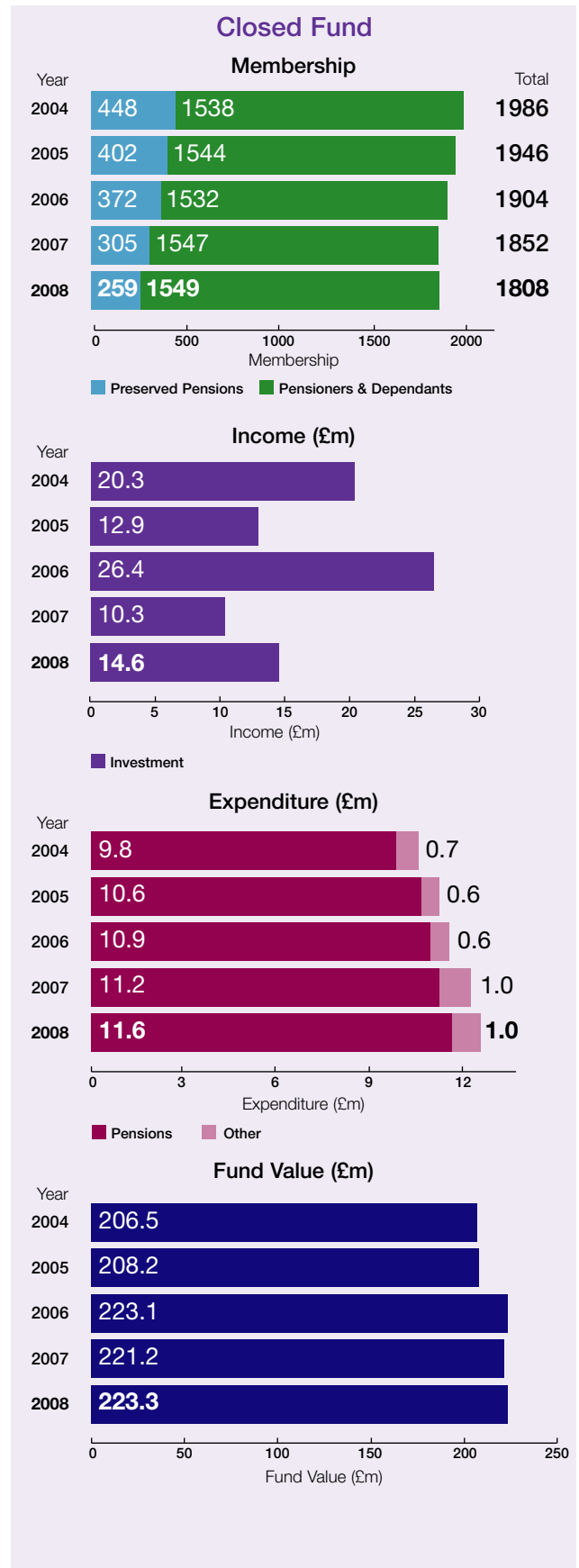
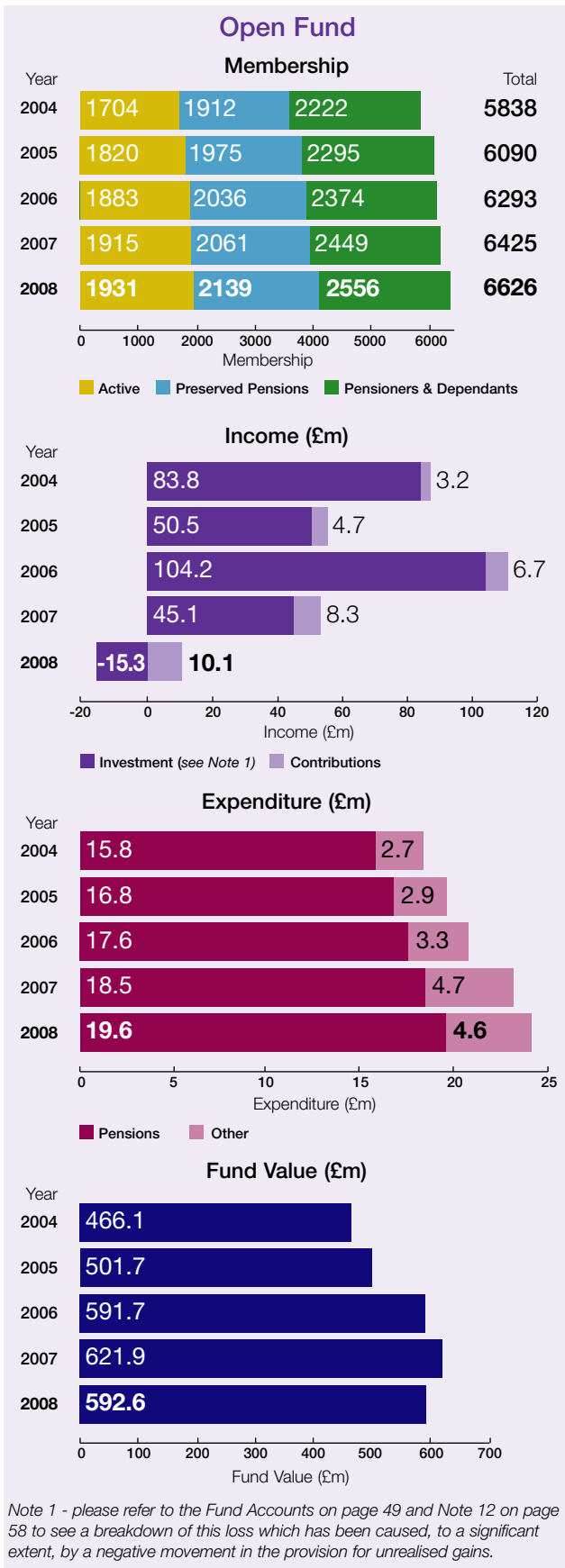
As we now move into a new Scheme year we find that the first part is every bit as challenging as we expected with investment conditions still somewhat in turmoil. Nevertheless, the unwavering objective of your Trustees is the maintenance and improvement of the Funds' overall financial position for all its stakeholders.



**Peter Rogerson OBE**

Chairman of Trustees - 4 July 2008

# Five-Year Summary



# Board of Trustees

## Employers' Trustees



**Peter Rogerson OBE  
(Chairman)**

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



**Jonathan Swift  
(Deputy Chairman)**

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



**Neil Davis**

Nominated by:  
Engineering Construction ITB  
*(Non-Executive Director  
for ECITB)*



**Clare Fisher-Smith**

Nominated by:  
Cogent SSC Limited  
OPITO Limited  
*(Financial Controller for  
Cogent SSC Limited)*



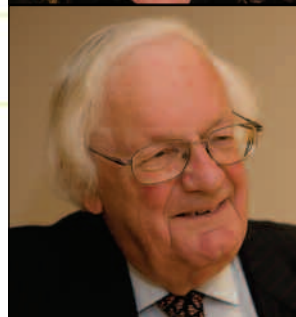
**Denis Hird**

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



**Bob Monks**

Nominated by:  
Skills for Logistics  
*(General Secretary of  
the United Road  
Transport Union)*



**D'Arcy Payne**

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



**Simon Tarr**

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

A vacancy currently exists for a Joint Employers' Trustee nominated by CAPITB plc, Skillfast-UK Ltd and Polymer Industry Education and Training Trust Ltd.



## Members' Trustees



**Ken Potter**  
**(Deputy Chairman)**

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



**Peter Crowther**

Nominated by:  
Cogent SSC Limited  
OPITO Limited  
*(Skills & Learning  
Development Director  
for OPITO Limited)*



**John Edwards**

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



**Chris Hall**

Nominated by:  
CAPITB plc  
People 1st  
Polymer Industry  
Education and Training  
Trust Ltd  
Skillfast-UK Ltd  
Skills for Logistics  
*(Finance & Administration  
Director for Skills  
for Logistics)*



**Peter McCulloch**

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



**Madge Moore**

Nominated by:  
Lantra  
*(National Director -  
England for Lantra)*



**Tim Mahoney**

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

## Pensioners' Trustees



**David Barnett**

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



**Horace Parker**

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

\* ConstructionSkills is the trading name of Construction ITB

# Trusteeship

## Appointment of Trustees

The ITB Pension Funds are controlled by 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees. Details of the Trustees in office at the year-end are shown on pages 8 and 9 of this Report.

Of the nine Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest number of contributing members at 31 December each year have a right to nominate an Employer Trustee for the year commencing on the following 1 April. Where an Employer has one or more wholly-owned subsidiaries, those subsidiaries have no right to nominate Trustees, but the members in their employ are added to the Principal Employer's members for qualification purposes.

The remaining Employers may secure representation in one of two ways. The Successor Bodies to a previous Training Board may join together for the purpose of Trustee nomination and, if necessary, tally their combined membership for the purpose of qualification. Otherwise the remaining Employers concerned will co-operate in nominating a Joint Employers' Trustee, as is currently the case.

Contributing members employed by each of the six Employers with the largest number of members are entitled to nominate one Trustee each by ballot. The exception to this is where an Employer recognises a Trade Union for the purpose of negotiating terms and conditions of service; the Trade Union concerned then nominates the Trustee.

The members of all remaining Employers elect one further Joint Members' Trustee by ballot.

Pensioners and members with preserved pensions who are in the Closed Fund nominate a Trustee by ballot. Similarly, such members in the Open Fund also nominate a Trustee by ballot.

A Trustee may resign as a Trustee at any time and will automatically vacate office if he or she ceases to fulfil the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind.

The Trustees have power by resolution of deciding upon a Trustee's appointment if in their opinion the individual concerned has been guilty of misconduct, or is otherwise unfit or unable to carry out his or her duties.

## Changes to the Trustees

### Member Trustees

Chris Hall was duly appointed as the Joint Members' Trustee representing People 1st, Polymer Industry Education and Training Trust Ltd, Skillfast-UK Ltd and Skills for Logistics with effect from 1 April 2008. He succeeded Trevor Oliver, who was required to relinquish his appointment when he left the service of his Employer, Polymer Industry Education and Training Trust Ltd.

John Edwards, the Members' Trustee for Engineering Construction ITB, retired by rotation on 31 December 2007 and was reappointed to serve a further term from 1 January 2008.

### Employer Trustees

Peter Rogerson OBE, the Employer Trustee for ConstructionSkills, retired by rotation on 31 March 2008 and was reappointed to serve a further term from 1 April 2008.

Jonathan Swift, the Employer Trustee for Lantra, retired by rotation on 31 March 2008 and was reappointed to serve a further term from 1 April 2008.

Professor Tom Cannon, the Employer Trustee for CAPITB plc and Skillfast-UK Ltd, relinquished his position on 31 March 2008 as his nominating Employer became one of the smaller Employers for the purpose of nominating an Employer Trustee.

Bob Monks was duly appointed as the Employer Trustee for Skills for Logistics with effect from 1 April 2008, as a result of his nominating Employer, Skills for Logistics, becoming one of the larger Employers for the purpose of nominating an Employer Trustee.

Bob Hanks, the Joint Employers' Trustee, retired by rotation on 31 March 2008. To date CAPITB plc, Skillfast-UK Ltd and Polymer Industry Education and Training Trust Ltd have not decided on a joint nomination.

### Chairman

The period of office of Peter Rogerson OBE as Chairman is due to end on 31 March 2009.

### Deputy Chairman

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

The period of office of Ken Potter as Deputy Chairman (Members) is due to end on 31 December 2008.

## 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 the Funds' key documentation. Also, special arrangements are made for new Trustees to attend training courses arranged by outside providers. In addition, all Trustees regularly undergo a process to identify their training needs. Based on this assessment, relevant training courses are then organised throughout the year, and at least one annual training seminar for all Trustees is organised.

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

## Meetings

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

### Committees

The Investment Committee, the Management Panel and the Salaries Committee are formally set up by resolution

in accordance with the Rules and have carefully defined remits.

### 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 2008, the Investment Committee comprised five Trustees, including the Chairman of the Trustees. The members were:

Mr PG Rogerson OBE	Chairman
Mr JF Swift; Mr KJF Potter	Joint Deputy Chairmen
Mr DC Barnett; Mr SCV Tarr	Trustees

### 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 where necessary. They are assisted as appropriate in these roles by the Trustees' professional advisers. The Management Panel meet as and when necessary.

During the year to 31 March 2008 the Management Panel comprised four Trustees, including the Chairman of the Trustees. The members were:

Mr PG Rogerson OBE	Chairman
Mr JF Swift; Mr KJF Potter	Joint Deputy Chairmen
Mr RS Hanks	Trustee

### Salaries Committee

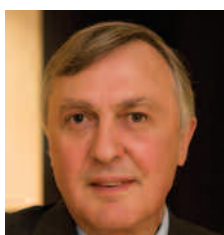
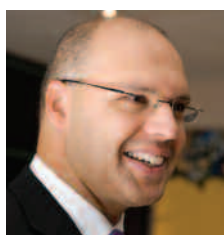
The Salaries Committee was established by the Trustees to deal with Human Resource issues affecting staff employed by the ITB Pension Funds on behalf of the Trustees. The Salaries Committee meet as and when required.

During the year to 31 March 2008 the members of the Committee were:

Mr PG Rogerson OBE	Chairman
Mr JF Swift	Deputy Chairman
Mr RS Hanks	Trustee

# Officers and Advisers

<b>Officers</b>	
Director	Vincent Gordon APMI
Accountant	Dave Faulkner FCA
Communications & Benefits Manager	Dennis Matthews APMI
<b>Advisers</b>	
Actuary	Government Actuary
Solicitors	Mayer Brown International LLP
Investment Managers	AXA Rosenberg Investment Management Limited Barclays Capital Barclays Global Investors Limited BNY Mellon Asset Management Fidelity Pensions Management Limited Henderson Global Investors Limited Insight Investment Investec Asset Management Longview Partners LP Schroder Investment Management (UK) Limited Wegelin & Co.
Property Investment Managers	Fletcher King
Investment Advisers	BNY Mellon Asset Servicing Lane Clarke & Peacock LLP
Custodians	Barclays Global Investors Limited JP Morgan Chase Bank Universal Pension Trustees Limited
Auditors	Chantrey Vellacott DFK LLP



Pictured left to right:  
Vincent Gordon  
Dave Faulkner  
Dennis Matthews

# Participating Employers

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

During the year the following changes occurred:

Cogent Sector Services Limited changed its name to OPITO Limited and applied to become a Principal Successor Body participating in the ITB Pension Funds in its own right once it had demerged as a subsidiary of Cogent SSC Limited. The Trustees approved this application and upon becoming a separate company on 30 November 2007, OPITO Limited became a Principal Successor Body.

Automotive Skills Limited withdrew from the ITB Pension Funds. The date of termination was 12 February 2008. More details on the circumstances of this withdrawal can be found within the 'Review of Principal Activities' on pages 14-16.

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

## CAPITB plc

Subsidiaries:  
Global Resource Management PLC  
RTITB Limited



## Cogent SSC Limited

Subsidiary:  
Skills Assurance Services Limited



## ConstructionSkills\*



## Engineering Construction ITB



## JTL



## Lantra



## OPITO Limited



## People 1st



## Polymer Industry Education and Training Trust Limited

*Polymer Industry Education and Training Trust Limited*

## Science, Engineering and Manufacturing Technologies Alliance

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



## Scottish Electrical Charitable Training Trust



## Skillfast-UK Limited



## Skills for Logistics



\* ConstructionSkills is the trading name of Construction ITB



# Review of Principal Activities

Described below are the most significant developments and initiatives that have influenced the activities of the ITB Pension Funds over the past year.

## Actuarial Valuations

The results of the Open Fund triennial valuation, carried out as at 31 March 2007, were announced during the Scheme Year. This was the first formal valuation of the Open Fund to be carried out under the new statutory Scheme Funding Requirements that replaced the Minimum Funding Requirement (MFR) with effect from 30 December 2005.

This new basis for the valuation places far more responsibility upon the Trustees who undertook an in-depth review of methodology and assumptions in conjunction with their advisers, which was later agreed by the Employers. The approach that was formally approved recognised the Pensions Regulator's requirement that the Scheme's liabilities must be calculated on a prudent basis.

A small increase to the surplus in the Open Fund was revealed, confirming that the Scheme continues to enjoy a satisfactory ongoing financial position.

In accordance with the Scheme Specific Funding Regulations in the Pensions Act 2004, the Trustees are now also required to obtain annual actuarial reviews in the intervening years between the formal triennial valuations. Consequently, the Actuary also carried out an interim valuation of the Closed Fund as at 31 March 2007. The results of the valuation concluded that the Closed Fund remains in good financial health.

## Employer Covenant

Reviewing the financial viability of the Scheme's Participating Employers continues to be a top priority for the Trustees, and this is reflected in their commitment to an ongoing review in this area. An Employer's ability to meet the costs required to fund the benefit promise is of critical importance.

The majority of the Scheme's Sponsoring Employers are judged to be in a sound position. That said, the ongoing investigations have highlighted some matters of concern that are being monitored, with a view to achieving the best

possible course of action available to the Trustees, whose principal objective is to protect the interests of the members.

## Contribution Rates

The Employers are conscious of the increasing costs attached to operating a defined benefit scheme such as the Open Fund. The 2007 actuarial valuation of the Open Fund resulted in the normal contribution rate for the Old Section increasing to 23.8%. As a means of easing future expenditure a number of Employers have also made elections to introduce the lower cost sections of the Open Fund for their employees, including the New Section (available for new entrants from September 2003 but which is now also available for the future accrual of former Old Section members) and the 2007 Section (established in January 2007 for new entrants).

## Investment Diversification

The Trustees' thorough review of both Funds' investment portfolios continued in earnest throughout the last Scheme year. Their review has seen a diversification in the assets held and of the investment organisations managing those assets. At the end of their restructuring process there will be approximately 13 managers managing 19 portfolios in the Open Fund, and approximately five managers managing nine portfolios in the Closed Fund. Details of the portfolios in place at the Scheme year-end are shown within the Investment Performance Review, beginning on page 40.

The aim of the process is to maintain expected investment returns, while reducing the levels of forecast risk by spreading the risk over a diversified range of assets. The ongoing process of monitoring performance and assessing the suitability of the Funds' investments continues unabated for the Trustees' Investment Committee, assisted by the Funds' Office.

## Continuous Improvement

The Funds' Office aims to promote the ideal of continuous improvement through all its activities.

Following a formal review and assessment by the awarding body, the Funds' Office has retained its 'Investor in People' (IIP) accreditation that was first attained in November 2004. The Funds' Office received credit in the review report where in particular their sound business management principles were identified as rarely seen in such a small organisation.

Continuous improvement has also driven progress in other areas, including expanding the use of formal administrative procedures and implementing a new, simplified login system for the 'MyITB' ([www.myitb.com](http://www.myitb.com)) website. Indeed, at the annual pensions' industry awards, the ITB Pension Funds was shortlisted for a number of awards and was again commended for the 'rich functionality of its excellent website'.

## Risk Management

The management of risk is embedded in the Funds' Office culture, in its operation and the way it manages all aspects of the Funds' business.

There are many risks facing a pension scheme, particularly a defined benefit scheme like the ITB Pension Funds, such as financial, operational and reputational. The ITB Pension Funds seek to identify those risks that are most relevant and develop appropriate and cost-effective methods to avoid or mitigate them. However, it is accepted that in a complex area such as pension provision, it will never be possible to completely eliminate risk.

## Law and Regulatory Guidance

The recent amendments to the Employer Debt Regulations 2005 were a significant development in pension law, particularly for the ITB Pension Funds as a scheme with several participating employers. These regulations deal with the issue of employer pension debts where a participating employer leaves a multi-employer, defined benefit scheme which is not fully-funded on a 'buy-out basis'. The buy-out basis is derived from the cost of buying all members' benefits with an insurance company. In such a situation, the exiting employer is required to pay its appropriate share of the cost to get the scheme up to a fully-funded buy-out position. The recent amendments to this legislation provide new flexibility for employers and trustees in relation to



reaching agreement on how any debt should be paid. The Trustees have been working with the Employers to ensure that they are fully aware of their buy-out obligations and exploring ways to improve the Funds' buy-out position.

The Pensions Regulator has been busily issuing guidance for pension scheme trustees and their sponsoring employers throughout the year. Of the wide-ranging guidance, perhaps of most relevance to the ITB Pension Funds was the directive in relation to a trustee's potential 'conflict of interests'.

This was identified as a priority area for trustees in their governance of pension schemes, and refers to where the interests of a trustee in their role as guardian of the pension scheme may be inconsistent with their interests in another position they hold or their own personal interest. Trustees not only have to manage their own conflicts, but also must be careful to understand the scope for their advisers to also have conflicts.

The Trustees, in conjunction with the Funds' Office, have put measures in place to ensure that they do not get into a situation in which their personal or financial interests are in conflict with those of the Fund. This allows them to complete their duties in full knowledge of the importance to protect the Funds from any form of impropriety.

#### **'Automotive Skills Limited' Withdrawal**

During the year, one of the Funds' smaller Employers, Automotive Skills Limited (ASL), experienced financial difficulties resulting in the loss of its trading licence and had to withdraw from the Fund. As ASL was leaving the Fund a debt arose on their withdrawal. The Trustees entered into extensive negotiations with the objective of maximising the amount of the debt recovered. After ASL had been wound-up and their assets (plus contributions from a successor body) paid over to the ITB Pension Funds, there remained a shortfall of around £320,000. While the Trustees are disappointed that ASL could not pay their buy-out debt in full, the amount of the shortfall was not significant in the context of the Open Fund as a whole.

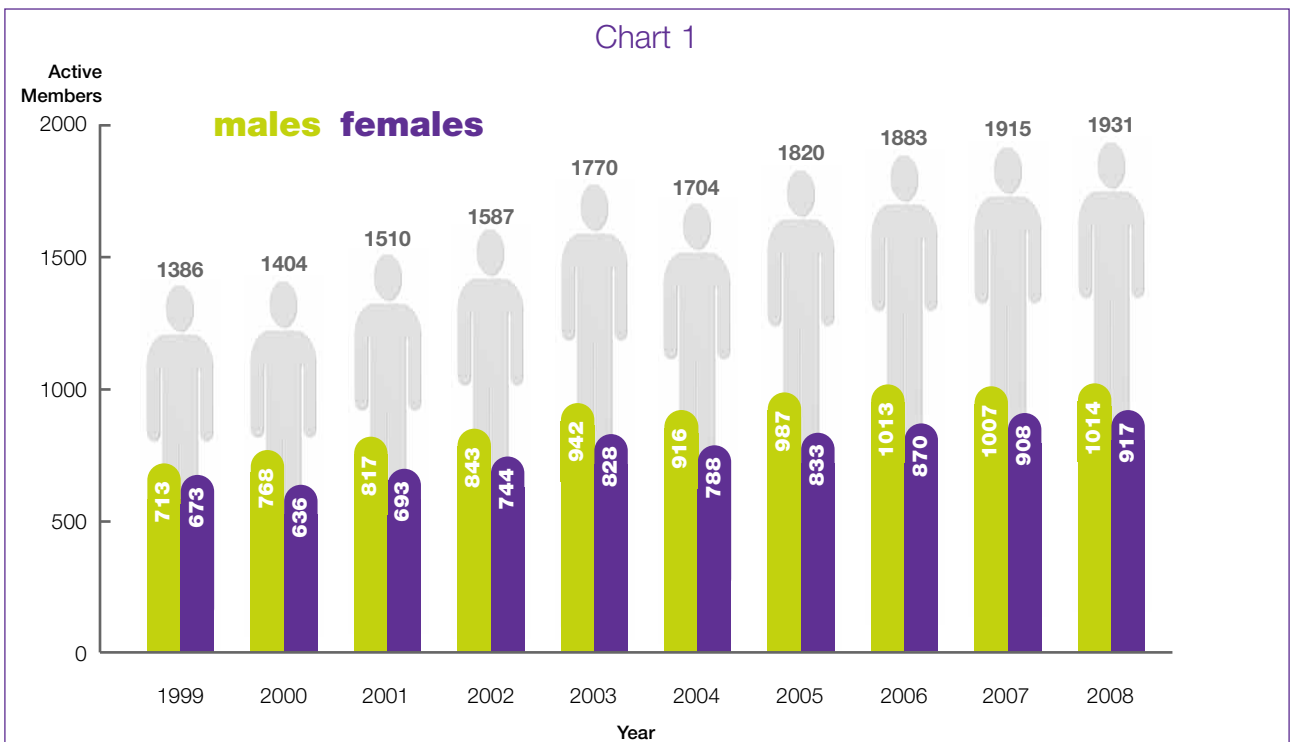


# Membership

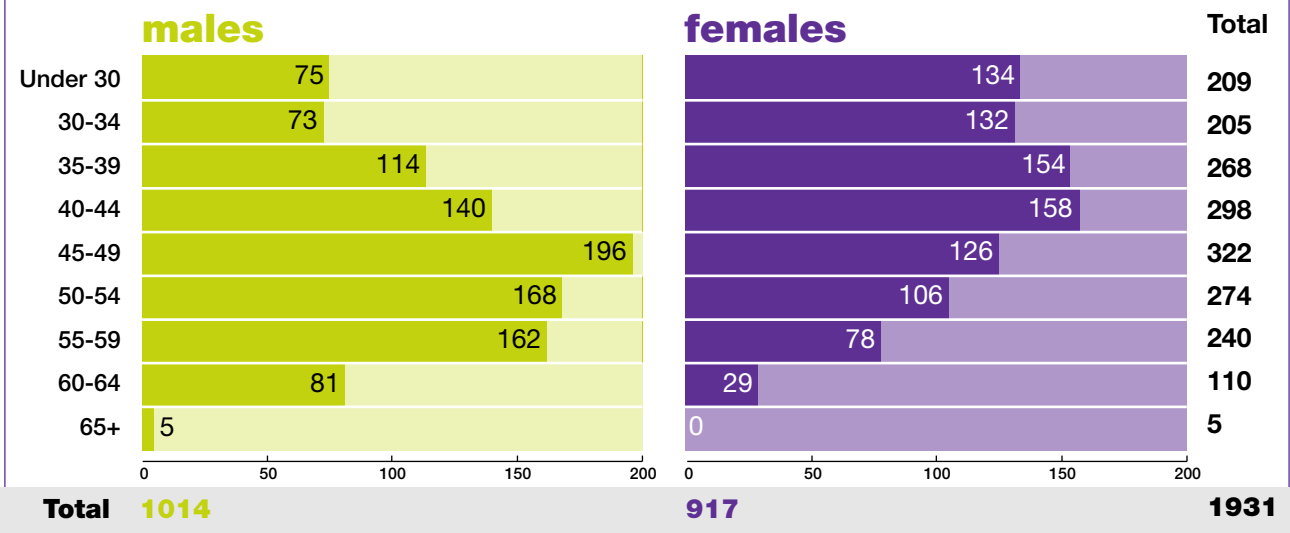
## Active Members - Open Fund

The ITB Pension Funds consists of two separate Funds, the Open Fund and the Closed Fund. All active members are in either the 'Old', 'New' or '2007' Section of the Open Fund. The Open Fund has seen a small increase in its active membership over the past year, continuing the trend of the previous two years.

However, this year's net increase came about in spite of the withdrawal of the Participating Employer, Automotive Skills Limited. Polymer Industry Education and Training Trust Limited also transferred the employment of the majority of their active members to a non-participating employer. These two changes resulted in a loss of around 40 active members.



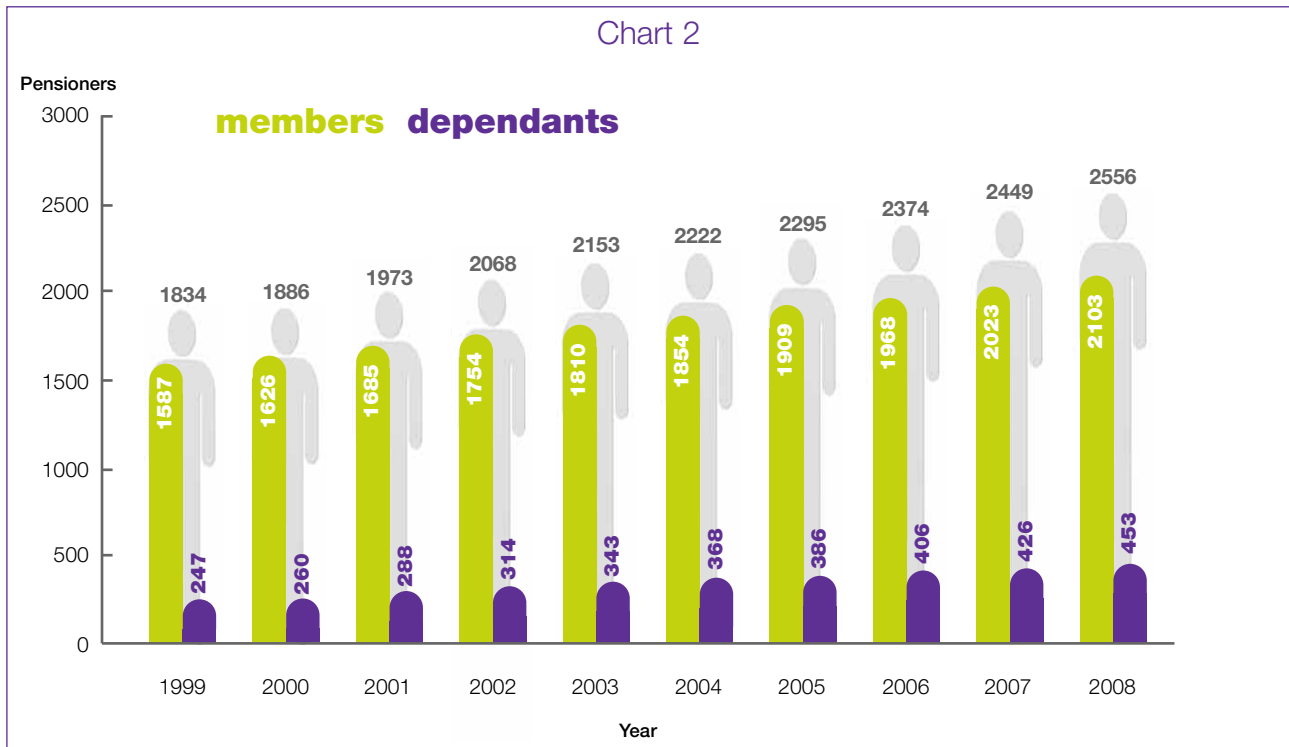
The age structure of the contributing members at 31 March 2008 was as follows:



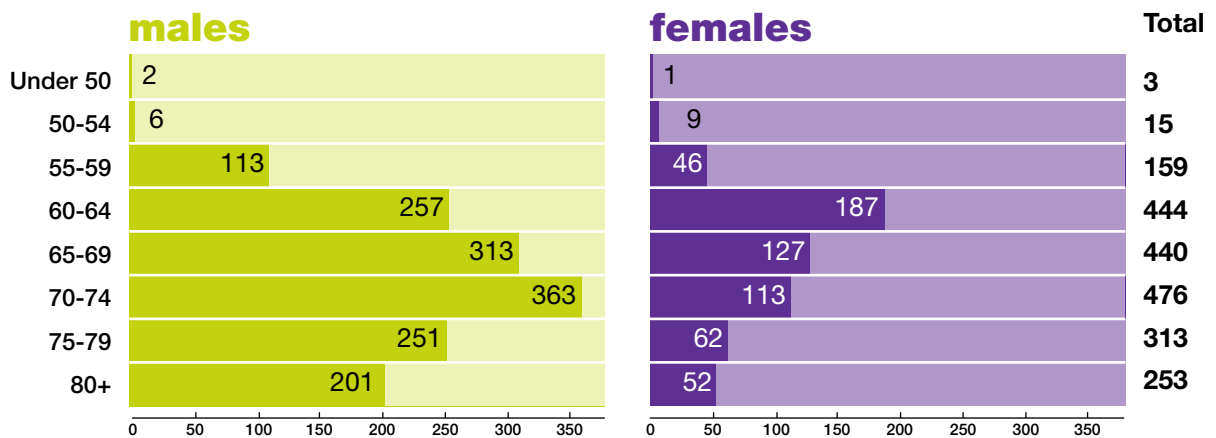
# Membership

## Pensioners - Open Fund

The trend of previous years continues as the number of pensioners in the Open Fund steadily rose once again mainly from early retirements. Pensioners are either members or dependants and the number in each category is shown below.



The age structure of pensioners in the Open Fund as at 31 March 2008 is shown below. The benefits paid to the pensioners cover early, normal, late retirement, compulsory and disability retirement.



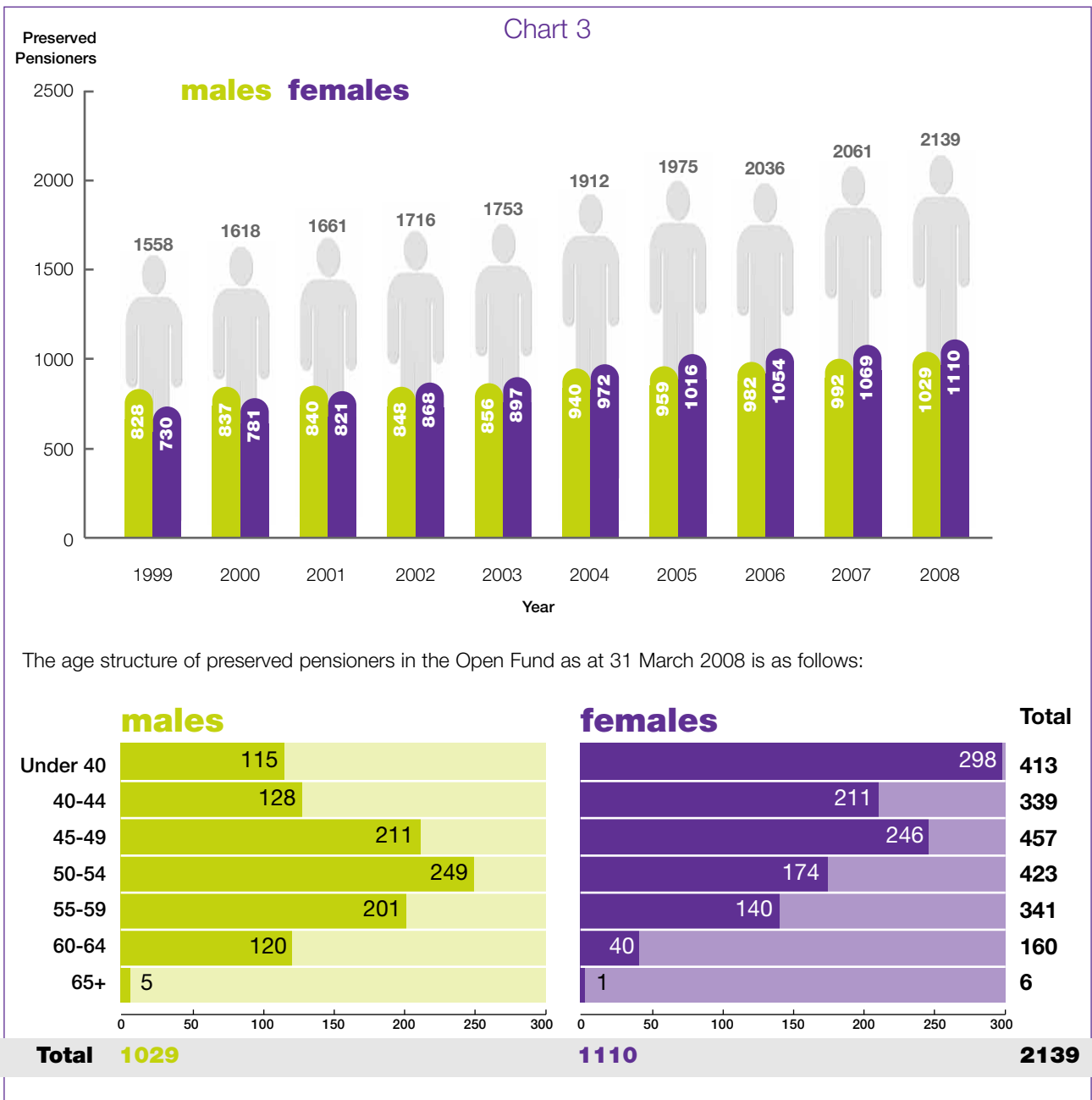
<b>Sub-total</b>	<b>1506</b>	<b>597</b>	<b>2103</b>
<b>Dependants</b>	<b>57</b>	<b>396</b>	<b>453</b>
<b>Total</b>	<b>1563</b>	<b>993</b>	<b>2556</b>



# Membership

## Preserved Pensioners - Open Fund

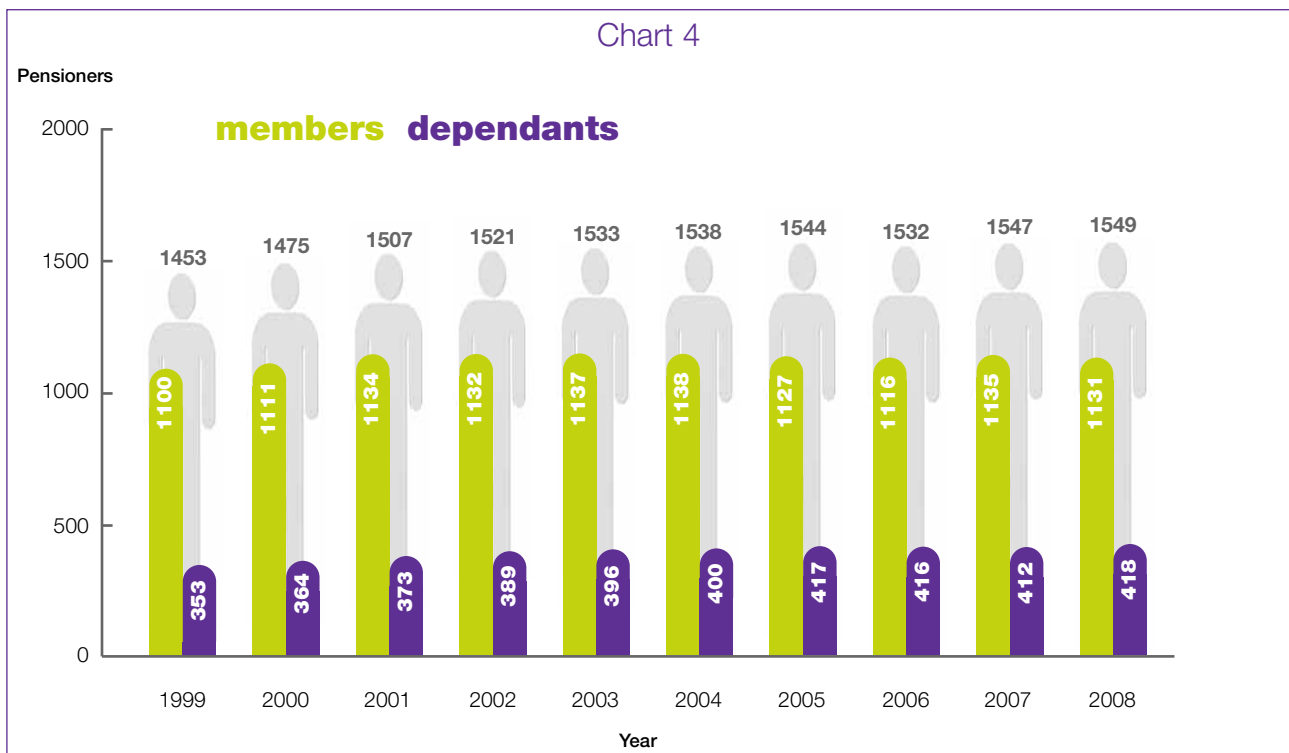
The number of preserved pensioners in the Open Fund as at 31 March 2008 is shown below. Preserved pensioners (also sometimes referred to as deferred pensioners) are members who have left service, but still hold a benefit within the Open Fund which will become payable on their retirement or death.



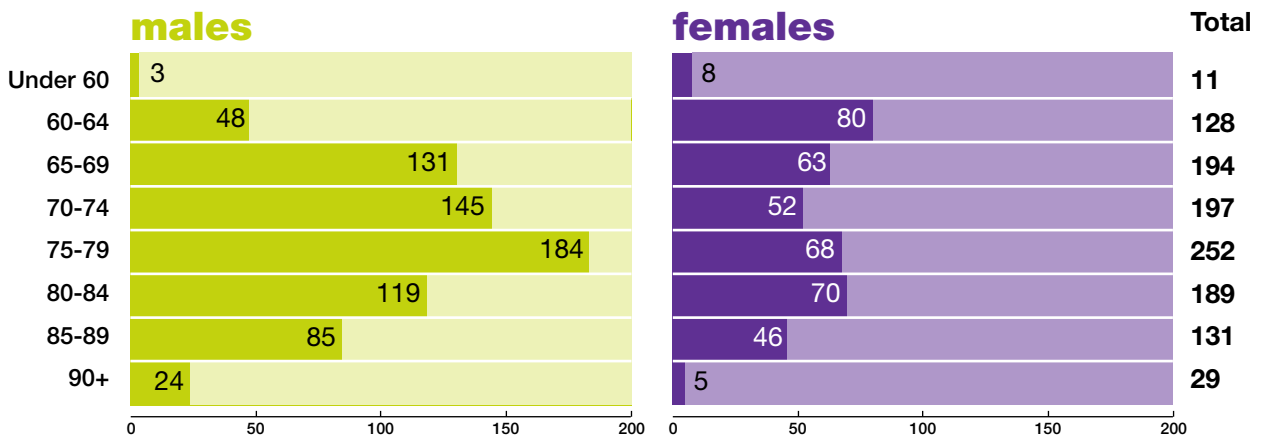
# Membership

## Pensioners - Closed Fund

The Closed Fund was established in April 1983 after the Government had dissolved 16 Training Boards. Membership of the Closed Fund is fixed by a Memorandum of Agreement. There are no active members in the Closed Fund. It consists only of pensioners, dependants and preserved pensioners. This year, the number of Closed Fund pension beneficiaries has remained at almost exactly the same level as last year, as the number of pensioners who have died is roughly equal to the number of preserved pensions coming into payment and pensioners being replaced by their dependants.



The age structure in the Closed Fund as at 31 March 2008 is shown below:

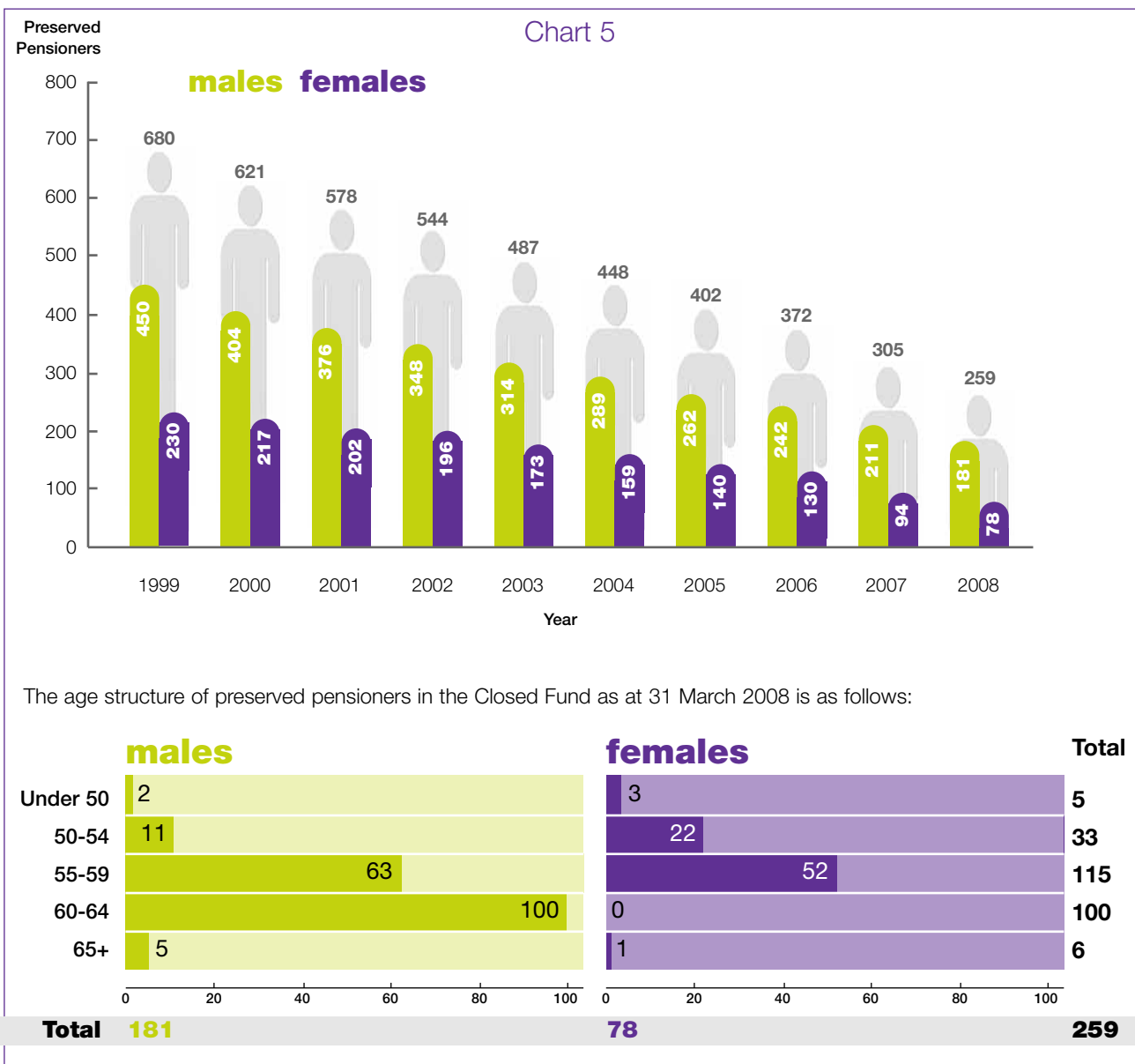


<b>Sub-total</b>	<b>739</b>	<b>392</b>	<b>1131</b>
<b>Dependants</b>	<b>27</b>	<b>391</b>	<b>418</b>
<b>Total</b>	<b>766</b>	<b>783</b>	<b>1549</b>

# Membership

## Preserved Pensioners - Closed Fund

The number of preserved pensioners in the Closed Fund as at 31 March 2008 is shown below. Preserved pensioners are members who have left service, but still hold a benefit within the Closed Fund which will become payable on their retirement or death.



# Increases in Pensions

The Rules of the ITB Pension Funds provide that the Closed Fund and the Open Fund (Old Section) increase pensions in payment each year in accordance with Section 59 of the Social Security Act 1975 (as amended). The amount is based on the annual increase in the Retail Price Index (RPI) up to the previous September, which is announced by the Government in October each year.

The provisions of the Rules relating to increases in pensions under the Closed Fund and the Open Fund (Old Section) apply equally to preserved pensions which receive an increase for the period from the date of leaving to the date payment begins as well as thereafter. Guaranteed increases have been granted to pensions under the ITB Pension Funds since 1971 and details of the most recent increases are shown in the table below.

Date of Increase	Increase %
12 April 1999	3.20
10 April 2000	1.10
9 April 2001	3.30
8 April 2002	1.70
7 April 2003	1.70
12 April 2004	2.80
11 April 2005	3.10
10 April 2006	2.70
9 April 2007	3.60
7 April 2008	3.90

Pensions in payment under the New Section and 2007 Section of the Open Fund are also increased in line with the annual increase in the RPI, but subject to a maximum of 5% increase in any one year for pensions accrued before 6 April 2005 and up to a maximum of 2.5% for pensions accrued thereafter (or such other amount prescribed by legislation). Deferred pensions under the New Section and 2007 Section are increased in line with the annual increase in the RPI up to a maximum of 5% compound (or such other amount as prescribed by legislation).



Up to 5 April 1997, it was a requirement of contracting-out of the State Second Pension (S2P – then known as SERPS) that an occupational pension scheme had to provide its members with a pension broadly equivalent to the extra State pension (S2P/SERPS) that members would have earned had they not been contracted-out. This was called a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post-5 April 1997 pensionable service and instead the Open Fund passes a Reference Scheme Test for salary-related contracted-out plans as set out in the Pension Schemes Act 1993. In being contracted-out, active members and Employers benefit from a reduced contracted-out rate of National Insurance Contributions.

The method by which increases apply to **pensions in payment** from the ITB Pension Funds is as follows:

	<b>Closed Fund &amp; Open Fund (Old Section)</b>	<b>Open Fund (New Section) &amp; Open Fund (2007 Section)</b>	<b>The State</b>
Before State Pension Age the Scheme increases <b>total</b> pension by:	RPI	RPI subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	<b>Nil</b>
After State Pension Age the Scheme increases:			
Excess over GMP by:	RPI	RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	<b>Nil</b>
For GMP accrued between: 6 April 1978 to 5 April 1988 by:	Nil	Nil	<b>RPI</b>
6 April 1988 to 5 April 1997 by:	Lesser of 3% and RPI	Lesser of 3% and RPI	<b>Excess of RPI over 3%</b>

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

It is important to note that for pensions actually being paid an increase is not normally payable where the recipient is below the age of 55. Where a pension is paid to someone below that age (for example, a compulsory retirement pension granted on redundancy), the increase is withheld, but on reaching the age of 55 the increase then made (on future instalments of pension only) will reflect all the increases since the date the pension first became payable. This age restriction does not apply if the pensioner retired on disability grounds, or if the pension is a spouse's or children's pension.



# Transfer of **Benefits**

The policy of the Trustees in relation to transfer payments when a member of the Funds leaves pensionable service has always been that such a payment should be available, provided that after the transfer has been concluded the Funds should retain no further liability.

Members have a statutory right to request a statement of transfer value once every 12 months. The Pension Schemes Act 1993 gives members who have left the Funds a statutory right to a transfer value in respect of their accrued benefits, which must be calculated according to regulations made under the Act.

Such transfer values can be paid to the occupational pension plan of the member's new employer, to a personal pension scheme, or into an insurance company pension policy.

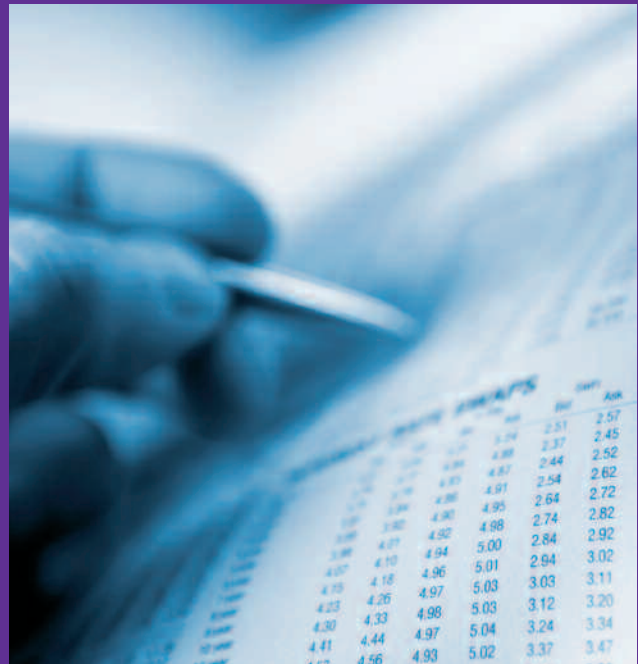
Members who leave service and are granted a preserved pension may therefore elect to have their benefits transferred to another pension plan, or an insurance pension policy, at any time thereafter, subject to the transfer being completed no less than one year before Normal Retirement Date.

All transfer values paid during the year were calculated and verified in the manner prescribed under the regulations and made no allowance for discretionary benefits.

The rights granted to members either by Statute or by the Rules do not extend to members who have already started to receive a pension. However, there is an exception to this where a Pension Sharing Order is implemented following divorce proceedings where a transfer amount may be paid to a divorcing spouse with the member's pension being reduced accordingly.

In common with many other pension schemes the Trustees no longer accept transfers-in to the Funds because of concerns about the exposure to additional liabilities.

Legislation introduced by the Pensions Act 2004, which took effect in December 2005, removed the requirement for cash equivalent transfer values to be above a minimum level, but legislation continues to require cash equivalent transfer values to be at least equivalent to the value of the benefits given up while funding levels allow this. The Trustees, along with the Funds' Actuary, are currently reviewing the way cash equivalents are calculated for transfers-out of the Open and Closed Funds, to ensure that they remain consistent with legislative requirements and continue to reflect the expected cost to the Scheme of providing the benefits being valued.



**MEMBERS HAVE A STATUTORY RIGHT TO REQUEST A STATEMENT OF TRANSFER VALUE ONCE EVERY 12 MONTHS**

# Actuarial Valuation

## Open Fund

The ITB Pension Funds (Open Fund) is a defined benefit scheme. This means that the pension paid to a member is based on their service at, and salary in the years before, retirement. The Participating Employers operate the Open Fund for the substantial majority of their employees. The assets of the Fund are held separately from the finances of the Participating Employers.

Actuarial valuations of the Fund are carried out as determined by the Trustees at intervals of not more than three years. In his valuation the Actuary assesses the funding position of the Scheme and the expected future cost of benefits accruing to members under the Scheme, recommending a rate of contribution to be paid by Employers. In intervening years, annual interim actuarial reviews are carried out, to monitor changes in the funding position between formal valuations.

The most recent valuation of the Open Fund was completed by the Actuary as at 31 March 2007, revealing an increase in the surplus in the Fund of £2.4 million. The Actuary valued the liabilities of the Fund at £576.1 million and the assets at £621.9 million, of which £43.4 million represented surplus which has already been allocated, mostly to individual Employers (to be held within the Fund in accordance with the Rules). Therefore, the value of the assets of the Fund as at 31 March 2007 was 108% of the value of the liabilities, or just slightly over 100% after deducting surplus already allocated.

The result of the 2007 valuation was to increase by three months the period over which member and Employer contributions may be paid at current levels to September 2010 for members and at varying dates for the Employer, but on average to June 2010.

The Trustees continually monitor the Funds' financial status between formal valuations.

## Closed Fund

The most recent valuation of the Closed Fund was completed by the Actuary as at 31 March 2006 and

revealed a surplus of £20.8 million. For the purpose of the valuation, the Actuary valued the assets of the Fund at £223.1 million and all liabilities, including future administration expenses, were valued at £202.3 million. Therefore, the value of the assets of the Fund as at 31 March 2006 was 110% of the value of the liabilities.

Under the Rules governing the Closed Fund, the Trustees have power to use up to one-third of a surplus revealed at each triennial valuation to improve members' benefits. This power is not subject to the approval of Employers. The result of the valuation enabled the Trustees to make a further flat rate increase of 3.6% to Closed Fund benefits, effective 1 January 2007.

An interim actuarial review of the Closed Fund was carried out as at 31 March 2007. The results of this interim review showed that the funding level increased from 110% to 113% between 31 March 2006 and 31 March 2007. The increase in surplus was largely due to favourable investment market conditions over the year, although this was offset by the cost of the discretionary benefit increase awarded in January 2007.

## Actuarial Certificates

Certificates provided by the Actuary confirming the adequacy of the rates of contributions payable to the Funds in accordance with the legislation in force at the date of the valuations are shown on pages 26-27.

## Scheme Funding Requirements

New statutory Scheme Funding Requirements have been introduced by the Government, replacing the previous Minimum Funding Requirement standard. These new requirements set out principles which Trustees must follow when determining the methods and assumptions to be used for actuarial valuations, and require the Trustees to agree these matters with the Employer. The actuarial valuation of the Closed Fund as at 31 March 2006 and the valuation of the Open Fund as at 31 March 2007 were the first to be carried out under the new regime.

# Actuarial Certificates

## Closed Fund

### Schedule of Contributions

This Schedule of Contributions has been prepared by the Trustees, after obtaining the advice of Chris Daykin, the Actuary to the scheme.

### CONTRIBUTIONS TO BE PAID TOWARDS THE SCHEME FROM 1 APRIL 2006 TO 31 MARCH 2011

#### Name of Scheme:

**The ITB Pension Funds – The Closed Fund**

For each month after 1 April 2006, the Scheme Actuary certifies that no contributions are required for retirement benefits and administration expenses.

This schedule may be revised from time to time where the revisions are agreed between the Trustees and the Employers, for example after the signing of a subsequent valuation report.

### Actuary's Certification of Schedule of Contributions

#### Name of Scheme:

**The ITB Pension Funds – The Closed Fund**

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective can be expected to be met for the period for which the schedule is to be in force.
2. I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the Statement of Funding Principles and any recovery plan.

#### Adherence to Statement of Funding Principles

3. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 6 October 2006.



The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

C D Daykin FIA  
Government Actuary's Department  
Finlaison House  
15-17 Furnival Street  
London EC4A 1AB

16 March 2007



# Open Fund

## Actuarial Certificate - Schedule of Contributions

### Name of Scheme:

**The ITB Pension Funds – The Open Fund**

### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions\* are such that the Statutory Funding Objective can be expected to continue to be met for the period for which the schedule is to be in force.
2. I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had the responsibility of preparing or revising the schedule, the Statement of Funding Principles and any recovery plan.

### Adherence to Statement of Funding Principles

3. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 12 October 2007.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

C D Daykin FIA  
 Government Actuary's Department  
 Finlaison House  
 15-17 Furnival Street  
 London EC4A 1AB

10 March 2008

*\*The Schedule of Contributions referred to in this certificate is available on request.*

# Summary

## Funding Statements

### The ITB Pensions Fund (Open Fund): Summary Funding Statement for Period ending 31 March 2007

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 first actuarial valuation of the Open Fund to be carried out under the new Scheme Funding Requirements.

#### The last ongoing funding valuation

The most recent funding valuation of the Open Fund showed that on 31 March 2007 the funding position was as follows:

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

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

#### Change in funding position

The actuarial valuation of the Open Fund as at 31 March 2007 was the first to be carried out under the new Scheme Funding Requirements, which replaced the Minimum Funding Requirement. There are a number of differences between the Scheme Funding and MFR valuations. Therefore, the surplus disclosed as at 31 March 2007 is not directly comparable with the previous MFR funding level of over 120% which was quoted in last year's statement.

#### Payment to the Participating Employers

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

### How the Scheme operates

#### How is my pension paid for?

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

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

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

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

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

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

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



### What is the Scheme invested in?

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

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

### Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office at Watford. A list of more detailed documents which provide further information is shown to the right. Most of the documents are available on the Funds' information website 'ITB Online' ([www.itb-online.co.uk](http://www.itb-online.co.uk)).

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

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

*The Statement of Investment Principles.* This explains how the Trustees invest the money paid into the Scheme.

*The Schedule of Contributions.* This shows how much money is being paid into the Scheme.

*The Annual Report and Accounts* of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2008.

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

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

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

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



## The ITB Pensions Fund (Closed Fund): Summary Funding Statement for Period ending 31 March 2007

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.

### The last ongoing funding valuation

The most recent funding valuation of the Closed Fund showed that on 31 March 2006 the funding position was as follows:

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

As a result, no further contributions were required.

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

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

### Change in funding position

The Scheme Actuary carried out an interim review of the Closed Fund as at 31 March 2007. The purpose of that review was to assess how the Scheme's funding position has changed since the last full actuarial valuation.

This interim review showed that the funding level increased from 110% to 113% between 31 March 2006 and 31 March 2007. The increase in surplus was largely due to favourable investment market conditions over the year, although this was offset by the cost of the discretionary benefit increase awarded in January 2007.

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

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

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

#### What is the Scheme invested in?

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

#### Where can I get more information?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office at Watford. A list of more detailed documents which provide further information is shown below. Most of the documents are available on the Funds' information website 'ITB Online' ([www.itb-online.co.uk](http://www.itb-online.co.uk)).

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

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

*The Statement of Investment Principles*. This explains how the Trustees invest the money paid into the Scheme.

The *Annual Report and Accounts* of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2008.

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

The report on the *Interim Actuarial Review* of the Scheme as at 31 March 2007.

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

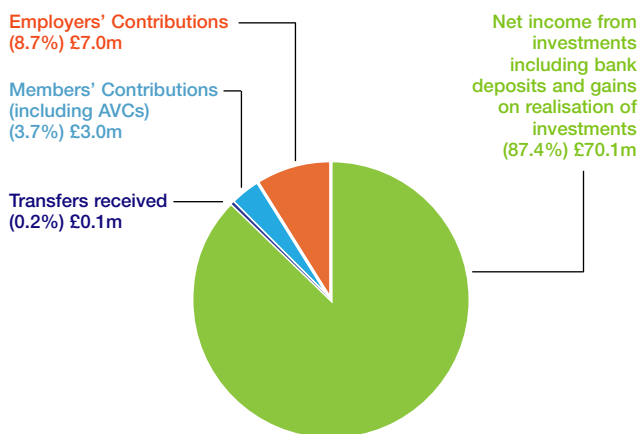
***Important: If you are thinking of leaving the ITB Pension Funds for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.***



# Fund Accounts

## Source of Income 2007/2008

Chart 6 Open Fund

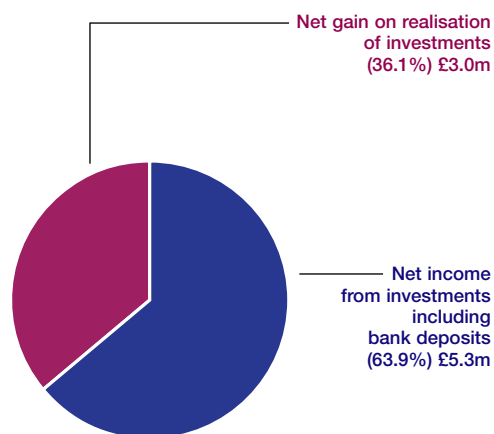


The way in which the income of the Open Fund of £80.2m was made up is shown in Chart 6. The total net investment income consists mainly of income from dividends and bank interest after deducting the loss on foreign exchange and Investment Managers' fees.

However, also included in the income shown above is an amount of £59.2m which represents realised profit on the sale of investments, less losses on forward currency contracts. Unrealised gains are excluded.

*During the year contributions of £2.8m have been charged to Employer's surplus allocations. Since these are internal transfers within Funds this amount does not appear as income. This is explained in more detail under Note 18 of the Financial Statements.*

Chart 7 Closed Fund

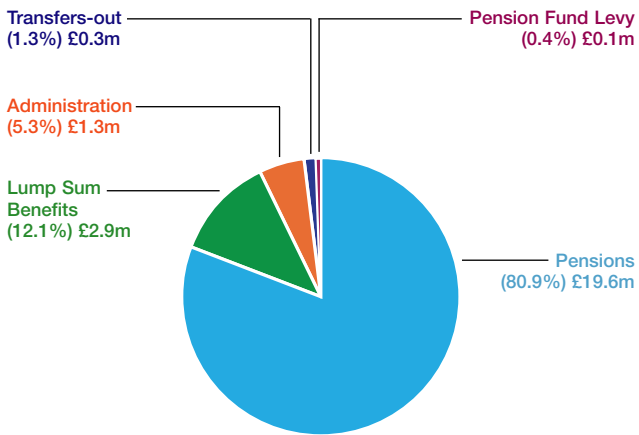


The way in which the income of the Closed Fund, of £8.3m was made up is shown in Chart 7. The total net investment income consists of income from dividends and bank interest. The net investment income of the Closed Fund is made up in the same way as that for the Open Fund, excluding realised gains. Unrealised gains are excluded.

# Fund Accounts continued

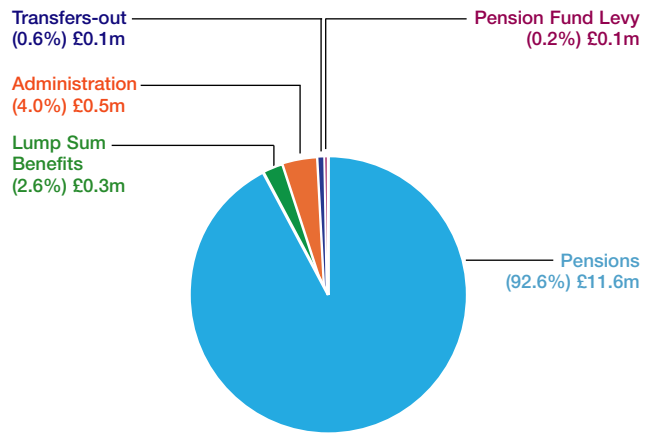
## Allocation of Expenditure 2007/2008

Chart 8 Open Fund



The way in which the total Open Fund expenditure of £24.2m was made up is shown in Chart 8.

Chart 9 Closed Fund



The way in which the total Closed Fund expenditure of £12.6m was made up is shown in Chart 9.

# Investment Report

## Statement of Investment Principles (SIPs)

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

The SIPs are reviewed at least once a year. The full versions of SIPs can be viewed by accessing the ITB website on [www.itb-online.co.uk](http://www.itb-online.co.uk) or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolios of investments. Their appointments are 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 40-42.

The recommendations of a report on institutional investment – 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 generally compliant with most of the Report's recommendations and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures. There remain a few areas where the Trustees are working towards becoming fully compliant where these are relevant in the context of the ITB Pension Funds.

## Investment Strategy

The Trustees employ external investment managers who have discretion to invest the assets of the Funds within the Trustees' prescribed guidelines.

The strategy to achieve the investment objectives involves the Funds' assets being invested across a range of asset classes and geographical areas.

Although the Trustees have delegated day-to-day management of the Funds' investments to external managers, the custody (safe-keeping) of segregated assets is carried out independently of the managers through custodians JP Morgan Chase Bank, Barclays Global Investors Limited and Universal Pension Trustees Limited.

## Closed Fund

As the Closed Fund has no current Participating Employers with active members an investment strategy has been adopted whereby the liabilities have been broadly matched by an underlying portfolio of index-linked gilts. Because of the surplus in the Closed Fund a portfolio representing the reserve assets has been established and placed in a range of investments comprising global equities and bonds.

The Closed Fund's portfolio of index-linked gilts, the investment of which is entirely passive and advised by the Actuary, is under the control of the Trustees. Fidelity Pensions Management Ltd is the manager for the Closed Fund's global equity and bond portfolio.

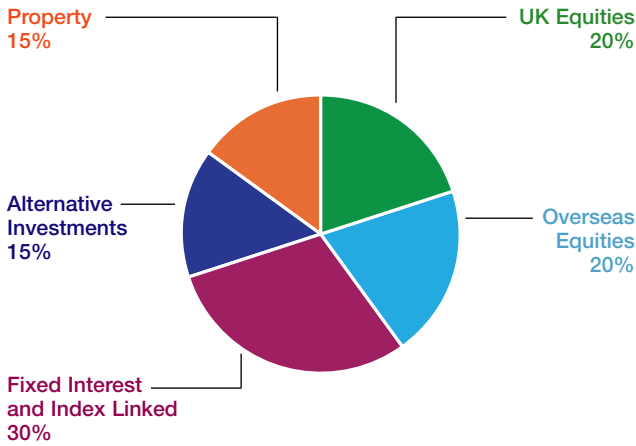
## Open Fund

Following the actuarial valuation of the Open Fund as at 31 March 2007, the Trustees along with their investment advisers gave detailed consideration to a report on the asset liability study carried out by the Fund's investment advisers, Lane Clark & Peacock LLP. With the benefit of this report they concluded that the existing investment strategy needed to change in order to achieve the Trustees' desired expected return of 2.2% in excess of gilts while reducing the level of investment risk to a material extent.

The new strategy necessitated major changes to the managers that were mandated to the Open Fund and as a result a number of new managers were appointed during the year while the mandates of a further two were terminated.

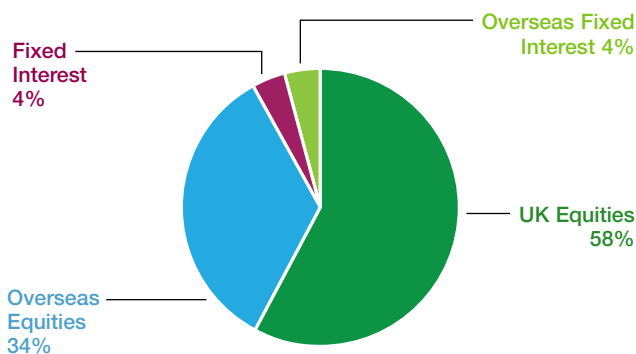
The current asset allocation of the Open Fund is shown on pages 38-39 while the managers that were appointed during the year are included with those shown within the Investment Performance Review on pages 40-42.

The target asset allocation existing at 31 March 2008 for the Open Fund is as follows:



The Trustees' investment strategy aims, over the long term, to achieve good investment growth while maintaining a secure funding position for the Open Fund. Although an overall long-term strategic asset allocation is agreed by the Trustees, the investment managers are given individual benchmarks. The active managers are permitted to diverge from these benchmarks within policy guidelines which are determined periodically by the Trustees in conjunction with their investment advisers. The guidelines are reviewed by the Trustees' Investment Committee at regular quarterly meetings.

The benchmark existing at 31 March 2008 for the portion (31%) of the Closed Fund not invested in index-linked gilts, was as follows:



To ensure the secure investment of these assets the investment managers and Trustees sign agreements which clearly set out the restrictions placed on the managers. In the agreements, for example, there are prohibitions on lending assets, borrowing on the security of assets and buying shares not listed on a recognised stock exchange. There are also restrictions on the use of derivatives.

Details of the Open and Closed Funds' total asset allocation, individual manager's allocation, mandates and investment performance at the Funds' year-end are shown on pages 40-42.

### Financial Review

The overall expenditure of the Closed Fund continues to exceed total investment income. However, expenditure is met only from the Fund's holdings in index-linked stock. The difference between the interest on the index-linked stock and expenditure is met from the money received from the redemption of stock which takes place at regular intervals.

The contribution income of the Open Fund continued to be insufficient to meet benefit payments and other expenditure. The balance was made up from investment revenue. This was expected and will continue whilst Employers' and members' contributions are maintained at their current levels.



# Investment Background

## UK Equities

The UK equity market weakened over the 12 months to 31 March 2008, with the FTSE All-Share Index falling 7.7% in total return terms. Global stock markets suffered from heightened volatility for most of the period, as problems in the US sub-prime mortgage market appeared to spread to the wider financial system. Central banks acted to ease the ensuing credit squeeze. The Bank of England reduced interest rates twice, taking them to 5.25%. Large-cap stocks outperformed their smaller peers, as the latter are more vulnerable to economic downturn.

In terms of sectors, mining stocks were the top performers over the year. Demand from emerging economies continues to drive metal prices, and ongoing corporate activity underpinned performance. Oil service & equipment shares benefited from the high level of activity in the exploration and production sector as the oil price reached record levels. On the negative side, real estate was the worst performer as the outlook for property deteriorated in the light of higher borrowing costs. General retailers were also very weak, on fears about the reduced spending power of the debt-laden UK consumer.

## Europe ex-UK Equities

Continental European equities generated modest returns over the 12 months to 31 March 2008, with the FTSE Europe ex-UK Index rising 2.8% in sterling, total return terms. Despite continued credit-related pressures, the European Central Bank (ECB) maintained interest rates at a six-year high of 4.0%, with inflation remaining the bank's foremost priority, after it accelerated to its fastest pace in 16 years.

There are some signs that the eurozone may be weathering some of the US-centric turmoil, with the larger economies, notably Germany, reporting increased business confidence in March. Unemployment in the region reached a record low in January. However, despite this upbeat data, economic growth halved in the final months of last year, with GDP expanding by just 0.4% in the fourth quarter.

Mining-related stocks were among the strongest performers over the 12 months under review on renewed bid activity in the sector, and continuing strong demand for raw materials.

More defensive areas, such as food producers and tobacco, also held firm amid the general turmoil. Telecoms, technology and banking were among the weakest sectors as stocks declined on a series of profit warnings, slowing US consumer spending and persistent speculation over further sub-prime writedowns, notably at Swiss giant UBS. The collapse of US investment bank Bear Stearns also weighed heavily on sentiment late in the period.

## Global Equities

Global equities posted a modest decline over the year under review, as credit-led concerns wiped out early gains. The FTSE World Index shed 2.3% in sterling, total return terms, amid sustained volatility late in the period as US economic health palled, while financial stocks came under continuous pressure.

US equities made a positive start to the year, but endured a torrid latter half, as investors sought the sanctuary of less risky assets despite the actions of the Federal Reserve, which cut interest rates aggressively in an effort to boost liquidity and stimulate the economy. Financial institutions in particular weighed on sentiment, as the collapse, and subsequent rescue, of investment bank Bear Stearns cast a pall over late trading. The S&P 500 Index lost 6.3% in sterling, total return terms.

Asia Pacific markets led the way despite giving back much of 2007's gains. The FTSE All-World Asia Pacific ex-Japan Index advanced 15.0% in sterling, total return terms over the period, despite the region posting its biggest first quarter decline since 1992. Vietnam's index shed 44%, while indices in India and China recorded their most significant losses since their creation. Japanese equities again lagged their peers, enduring their worst quarter in 18 years early in 2008, after deteriorating economic data and slowing exports reinforced analyst convictions that the economy is sliding into a recession. The FTSE Japan Index plunged 15.4% in sterling, total return terms over the period.

## Bonds

Global government bonds recorded positive returns over the year, as concerns over the impact of problems in the US sub-prime mortgage sector on other financial markets

and the global economy led investors to seek refuge in government bonds from July onwards. As the risks of a more significant slowdown in the US economy increased on the back of the credit and housing market turmoil, the Federal Reserve (Fed) started to reduce interest rates from September onwards, taking them from 5.25% to 2.25% over the period. This provided additional support for US treasuries, which outperformed other major markets.

UK, eurozone and Japanese government bonds recorded more moderate returns on the back of a less favourable interest rate outlook. The Bank of England increased rates by 50 basis points early in the period, but as the US sub-prime problems led to a credit crunch and growth concerns, these increases were reversed to leave rates unchanged at 5.25%. The Japanese and European central banks continued to sound hawkish during the period.

UK gilts made steady gains through most of the period under review thanks to the ongoing market volatility related to the credit crunch, with the FTSE All-Stocks Index returning 7.6% in sterling total return terms. The economic backdrop was broadly supportive for bond markets in the second half of the period, with both the UK and global economies showing signs of slowing growth, leading to interest rate cuts and expectations that further cuts would follow.

Index-linked gilts outperformed conventional gilts over the year, as strong demand for inflation protection from pension funds supported the asset class. At the same

time, investors revised up their inflation expectations, hampering progress in conventional gilts. UK corporate bonds underperformed gilts over the year, as the asset class suffered from an increase in investor risk aversion as the seriousness of the sub-prime crisis became more apparent.

### Property

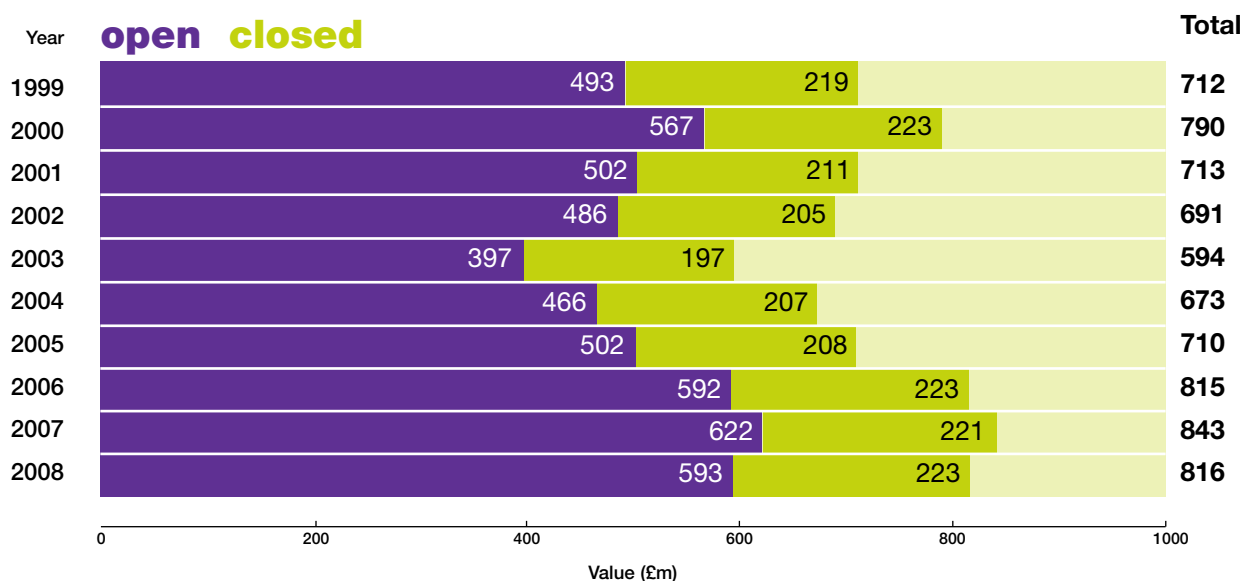
Uncertainty and volatility in other financial markets have impacted on property investment resulting in a sharp correction in yields, with the UK commercial property market falling 10.7% over the year. The correction has been an industry-wide phenomenon, affecting every sub-sector. The difficult market conditions of late 2007 have continued into 2008 and, while prospects have improved, there appears to be no immediate prospect of a resolution to the global financial problems that have undermined the market. In a weak market, capital values have continued to fall, although at a reduced rate. However, some buyers have returned to the market, attracted by the improved performance prospects off of lower values. A more positive market sentiment is unlikely to return until the causes of the 'credit crunch' have been substantially unwound, which will depend to a large extent on the actions of governments and central banks but we do expect sentiment to improve, and values to stabilise, during the latter part of the year. Commercial property is still considered to offer stable medium-term investment returns and diversification from equities and bond-style investments.



# Investment Report

The size of each Fund and the growth achieved in the past ten years is demonstrated in Chart 10.

Chart 10 Growth of Funds



## Asset Allocation

At the end of March 2008, the Funds' investments were allocated between the following categories:

Open Fund	Market Value £000's	Proportion of Market Value %
UK Equities	79,761	13.5
Overseas Equities	165,072	28.0
Fixed Interest:		
UK	138,800	23.5
Index Linked	43,556	7.4
Derivatives	8,073	1.4
Property	83,274	14.1
Alternatives (e.g. Hedge Funds)	53,562	9.1
Cash	17,524	3.0
<b>Total</b>	<b>589,622</b>	<b>100.0</b>

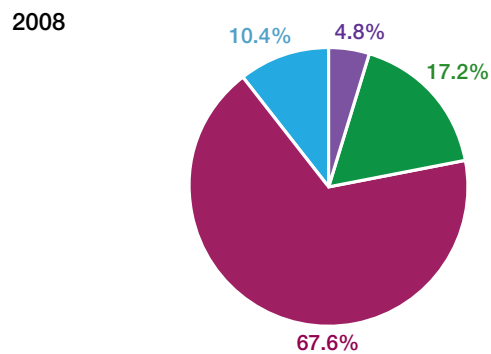
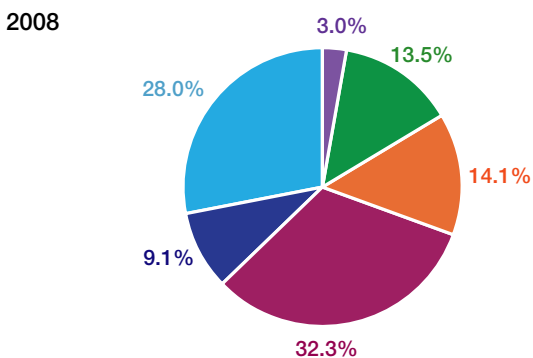
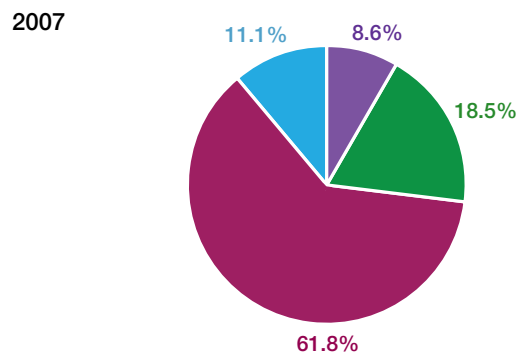
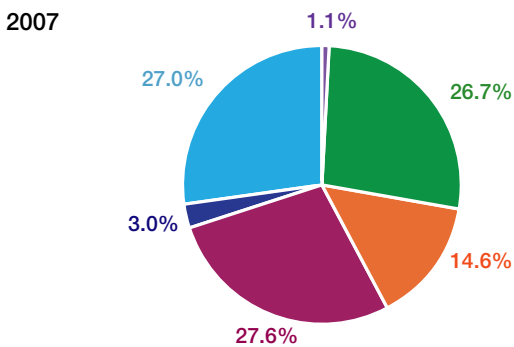
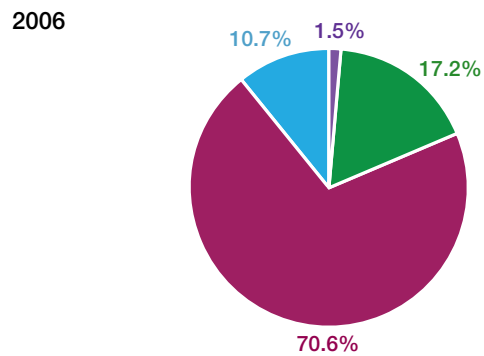
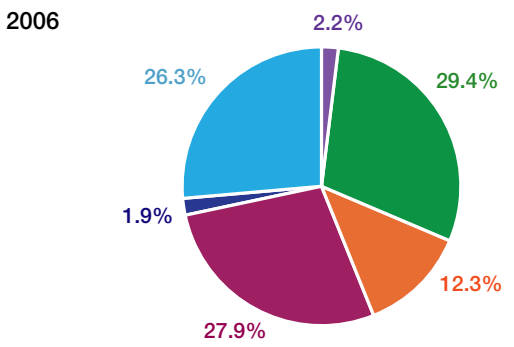
Closed Fund	Market Value £000's	Proportion of Market Value %
UK Equities	38,284	17.2
Overseas Equities	23,083	10.4
Fixed Interest:		
UK	3,705	1.7
Overseas	3,141	1.4
Index Linked	143,459	64.5
Cash	10,666	4.8
<b>Total</b>	<b>222,338</b>	<b>100.0</b>

# Investment Report continued

The overseas equities for both Funds consists of holdings in Europe, North America, Japan and South East Asia, while the Open Fund also has holdings in Emerging Market investments. The latter, however, represents less than 2% of the net assets of the Open Fund. The changes in asset allocation made since 2006 are shown in Charts 11 and 12.

**Chart 11 Asset Allocation - Open Fund (%)**

**Chart 12 Asset Allocation - Closed Fund (%)**



- Cash
  - UK Equities
- Property
  - Fixed Interest, Index Linked and Derivatives
- Alternatives
  - Overseas Equities

The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996. The Funds do not invest in any of the Participating Employers' businesses. No investment represents more than 3% of share capital of the company concerned.

# Investment Performance Review

## Total Fund

The investment performance of both the Closed and Open Funds continues to be monitored by BNY Mellon Asset Servicing, an independent investment performance monitoring service which monitors the performance of over 3,800 pension fund portfolios. For this purpose the Closed Fund and the Open Fund are treated separately and separate reports are provided in respect of each investment manager.

The period reviewed in the most recent full report relates to the year ended 31 March 2008. In addition, BNY Mellon Asset Servicing also provide an overview for each Fund and present all the year-end reports at a meeting of the Trustees' Investment Committee.

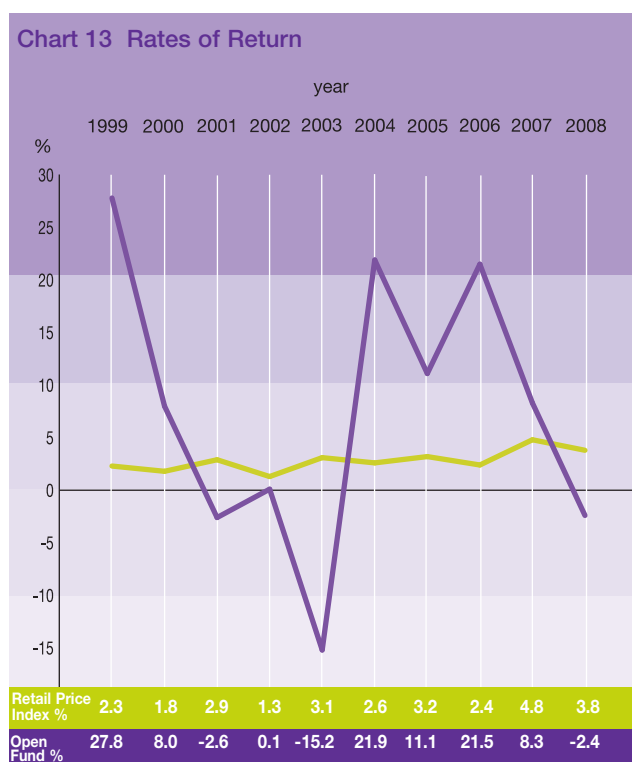
Investment performance is closely monitored by the Trustees. Benchmarks are based on various indices and the investment managers are set appropriate performance targets so as to ensure that, as far as is practicable, the Funds perform in line with their strategic benchmark.

The relevant benchmark return for the Open Fund this year was -1.9%, whereas the Fund achieved a return slightly lower than this of -2.4%.

However, this divergence was not entirely unexpected as it was agreed during the year not to immediately rebalance the portfolio to the strategic benchmark asset allocation but to allow it to drift towards this target by taking cash requirements from the UK and overseas equity part of the portfolio.

The Closed Fund achieved a return of 7.7% against the relevant benchmark of 7.3%. The overall performance of the Closed Fund reflected its large holding in index-linked gilts.

Chart 13 shows the rate of return on all assets achieved by the Open Fund (income and capital appreciation combined) in the recent past, compared with the increase in prices, as measured by the Retail Price Index. Past returns are, of course, no guarantee of future performance.



## Managers Mandates and Performance – Open Fund

\* Where the investment manager's mandate was awarded during the Scheme year it is too early to calculate annual performance figures.

All figures include cash held with the investment manager.

The charts shown on page 39 have cash shown separately.

### UK Equities (including index linked equities) (14% of total fund)

#### Barclays Global Investors (BGI) (4% of total fund)

This part of the UK equity portfolio has the objective to match the UK FTSE All Share Index. Barclays Global Investors' fees are market value based. Over the year BGI marginally underperformed their benchmark.

**Henderson Global Investors Ltd (5% of total fund)**

This part of the UK equity portfolio has the objective to outperform the UK FTSE All Share Index by 0.75% pa gross of base fees. Henderson's fees are market value based with a performance-related element. Over the year, Henderson marginally underperformed their benchmark and therefore their objective.

**Barclays Capital (5% of total fund)**

Barclays Capital were appointed as an additional UK equity manager on 18 June 2007. This part of the UK equity portfolio has the contractual requirement to provide a return which is 2% above that achieved by the UK FTSE 100 Total Return Index. The fees for this investment are included within the terms of the note and are not explicit.

**Fixed Interest (including index linked gilts and derivatives) (34% of total fund)****Morley Fund Management Ltd**

The fixed interest mandate with Morley was cancelled on 2 July 2007 due to a restructuring of the fixed interest portfolio to more closely reflect Scheme liabilities.

**Insight Investment (34% of total fund)**

Insight were appointed as a fixed interest manager on 2 July 2007.

The objective of the main fixed interest portfolio is to outperform a composite benchmark by 0.75% pa, net of base fees, over rolling three-year periods. The fees for this portfolio are market value-based with a performance related element. See note\* on page 40.

The objective of the LDI SWAPS portfolio is to reduce the Scheme's exposure to interest rate and inflation risk by constructing and managing a portfolio with the objective of matching a specially calculated benchmark which is linked to the Fund's liabilities. The fees for this portfolio are market value-based with a performance-related element. See note\* on page 40.

**Global Equities (28% of total fund)****Fidelity Pensions Management Ltd**

The global equity mandate with Fidelity was cancelled on 24 January 2008 due to the development of a new investment strategy.

**Barclays Global Investors (BGI) (10% of total fund)**

Part of this overseas equity portfolio is managed to track a composite benchmark within permitted deviations. For this BGI is remunerated on the basis of a fixed annual fee which increases in line with RPI. Over the year, BGI marginally underperformed their benchmark.

BGI also operate two currency funds, one of which is managed on a passive basis and the other on an active basis. The passive fund is operated to greatly reduce the effect of currency fluctuations within the total overseas equity portfolio, whereas the active fund aims to add additional positive return. Over the year, the active currency fund underperformed its benchmark and its objective while the passive currency fund marginally underperformed its benchmark and therefore its objective. Fees for both of the currency funds are market value-based with the active currency fund having a performance-related element.

**Axa Rosenberg (5% of total fund)**

Axa Rosenberg were appointed as an additional global equity manager on 31 January 2008.

The objective of this part of the global equity portfolio is to outperform the MSCI World Gross Total Return Index by 4% pa before fees over rolling three-year periods. The fees for this portfolio are market value-based with a performance-related element. See note\* on page 40.

**Wegelin & Co (5% of total fund)**

Wegelin & Co were appointed as an additional global equity manager on 24 January 2008.

The Wegelin mandate includes both developed and emerging market equities which are held as separate funds. The objective of the developed portfolio is to outperform the MSCI World Net Total Return Index (developed markets) by 5% pa net of fees, while the emerging markets portfolio objective is to outperform the MSCI Emerging Markets Free Net Total Return Index by 5% pa net of fees. Both of the objectives are measured over a five-year rolling cycle. The fees for these portfolios are market value-based with a performance-related element. See note\* on page 40.

**Longview Partners LP (4% of total fund)**

Longview Partners LP were appointed as an additional global equity manager on 17 December 2007.



## Investment Performance Review continued

The objective of this part of the global equity portfolio is to achieve a positive absolute return of between 8% and 10% pa after fees. The fees for this portfolio are market value-based. No performance fees are payable. See note\* on page 40.

### **Investec Asset Management (4% of total fund)**

Investec Asset Management were appointed as an additional global equity manager on 17 December 2007.

The objective of this part of the global equity portfolio is to outperform the MSCI World Gross Total Return Index by 3% to 5% gross of fees over rolling three-year periods. The fees for this portfolio are market value-based. No performance fees are payable. See note\* on page 40.

### **Property (14% of total fund)**

#### **Fletcher King (13% of total fund)**

The objective of this portfolio is to match the Investment Property Database (IPD) Year End Annual Index. Fletcher King is remunerated on the basis of an annual retainer fee together with transaction fees related to acquisition, disposals and lettings. In addition, further fees are payable based on the gross rental income of the portfolio, together with fees for work on rent and lease renewals. Over the year Fletcher King outperformed their benchmark.

#### **Schroder Investment Management (UK) Ltd (1% of total fund)**

Schroder were appointed as a European property manager on 16 October 2007. The total investment committed for this fund will be paid in increments over a period up to and including 2010. The total commitment is approximately £16 million. The objective of this fund is to achieve an absolute return of between 8% and 10% pa net of fees over the 12-year life of the fund. The fees for this portfolio are market value-based. No performance fees are payable. See note\* on page 40.

### **Alternatives (10% of total fund)**

#### **Schroder Investment Management (UK) Ltd (4% of total fund) Diversified Fund of Hedge Funds**

The objective of this portfolio is to outperform returns on cash by 6% to 9% over the interest rate cycle. Fees are market value-based with a performance-related element.

Over the year Schroders outperformed their benchmark but underperformed their objective.

#### **BNY Mellon Asset Management (3% of total fund) Global Tactical Asset Allocation Fund (GTAA)**

Mellon were appointed as a GTAA manager on 21 September 2007. The objective of this part of the alternatives portfolio is to outperform by 20% pa the CITI Group GBP one month Euro deposit rate gross of fees over rolling three-year periods. The fees for this portfolio are market value-based with a performance-related element. See note\* on page 40.

#### **Barclays Global Investors (BGI) (3% of total fund) Global Tactical Asset Allocation Fund (GTAA)**

Barclays were appointed as a GTAA manager on 31 January 2008. The objective of this part of the alternatives portfolio is to outperform three-month LIBOR (London Inter-bank Offer Rate) by 15% pa after fees. The fees for this portfolio are market value-based with a performance-related element. See note\* on page 40.

### **Manager Mandates and Performance – Closed Fund**

#### **Global Equities (31% of total fund)**

##### **Fidelity Pensions Management Ltd (31% of total fund)**

The objective of this portfolio is to outperform its composite benchmark by 1%, gross of base fees, over rolling three-year periods. Fidelity's fees are market value-based with a performance-related element. Over the year, Fidelity outperformed both their benchmark and their objective.

The remaining 69% of assets are held in index-linked securities which are under the control of the Trustees.

# Statement of **Trustees'** Responsibilities

The financial statements are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice),
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised May 2007).

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme, by or on behalf of the Employers and the active members of the Scheme and the dates on, or before which, such contributions are to be paid. The Trustees are also responsible for keeping records in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Funds' website.

# Summary of **Contributions** payable in the year

During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Contributions payable under the Schedule of Contributions</b>		
Employer normal contributions	5,759	5,258
Employee normal contributions	2,866	2,611
<b>Total contributions payable under the schedule</b>	<b>8,625</b>	<b>7,869</b>
<b>Other contributions</b>		
Employers' augmentation costs	684	125
Employers' buy-out contribution	570	156
Employee additional voluntary contributions	90	109
Transfers from money purchase AVC scheme	120	74
<b>Total payable to the Scheme</b>	<b>10,089</b>	<b>8,333</b>

The Trustees' Report was approved by the Managing Trustees on 4 July 2008.



**P Rogerson**  
Trustee



**K Potter**  
Trustee

# **Financial** Statements

for the year ended 31 March 2008

# Independent Auditor's Report

## to the Trustees of the ITB Pensions Funds

We have audited the financial statements for the year ended 31 March 2008 which comprise the fund accounts, the net assets statements and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Trustees and the Auditors

As described in the Statement of Trustees Responsibilities on page 43, the Scheme's Trustees are responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report, the Investment Report, the Actuarial Certificates and Supplementary Information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2008, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year
- the financial statements contain the information specified in Regulation 3 of the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

### **Chantrey Vellacott DFK LLP**

Chartered Accountants and Registered Auditors  
WATFORD

17 July 2008



# Independent **Auditor's** Statement

## to the Trustees of the ITB Pensions Funds

### **Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the ITB Pension Funds**

We have examined the summary of contributions to the ITB Pension Funds in respect of the Scheme year ended 31 March 2008 which is set out in the Trustees' Report on page 44.

This statement is made solely to the Trustees, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

### **Respective responsibilities of the Trustees and the Auditors**

As described on page 43 the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

### **Basis of statement about contributions**

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Schedule of Contributions. Our Statement about contributions is required to refer to those breaches of the Schedule of Contributions which come to our attention in the course of our work.

### **Statement about contributions under the Scheme**

In our opinion contributions payable to the Scheme during the year ended 31 March 2008 as reported in the summary of contributions set out in the Trustees' Report on page 44 have in all material respects been paid at least in accordance with the schedules of contributions certified by the Actuary on 17 December 2004 and 10 March 2008.

### **Chantrey Vellacott DFK LLP**

Chartered Accountants and Registered Auditors  
WATFORD

17 July 2008

# Fund Accounts

for the year ended 31 March 2008

	Notes	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
<b>Income</b>					
Employers' contributions	3d, 18	-	5,759	5,759	5,258
Employers' augmentation costs	3d, 18	-	684	684	125
Employers' buy-out contribution	3d, 18	-	570	570	156
<hr/>					
Total Employers' contributions		-	7,013	7,013	5,539
Members' contributions	3d, 16, 18	-	2,956	2,956	2,720
Transfers from other schemes	3h, 5	-	120	120	74
<hr/>					
		-	10,089	10,089	8,333
<hr/>					
<b>Expenditure</b>					
Retirement and death benefits	6	11,922	22,445	34,367	33,504
Payments to and on account of leavers:					
Contribution refunds		-	61	61	156
Transfers to other schemes		75	322	397	187
Other payments:					
Administration costs	7	500	1,289	1,789	1,382
Pension Fund Levy		28	97	125	106
<hr/>					
		12,525	24,214	36,739	35,335
<hr/>					
<b>Net withdrawals from dealings with members</b>		(12,525)	(14,125)	(26,650)	(27,002)
<hr/>					
<b>Returns on investments</b>					
Investment income	8	5,558	13,068	18,626	17,839
Change in market value of investments	12	9,360	(26,186)	(16,826)	39,277
Net (loss)/profit arising on foreign exchange	10	-	(212)	(212)	6
Taxation	11	-	-	-	14
Investment management expenses	9	(343)	(1,929)	(2,272)	(1,756)
<hr/>					
<b>Net returns on investments</b>		14,575	(15,259)	(684)	55,380
<hr/>					
<b>Net increase/(decrease) in the funds during the year</b>		2,050	(29,384)	(27,334)	28,378
<hr/>					
Net assets as at 31 March 2007		221,209	621,938	843,147	814,769
<hr/>					
<b>Net assets as at 31 March 2008</b>		<b>£223,259</b>	<b>£592,554</b>	<b>£815,813</b>	<b>£843,147</b>

The notes on pages 51-63 form part of these financial statements.

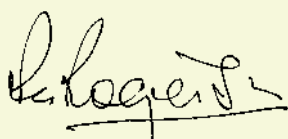
# Net Assets Statements

## 31 March 2008

	Notes	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
<b>Investments</b>					
Assets	12	222,338	593,547	815,885	840,018
Liabilities	12	-	(3,925)	(3,925)	-
<b>Net investments</b>		222,338	589,622	811,960	840,018
<b>Fixed assets</b>	13	-	149	149	141
		222,338	589,771	812,109	840,159
<b>Current assets</b>					
External	14	1,275	9,545	10,820	4,879
Inter-fund balance	14	-	57	57	51
		1,275	9,602	10,877	4,930
<b>Current liabilities</b>					
External	15	297	6,819	7,116	1,891
Inter-fund balance	15	57	-	57	51
		354	6,819	7,173	1,942
<b>Net current assets</b>		921	2,783	3,704	2,988
<b>Net assets as at 31 March 2008</b>		<b>£223,259</b>	<b>£592,554</b>	<b>£815,813</b>	<b>£843,147</b>

The financial statements summarise the transactions of the Funds and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the year. The actuarial position of the Funds, which does take account of such obligations, is dealt with in the Summary Funding Statements and the certificates by the Actuary and these financial statements should be read in conjunction with them.

The financial statements were approved by the Managing Trustees on 4 July 2008.



**P Rogerson**  
Trustee



**K Potter**  
Trustee

The notes on pages 51-63 form part of these financial statements.

# Notes to the Financial Statements

## for the year ended 31 March

### 1 Organisation of the funds

The financial statements reflect the Actuary's report, dated 22 January 1985, regarding the apportionment of assets between the Closed and Open Funds. This apportionment of the market value of the assets was made on 1 April 1985.

The Closed Fund relates to former employees of discontinued Industrial Training Boards; all employees of continuing Boards whose service ceased before 31 March 1982; and, certain other employees of those Boards whose service ceased before 31 March 1983 and whose membership was specifically agreed with Government.

### 2 Actuarial valuations

The Trustees have received and adopted the Valuation Report by the Actuary on the Closed Fund as at 31 March 2006 and on the Open Fund as at 31 March 2007.

The Reports on the Closed Fund for 2006 and on the Open Fund for 2007 concluded that the assets in both Funds would be adequate to meet the liabilities on the basis of the assumptions made.

### 3 Accounting policies

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice (revised May 2007), Financial Reports of Pension Schemes (the 'revised SORP'). The revised SORP has been adopted early in line with the recommendation in the revised SORP. This is the first year that the revised SORP has been applied to the Scheme's financial statements. As a result, amendments to disclosures and presentation have been made to comply with the revised SORP. Further details are given in b) opposite.

#### a) Basis of preparation

These financial statements have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred, not as it is received or paid.

#### b) Implementation of the revised SORP

The Trustees have adopted the revised SORP. As a result investments previously valued at mid prices are now valued at bid or offer prices for assets and liabilities respectively where there is a bid/offer spread. This is a change in accounting policy but the difference in valuation is considered to be immaterial to the financial statements and therefore comparatives have not been restated.

Under the revised SORP additional information is required to be disclosed in respect of investment transaction costs. Comparative information has not been disclosed as it is impractical to obtain an estimate of this information.

The revised SORP has not been applied in two immaterial areas. Amounts due from and to brokers continue to be accounted for as set out in notes 14 and 16 respectively. Additional Voluntary Contributions continue to be accounted for as set out in notes 16 and 17.

#### c) Valuation of investment assets

All investments are valued at their market value at 31 March 2008 determined as follows:

- i) Listed securities are valued at last traded price or bid-market price ruling at the balance sheet date.
- ii) Pooled investment vehicles are stated at the bid-point of the latest prices quoted by the managers prior to 31 March 2008.

## Notes continued

iii) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date.

iv) Properties were valued by Fletcher King, Property Asset Managers, at 31 March 2008, in accordance with the definition of open market value as defined in Practice Statement 4 of the Royal Institute of Chartered Surveyors' appraisal and valuation manual.

v) Forward contracts are valued at amounts that assume settlement at the spot rates ruling on 31 March 2008.

vi) Exchange traded derivatives are stated at market values determined using market quoted prices.

vii) Over the counter derivatives are stated at market value using pricing models and relevant market data as at the year end date.

### d) Contribution income

Contributions relating to wages and salaries earned up to 31 March 2008 have been included in these financial statements.

Augmentation costs represent amounts paid by Employers to improve the benefits of certain employees and these are due to the Open Fund from the relevant Participating Employers.

The Employer's buy-out contribution represents those costs charged by the Funds to Automotive Skills Limited to secure its exit from the Scheme.

### e) Investment income

Dividend income and interest on Government stocks have been recognised on the ex-dividend date. Rents and interest income are recognised on a receivable basis.

### f) Foreign income

Foreign income has been translated into sterling at the rate ruling at the date of the transactions.

Income due at the year end is translated at the rate ruling at 31 March 2008. All differences are taken to income and expenditure account.

### g) Benefits payable

Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

### h) Transfers receivable

Transfers receivable represent payments to the Open Fund from the separate money purchase fund (see note 17). Amounts received into the Scheme are paid out as part of a member's lump sum retirement benefit. Transfers are only taken into account where benefits are payable before 31 March 2008. Transfers from other pension funds are not currently accepted into the Scheme.

### i) Withdrawal benefits

Transfers payable relate to those early leavers whose transfers have been agreed by the Trustees during the year. Included under withdrawal benefits are accruals of contributions and interest in respect of members who left the Funds on or before 31 March 2008 and who were entitled to a refund of these.

### j) Fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture - 10% per annum  
Equipment - 20% per annum

## 4 Contributions receivable

Contributions receivable by the Scheme during the year ended 31 March 2008, including amounts outstanding at the year end (see note 14), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

## Notes continued

### 5 Transfers in

	2008 £'000	2007 £'000
Individual transfers from Money Purchase Schemes (see note 17)	£120	£74

### 6 Retirement and death benefits

	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
<b>Retirement benefits</b>				
Lump sums	328	2,650	2,978	3,487
Members' pensions	8,553	17,618	26,171	25,074
Total retirement benefits	8,881	20,268	29,149	28,561
<b>Death benefits</b>				
Lump sums	1	222	223	326
Dependants' pensions	3,040	1,955	4,995	4,617
Total death benefits	3,041	2,177	5,218	4,943
	£11,922	£22,445	£34,367	£33,504
<b>2007</b>	<b>£11,604</b>	<b>£21,900</b>		



## Notes continued

<b>7 Administration costs</b>	<b>Closed fund 2008 £'000</b>	<b>Open fund 2008 £'000</b>	<b>Combined fund 2008 £'000</b>	<b>Combined fund 2007 £'000</b>
<b>General administration</b>				
Employment costs	227	343	570	520
Office accommodation	39	59	98	94
General expenses	124	241	365	313
Trustees' honoraria	10	10	20	18
	400	653	1,053	945
<b>Professional services</b>				
Auditor's fees	11	26	37	34
Legal and professional services	16	147	163	129
Investment consultancy	27	186	213	32
Actuarial services	40	257	297	201
Other	6	20	26	41
	£500	£1,289	£1,789	£1,382
<b>2007</b>	<b>£519</b>	<b>£863</b>		

During the year £53,210 (2007 - £14,263) of actuarial fees, £5,355 (2007 - £13,327) of legal fees and £Nil (2007 - £1,216) of accountancy fees were charged to the Employers' surplus pots and are included in enhancement costs in note 18.

<b>8 Investment income</b>	<b>Closed fund 2008 £'000</b>	<b>Open fund 2008 £'000</b>	<b>Combined fund 2008 £'000</b>	<b>Combined fund 2007 £'000</b>
Income from fixed-interest securities	-	5,579	5,579	2,128
Dividends from equities and convertibles	1,348	-	1,348	4,021
Income from index-linked securities	3,151	1,022	4,173	5,053
Income from pooled investment vehicles	219	1,513	1,732	863
Net rents from properties	-	4,318	4,318	4,627
Interest on cash deposits	840	636	1,476	1,147
	£5,558	£13,068	£18,626	£17,839
<b>2007</b>	<b>£5,548</b>	<b>£12,291</b>		

## Notes continued

### 9 Investment managers' fees

Under the powers given to them under the Scheme rules, the Trustees delegate most investment management to external investment managers; the exception being the index-linked gilt stock in the Closed Fund. The non-property investments were managed during the year by the following managers: Barclays Global Investors Limited, Fidelity Pensions Management Limited, Henderson Global Investors Limited, Morley Fund Management Limited, Schroders Investment Management Limited, Barclays Capital, Insight Investment AXA Rosenberg, Wegelin & Co., Longview Partners LP, Investec Asset Management and BNY Mellon Asset Management all of which are registered in the UK with the exception of Wegelin & Co. The remuneration of these managers, with the exception of the Barclays Global Investors overseas portfolio, whose remuneration is calculated on a flat fee basis, is calculated as a variable percentage of the market value of the assets under management. Performance fees are payable to certain managers if pre-determined performance targets are met. Properties are managed by Fletcher King who are remunerated on a fixed percentage of the market value of properties under management, with additional fees in respect of property purchases, sales, rent reviews and rental income.

### 10 Net (loss)/profit arising on foreign exchange

The (loss)/profit on foreign exchange comprises the change in the value of short-term deposits due to exchange rate movements. Profits on forward currency contracts during the year are included in change in market value of investments (note 12).

	2008 £'000	2007 £'000
<b>Summary:</b>		
Closed fund	-	-
Open fund	(212)	6
	£(212)	£6

### 11 Taxation

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004.

Due to a change in pension legislation no tax is payable by the Open or Closed Funds for the year or future periods. The credit in the financial statements for 2007 represents tax overprovided in prior years.

## Notes continued

### 12 Investments

	Closed fund valuation 2008 £'000	Closed fund cost 2008 £'000	Open fund valuation 2008 £'000
<b>Fixed-interest securities</b>			
Public sector	-	-	95,258
Other	-	-	43,542
<b>Equities</b>			
UK equities	38,284	33,345	-
<b>Index-linked securities</b>			
Public sector	143,459	79,275	43,298
UK other	-	-	27,094
<b>Pooled investment vehicles</b>			
Fixed interest	6,846	5,888	-
UK equities	-	-	52,925
Overseas equities	23,083	14,616	165,072
Diversified	-	-	53,562
Commercial property	-	-	10,134
<b>Derivative assets</b>	-	-	11,998
<b>Commercial property</b>			
Freehold	-	-	58,480
Long leasehold	-	-	14,660
<b>Bank deposits &amp; loan notes</b>	10,666	10,666	17,524
<b>Investment assets</b>	222,338	143,790	593,547
<b>Derivative liabilities</b>	-	-	(3,925)
Net investments at 31 March 2008	£222,338	£143,790	£589,622
31 March 2007:			
<b>Investment assets</b>	219,752	147,613	620,266
<b>Derivative liabilities</b>	-	-	-
Net investments at 31 March 2007	£219,752	£147,613	£620,266

- Basis of valuation - as set out in note 3c.
- Commercial properties are mainly retail and office premises with rent review periods of five years.

## Notes continued

Open fund cost 2008 £'000	Combined fund valuation 2008 £'000	Combined fund cost 2008 £'000	Combined fund valuation 2007 £'000	Combined fund cost 2007 £'000
93,239	95,258	93,239	56,018	57,471
45,631	43,542	45,631	2,659	2,615
504	38,284	33,849	40,676	30,820
39,983	186,757	119,258	189,193	138,102
30,232	27,094	30,232	9,651	9,167
-	6,846	5,888	49,911	38,251
56,236	52,925	56,236	165,742	155,587
162,018	188,155	176,634	191,444	125,198
54,982	53,562	54,982	18,643	16,000
10,865	10,134	10,865	5,913	5,999
1,753	11,998	1,753	104	-
44,672	58,480	44,672	68,355	44,672
9,561	14,660	9,561	16,495	9,561
17,502	28,190	28,168	25,214	25,214
567,178	815,885	710,968	840,018	658,657
(1,394)	(3,925)	(1,394)	-	-
£565,784	£811,960	£709,574	£840,018	£658,657
511,044	840,018	658,657		
-	-	-		
£511,044	£840,018	£658,657		

## Notes continued

### 12 Investments (continued)

The movements in investments during the year were:	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
Market value at 1 April 2007	219,752	620,266	840,018	812,818
<b>Purchases at cost and derivative payments</b>				
Fixed interest	-	326,230	326,230	
Index linked	-	112,679	112,679	
Equities	9,570	-	9,570	
Pooled investment vehicles	1,635	196,496	198,131	
Derivatives	-	5,036	5,036	
Bank deposits and loan notes	-	11,590	11,590	
	11,205	652,031	663,236	445,797
<b>Sales proceeds and derivative receipts</b>				
Fixed interest	-	(291,961)	(291,961)	
Index linked	-	(112,178)	(112,178)	
Equities	(7,930)	-	(7,930)	
Pooled investment vehicles	(1,873)	(250,153)	(252,026)	
Derivatives	-	(816)	(816)	
Bank deposits and loan notes	(8,176)	(1,381)	(9,557)	
	(17,979)	(656,489)	(674,468)	(457,874)
Change in market value of investments	9,360	(26,186)	(16,826)	39,277
<b>Market value at 31 March 2008</b>	<b>£222,338</b>	<b>£589,622</b>	<b>£811,960</b>	<b>£840,018</b>
Change in market value of investments comprises:				
	£'000	£'000	£'000	£'000
Profit on realisation of investments	2,951	63,514	66,465	43,818
(Loss)/profit on forward currency contracts	-	(4,316)	(4,316)	49
	2,951	59,198	62,149	43,867
Movements in unrealised profits	6,409	(85,384)	(78,975)	(4,590)
	£9,360	£(26,186)	£(16,826)	£39,277
<b>2007</b>	<b>£4,950</b>	<b>£34,327</b>		

## Notes continued

### 12 Investments (continued)

Included within the above purchases and sales figures are transaction costs of £59,992 on the Open Fund and £50,726 on the Closed Fund. Costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The ITB Pension Funds' assets are invested in accordance with the Occupational Pension Schemes (Investment) Regulation 1996. The Funds do not invest in any of the Participating Employers' businesses.

At 31 March 2008 £30,030,000 was invested in AXA Rosenberg Global 130/30 LS Fund (2007 - £135,512,569 was invested in the BGI Aquila Life UK Equity Index Fund). There are no other investments in which more than 5% of the total value of the net assets of the Funds are invested.

No investment represents more than 3% of the share capital of the company concerned.

### Derivatives

The Trustees hold derivatives in accordance with their Statement of Investment Principles and use them to reduce the effect on the Scheme of interest rate, inflation and foreign exchange fluctuations.

The Scheme had open swaps at the year-end summarised as follows:

Type	Base	Settlement	Asset value £'000	Liability value £'000
Interest rate	3 month LIBOR	2009 – 2057	5,221	2,436
Retail Price Index ('RPI')	UK RPI	2058	839	-
Liability driven	UK RPI	2008 – 2058	5,009	-

The counterparties for all the swaps are banks. The Funds hold collateral of £8,350,036 in a mixture of cash and UK gilts. The initial and variation margin amounts at 31 March 2008 were £9,560 and £4,180 respectively, and are included in bank deposits above.

The Scheme had open futures at the year-end summarised as follows:

Type	Cost £'000	Market value £'000
Fixed income	580	592

The futures are all exactly matched by future offsets which are included in investment liabilities.

The Scheme had open foreign exchange contracts at the year-end summarised as follows:

Settlement	Buy	Sell	Asset value £'000	Liability value £'000
June 2008	£22,899,238	29,757,000	-	897
June 2008	17,430,000	£13,590,639	336	-
June 2008	£160,193	£315,000	1	-



## Notes continued

### 13 Fixed assets

	Cost £'000	Depreciation £'000
Balance at 1 April 2007	492	351
Additions	76	-
Depreciation charge	-	68
Balance at 31 March 2008	568	419
Net book value: 31 March 2008	£149	
31 March 2008	£141	

### 14 Current assets

	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
Bank balances	283	732	1,015	1,211
Debtors:				
Amounts due from employers				
Employers' contributions	-	892	892	345
Employees' contributions	-	248	248	175
Amounts due from brokers	-	4,881	4,881	1,019
Investment revenue receivable	991	2,565	3,556	1,968
Income tax receivable	-	1	1	14
Sundry debtors	1	226	227	147
External current assets	1,275	9,545	£10,820	£4,879
Inter-fund balance	-	57		
Individual funds' current assets 2008	£1,275	£9,602		
	Closed fund £'000	Open fund £'000		Combined fund £'000
31 March 2007:				
External current assets	1,724	3,155		£4,879
Inter-fund balance	-	51		
Individual funds' current assets 2007	£1,724	£3,206		

Amounts due from Employers in respect of contributions, which relate to March 2008, were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

## Notes continued

### 15 Current liabilities

	Closed fund 2008 £'000	Open fund 2008 £'000	Combined fund 2008 £'000	Combined fund 2007 £'000
Amounts due to brokers	-	5,539	5,539	559
Sundry creditors	297	1,280	1,577	1,332
External current liabilities	297	6,819	£7,116	£1,891
Inter-fund balance	57	-		
Individual funds' current liabilities 2008	£354	£6,819		
	Closed fund £'000	Open fund £'000		Combined fund £'000
31 March 2007:				
External current liabilities	216	1,675		£1,891
Inter-fund balance	51	-		
Individual funds' current liabilities 2007	£267	£1,675		

### 16 Member credited service

Additional Voluntary Contributions (AVCs) made during the financial year to purchase added years under the principal scheme of £90,240 (2007 - £108,562) are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the net assets statement.

## Notes continued

### 17 Money purchase schemes

Additional Voluntary Contributions (AVCs) are receivable for separate investment for the benefit of individual members. The Scheme's AVC arrangements are operated by Scottish Life Assurance Company (SLAC) and the Prudential Assurance Company (PAC) which includes a selection of unit linked investment funds.

The individual members receive details of their investments directly from the insurance company concerned and the investment and income are not treated as part of the Open Fund's assets and income as shown in the financial statements.

On retirement members may use the money purchase investments they may have accumulated under the Scheme's AVC arrangements to provide a cash lump sum at retirement. This sum would be tax-free under current legislation and subject to certain limits. Such transfers from the Scheme's AVC arrangements are included in individual transfers from money purchase schemes (see note 5). There is also an 'Open Market Option' available to members where they may use their accumulated AVC funds to purchase an annuity with an insurer of their choosing.

All administration provided by the ITB Pension Funds does not incur any cost for money purchase members.

The amounts involved during the year are as follows:

	<b>Prudential</b>	<b>Scottish</b>	<b>Prudential</b>	<b>Scottish</b>
	<b>2008</b>	<b>Life</b>	<b>2007</b>	<b>Life</b>
	<b>£'000</b>	<b>2008</b>	<b>£'000</b>	<b>2007</b>
		<b>£'000</b>		<b>£'000</b>
Funds as at 1 April 2007	982	663	333	1,146
Members' AVC contributions	135	18	134	25
Transfers into Prudential from Scottish Life	68	(68)	467	(467)
Interest credited by SLAC	-	18	-	21
Interest and bonuses credited by PAC	19	-	13	-
Change in market value of units	(27)	-	47	-
	1,177	631	994	725
Transfers out (including to main fund)	(54)	(68)	(12)	(62)
Funds at 31 March 2008	£1,123	£563	£982	£663

Monies invested with SLAC are invested in the Scottish Life Deposit Administration Fund.

Monies invested with PAC are invested in any of the following funds at the discretion of the member concerned:

- With Profits
- Deposit
- Aberdeen Life Balanced
- Overseas Equity (Passive)
- UK Equity (Passive)
- Fixed Interest
- Socially Responsible
- Retirement Protection

## Notes continued

### 18 Utilisation of the Actuarial Surplus of the Open Fund

The terms of the agreement between the Trustees and the Employers on the way the 1998 surplus should be dealt with resulted in an amount being allocated to individual Employers but retained within the Fund in earmarked pots. These pots are revalued annually in line with the return on the Fund. The Employers are able to use these amounts to reduce their contributions below that of members and/or grant further benefit improvements to their own employees.

Under this arrangement the following amounts otherwise receivable by the Trustees have been charged to the surplus funds allocated to the Employers:

	2008 £'000	2007 £'000
Members' contributions	29	39
Employers' contributions	2,777	2,797
Enhancement costs	185	601

These charges are to the Employer's surplus allocations and no monies are paid. The amounts quoted are an allocation of the actuarial surplus, not of financial assets and they do not therefore appear elsewhere in these financial statements. In addition certain expenses incurred by the Funds are charged against Employer surplus amounts and are included in enhancement costs noted above (see note 7).

# Supplementary Information

## Internal Dispute Resolution

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint.

It is hoped that members and beneficiaries will always be pleased with the service provided by the ITB Pension Funds' Office and that no-one has reason to complain. However, in the unlikely event that a complaint arises and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal internal dispute resolution procedure is available upon request from: The Director, The ITB Pension Funds, 23 King Street, Watford, WD18 0BJ.

## The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions covering State, occupational, personal and stakeholder schemes.

TPAS is commonly used by members and beneficiaries to help resolve a pensions query or any difficulty which they have failed to resolve with the trustees of their pension scheme, which may be before or during an official dispute procedure.

**Address:** 11 Belgrave Road, London SW1V 1RB

**Website:** [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

**Telephone:** 0845 601 2923.

## The Pensions Ombudsman

If you are unable to resolve your dispute using the internal dispute resolution procedure, and normally only after having sought the assistance of TPAS, an application can be made to the Pensions Ombudsman for adjudication.

The Pensions Ombudsman's role and powers have been decided by Parliament, and he is appointed by the Secretary of State for Work and Pensions. He is completely independent and is available to investigate and determine any complaint

or dispute of fact or law in relation to an occupational pension scheme. He does not charge for his services.

The Pensions Ombudsman's decision is final and binding on all the parties to the complaint or dispute. It can be enforced in the Courts. His decision can only be changed by appealing to the appropriate court on a point of law.

**Address:** 11 Belgrave Road, London SW1V 1RB

**Website:** [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. Under the Pensions Act 2004, the Pensions Regulator's objectives are to protect the benefits of members, promote good administration and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund. The Pensions Regulator can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

**Address:** Napier House, Trafalgar Place, Brighton BN1 4DW

**Website:** [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Pension Tracing Service

If you think you may have an old pension, but are not sure of the details, contact the Pension Tracing Service. The Service (part of the Department for Work and Pensions) has access to a database of over 200,000 pension schemes and can be used, free of charge, to search for a scheme.

**Website:** [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

(part of the Pension Service website)

**Telephone:** 0845 6002 537

**Address:** Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne NE98 1BA

## HM Revenue & Customs Registration

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 (HM Revenue & Customs Reference No. SF49/1669).

# Contact

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

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

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





