

ITB

THE ITB PENSION FUNDS TRUSTEES'

ANNUAL REPORT & FINANCIAL STATEMENTS 2018/19



Pension Scheme Registry No. 10169800

YOUR SCHEME WORKING FOR YOUR FUTURE



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2019 CHAIRMAN'S REVIEW



The scheme year ending 31 March 2019 was a successful one for the ITB Pension Funds in a number of respects, with both the Closed Fund and DB Sections of the Open Fund remaining in positive funding positions. The DC Section has seen further growth in its assets, but has been the source of significant time and effort in relation to new regulations, which are covered later.

The positive funding positions have been maintained in the context of numerous important external events and issues, such as the continuing uncertainty around Brexit and the volatility caused by fear of a trade war between the USA and China. These factors contributed to a background of both political and economic uncertainty.

However, despite this background I am able to report that once again the ITB Pension Funds made good progress on a number of fronts, some of which I will highlight below, with further information contained in the main body of the report.

THE OPEN FUND

DEFINED BENEFIT (DB) ACTUARIAL VALUATION

Many will be aware that for a number of years defined benefit pension schemes have been facing difficult circumstances. The challenges to be faced are varied, but they include historically low long term interest rates and volatile investment markets.

The last formal triennial valuation of the Open Fund was as at 31 March 2016. A formal valuation is the process by which the financial health of a pension scheme is assessed and future contribution requirements determined. At the time of writing, the Trustees are hard at work on the 31 March 2019 Open Fund Valuation. The valuation is conducted by the Scheme Actuary, Martin Clarke of the Government Actuary's Department (GAD), who advises the Trustees on assumptions about factors such as long term interest rates, membership mortality rates and the return on the Fund's assets, to estimate the funding position of the Open Fund and whether any further contributions are required to provide all the current and future benefits due to be paid.

The outcome of the valuation as at 31 March 2016 was that the Fund had cleared the previous deficit and had a small surplus and while the 2019 results will not be known until later in the year, the Trustees are hoping for a similar

positive result and that the DB Section of the Open Fund remains fully funded on an ongoing basis.

DB SECTION INVESTMENT STRATEGY

The Trustees, along with their investment advisers, are constantly seeking opportunities to increase the security of benefit payments from the Fund given the uncertainty of markets. With this as an objective, during the year a decision was taken to reduce the investment in equity markets and create an allocation to a "buy and maintain" bond portfolio which is more closely matched to the Funds liabilities and therefore reduces risk.

During my report to you last year I explained how the de-risking strategy is now at the point where the Open Fund has achieved a position of near self-sufficiency on the Trustees chosen assumptions, with most of the current pensioner benefits now secured by investments in buy-in policies. Using this approach, the Trustees are still responsible for paying members pensions, but the risk of paying pensions longer than previously assumed is insured.

THE DEFINED CONTRIBUTION (DC) SECTION

All ITB employers have now changed their policy on pension provision by only offering new and existing employees membership of the DC Section for future service.

The ITB Open Fund employers are following a well-established trend, as the UK has seen a significant move from DB to DC pension provision in recent years, and in line with this greater regulatory attention has focused on DC pension arrangements. The most significant development affecting the ITB DC Section is the new legislation relating to DC Master Trusts.

It was initially believed by the ITB Pension Fund Trustees that the Government's Master Trust Regulations were intended to cover commercial DC schemes marketing pension arrangements to a wide range of employers. These Master Trusts are very different from the ITB DC Section and are often operated to make a profit. The ITB Pension Fund Trustees and many of the Participating Employers lobbied the Department for Work and Pensions explaining how the ITB DC Section should not be considered a commercial Master Trust and seeking an exemption from the Regulations. Unfortunately, we were not successful in obtaining an exemption and the Trustees have been forced to make an application to The Pensions Regulator to obtain authorisation under the new regime. This is proving a challenging exercise and while we anticipate a successful application, if the ITB Funds do not obtain authorisation the DC Section will be required

to wind up and members benefits will be transferred to an authorised Master Trust. In such an event the legislation goes to great lengths to ensure members benefits are protected.

The outcome of the application process will be notified on the ITB Pension Funds website once it is known.

THE CLOSED FUND

The 31 March 2018 Closed Fund Actuarial Valuation was successfully completed during the scheme year. The valuation results again showed the Closed Fund to be in a healthy position and disclosed a surplus of sufficient amount to enable the Trustees to make further improvements for beneficiaries of the Closed Fund.

In carrying out the valuation, the Trustees adopted a prudent approach intended to maintain the security of payments to Closed Fund pensioners which nonetheless resulted in a surplus of £38.9 million based on the assumptions used. Under the Rules, the Trustees have discretion to use up to one-third of the total surplus to fund benefit improvements.

After careful consideration of the results and the amount of surplus available for distribution, as well as the need to ensure the future protection and continuity of payments to beneficiaries, the Trustees decided to use most of the amount permitted under their discretion to apply a further special increase to Closed Fund pensions both in payment and deferred. The special increase granted was 8% and was effective from 1 February 2019.

EMPLOYER COVENANT

In line with many other pension schemes, the strength of the employers' covenant is an important factor when formulating decisions about the appropriate actuarial assumptions and investment strategy for the ITB Open Fund DB Section. As it is such a key element of our risk assessment process, we have appointed an independent firm to advise on covenant strength and to report to us on each employer's financial position and business prospects. We work hard to understand the issues confronted by our sponsoring employers as they react to the economic and business environment. An important activity for the Trustees is to monitor their ability to meet their funding obligations to the Fund.

During my report to you last year, I explained the background to People 1st withdrawing from the Open Fund and being liable for its s75 debt, essentially the

amount required from the company to meet its share of the Fund's unfunded benefit obligations if the Fund was ever to wind-up. People 1st was unable to pay the debt and the Trustees are still working with the liquidators to recover as much of the outstanding debt of circa £6.4 million as possible. Based on what has so far been recovered for the benefit of creditors, the Fund is likely to receive only a relatively small percentage of what is owed. The unrecovered amount will be allocated amongst the remaining sponsoring employers.

TRUSTEES

The business experience and skills of my colleagues on the Trustee Board makes a very positive contribution to our decision making on the many varied and complex issues the Trustees have to contend with. I remain grateful for the support and input of my fellow Trustees, who have done much to contribute to the success of the ITB Pension Funds over the years.

Two of my Trustee colleagues have left during the scheme year. These are; Sarah Parkin, the joint member nominated Trustee for SECTT, CAPITB Ltd and OPITO Ltd and Jas Sall the member nominated Trustee for SEMTA. I would like to formally thank them for their service and contribution over the years that they acted as Trustees and wish them well for the future.

I also welcome to the Trustee Board a new Trustee; Darren Thow as the employer nominated Trustee for OPITO Ltd.

GOVERNANCE

The ITB Trustees have long regarded the subject of governance as a high priority. We regularly review the skills and knowledge of individual Trustees and arrange and deliver a large number of training sessions throughout the year to improve skills and knowledge. The operation and authority delegated to the three key trustee sub-committees; the Management Panel, the Investment Committee and the Salaries Committee, is also reviewed regularly.

The question of conflicts of interest is likewise taken very seriously and is the first item of business at every Trustee Board and sub-committee meeting. We have a clear policy for identifying and managing conflicts that all my fellow Trustees are aware of and support.

In addition, we value the quality of advice and service we receive from our professional advisers. We review our advisers regularly to ensure that quality and value for money are maintained.

2019

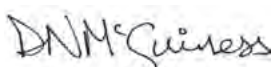
CHAIRMAN'S REVIEW

FUNDS' STAFF

Like most organisations, we are only as good as the people that represent us. The Funds' Office Chief Executive and Director, Vincent Gordon, and the rest of the team at the Funds' Office once again made a significant contribution to our operational success. The team strive for high standards of management and administration to provide the desired level of service to all members of the Trustee Board, the Funds' employers and to you the members, active, retired or yet to draw benefits. On behalf of my fellow Trustees I would like to thank the team for its support.

OUTLOOK

As I write this review of the scheme year, uncertainty still surrounds the future both in terms of Brexit and the development of the economy, and the future of the DC Section as we await the outcome of our application to be an authorised Master Trust. These factors notwithstanding, the Trustees feel that this past scheme year has, all things considered, been a successful one, with the Open Fund DB Section achieving a sound financial situation, based on a lower risk investment strategy as well as remaining in surplus. The Closed Fund also maintains its strong position and has been able to pay a well received special increase, and the DC Section continues to grow and achieve satisfactory investment returns on the various funds offered. With this as our platform, the Trustees will continue to strive to ensure a positive outcome for all members of the ITB Pension Funds.

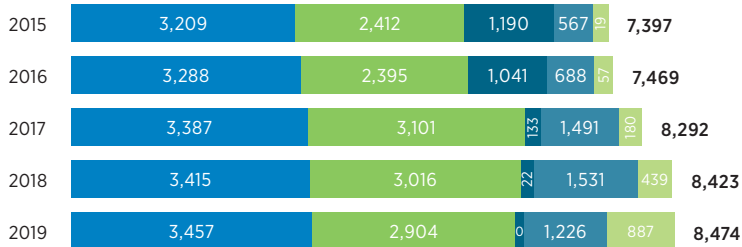


David Newell McGuinness
23 September 2019

SUMMARY

OPEN FUND

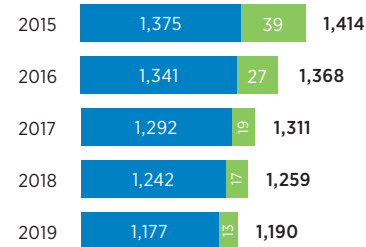
Membership



KEY: PENSIONERS & DEPENDANTS DEFERRED (DB) ACTIVE (DB) ACTIVE (DC) DEFERRED (DC)

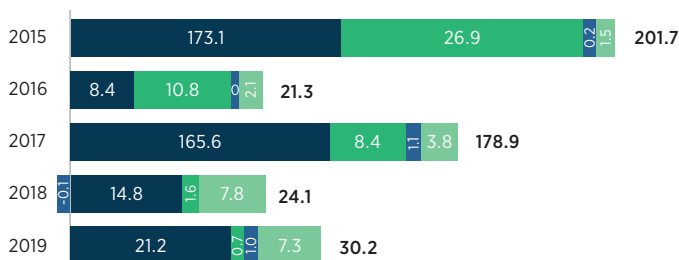
CLOSED FUND

Membership



OPEN FUND (DB & DC SECTIONS)

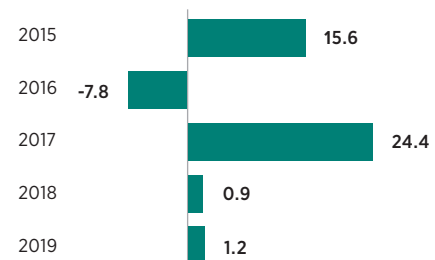
Income (£m)



KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC) INVESTMENT CLOSED FUND

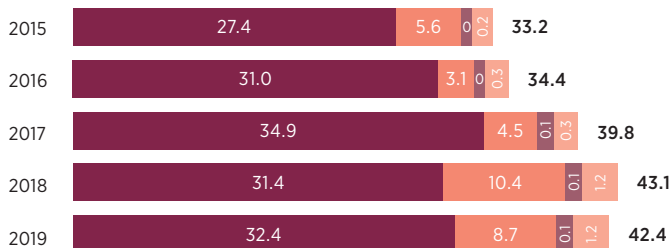
CLOSED FUND

Income (£m)



OPEN FUND (DB & DC SECTIONS)

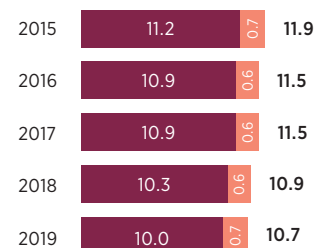
Expenditure (£m)



KEY: PENSIONS (DB) OTHER (DB) PENSIONS (DC) OTHER (DC)

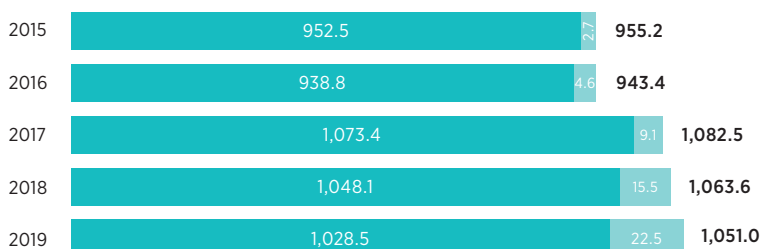
CLOSED FUND

Expenditure (£m)



OPEN FUND (DB & DC SECTIONS)

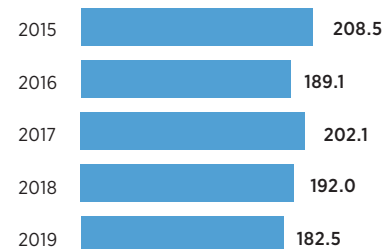
Fund Value (£m)



KEY: OPEN FUND (DB SECTION) OPEN FUND (DC SECTION) CLOSED FUND

CLOSED FUND

Fund Value (£m)



BOARD OF TRUSTEES

EMPLOYERS' TRUSTEES

DAVID BIRTWISTLE

Nominated by: Science, Engineering and Manufacturing Technologies Alliance
(Pensions and Reward Consultant)



JOHN DEARDEN

Nominated by: CAPITB Limited
(Retired Chief Executive of CAPITB Limited)

CAPITB Ltd



TERRY LAZENBY, MBE

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



NEWELL MCGUINNESS

(Chairman)

Nominated by: Scottish Electrical Charitable Training Trust (SECTT)
(Retired Managing Director of SELECT)



TONY PRINGLE

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



PETER ROGERSON, OBE

(Deputy Chairman-Employers)

Nominated by: Construction ITB
(Retired Deputy Chairman of Construction ITB)



DARREN THOW

Nominated by: OPITO Limited
(Director of Finance and Corporate Services)



NIGEL TITCHEN

Nominated by: Lantra
(Former Lantra Trustee and Board Member)



MEMBERS' TRUSTEES

DAVID LEWIS

Nominated by: Engineering Construction ITB
(Senior Account Manager)



MARTIN MCMANUS

Nominated by: Cogent SSC Limited
(Policy & Standards Manager - Nuclear)



ROBERT TABOR

Nominated by: Lantra
(Chief Operating Office and Deputy Chief Executive of Lantra)



DAVID WAKE

Nominated by the trades union Unite for: Construction ITB
(CITB Advisor - London East)



PENSIONERS' TRUSTEES

MAURICE ALSTON

Nominated by: Closed Fund Pensioners Previously Chemical and Allied Products ITB
(Retired - formerly Senior Training Adviser Chemical and Allied Products ITB)



DAVID BARNETT

(Deputy Chairman-Members)

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



OFFICERS AND ADVISERS

OFFICERS



VINCENT GORDON *FPMI*

Chief Executive and Director



MIKE THORPE *ACA*

Funds' Accountant



CHRIS BETTLES *DipPFI*

Pensions Administration Manager

ADVISERS

ACTUARY

Martin Clarke FIA Government Actuary's Department

AUDITOR

Moore Stephens LLP (*resigned 1 February 2019*)
BDO LLP (*appointed 18 February 2019*)

COVENANT ADVISER

CVR Global LLP

INVESTMENT ADVISER AND PERFORMANCE MONITOR

Lane Clark & Peacock LLP

SOLICITORS

Mayer Brown International LLP

INVESTMENT MANAGERS

- Allianz Global Investors GmbH
- BlackRock Investment Management (UK) Ltd
- Fidelity International
- Fletcher King
- Insight Investment Management (Global) Ltd
- Just Retirement Ltd
- Legal & General Assurance Society Ltd (DC Section and AVCs)
- Pension Insurance Corporation PLC
- Prudential Retirement Income Ltd (AVCs) (*terminated 26 March 2019*)
- Royal London Mutual Insurance Society Ltd (AVCs) (*terminated 26 March 2019*)
- Ruffer LLP
- Schroder Investment Management (Luxembourg) S.A.

CUSTODIANS

JP Morgan Chase Bank NA
The Bank of New York Mellon (International) Ltd

PARTICIPATING EMPLOYERS

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

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

CAPITB Limited

Cogent SSC Limited

Participating Subsidiaries:

Cogent Skills Services Limited

Cogent Skills Training Limited

Cogent (Telford) Limited

Science Industry Assessment Service Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

Science, Engineering and Manufacturing Technologies Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited

Metskill Limited

National Skills Academy for Manufacturing Limited

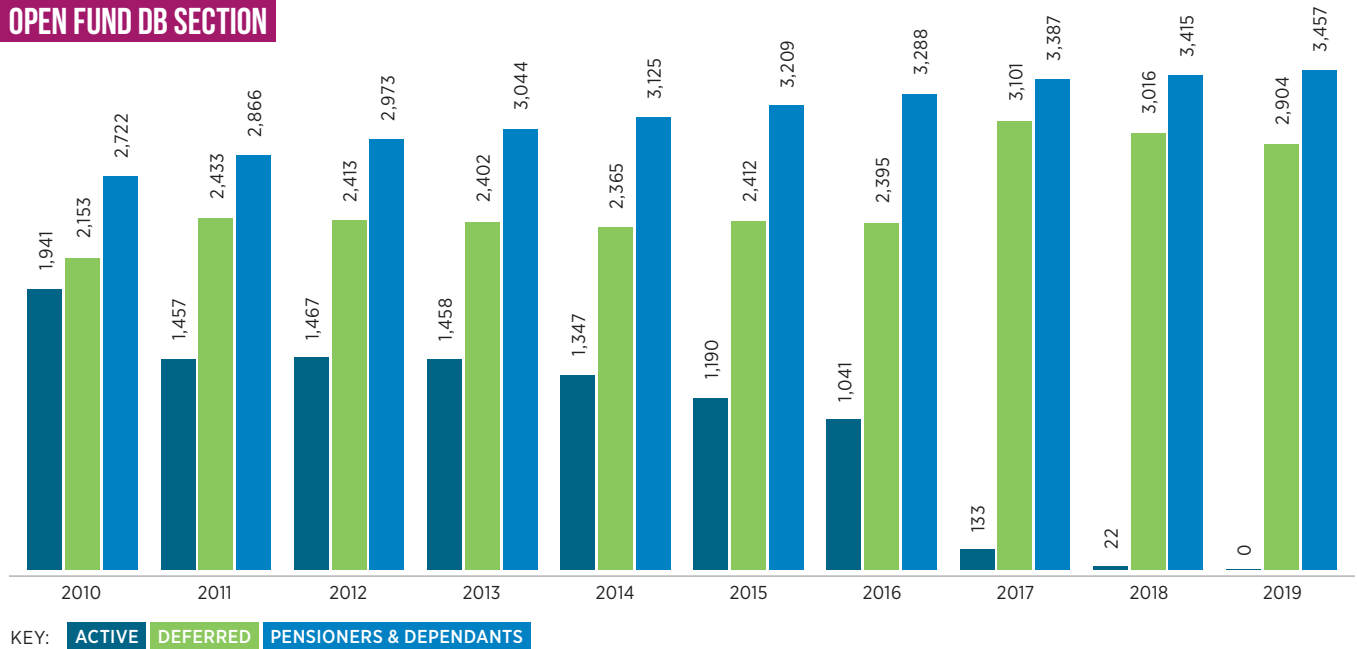
Training Publications Limited

Scottish Electrical

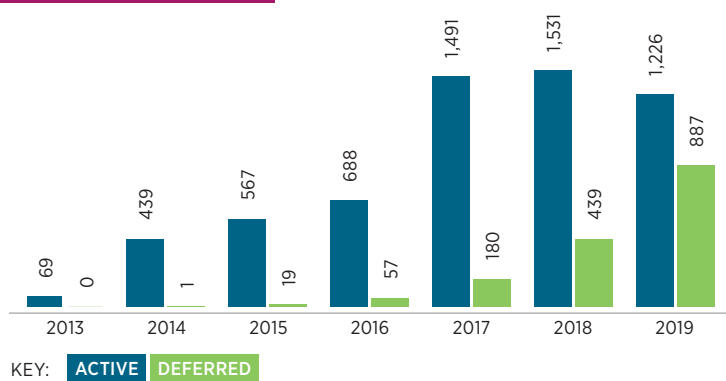
Charitable Training Trust

MEMBERSHIP

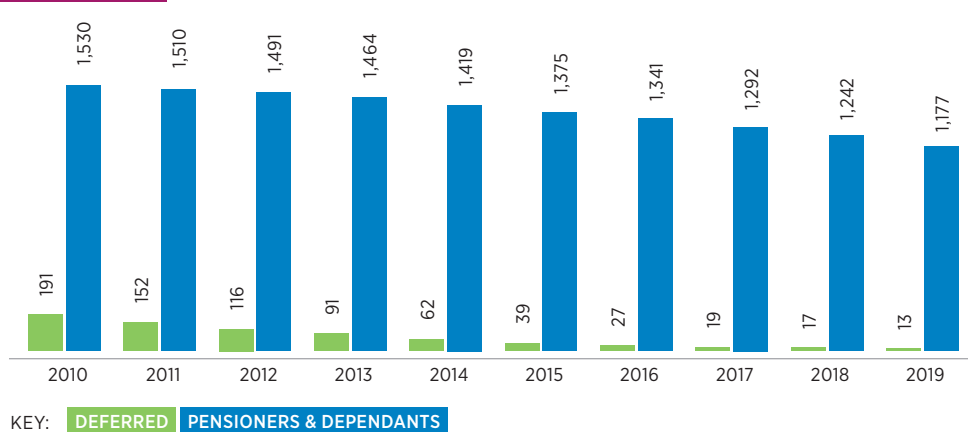
OPEN FUND DB SECTION



OPEN FUND DC SECTION



CLOSED FUND



TRUSTEES REPORT

The Trustees present their annual report together with the financial statements for the year ended 31 March 2019. The financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

FUNDS CONSTITUTION

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 Member (including Pensioner) Trustees and Employer Trustees. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The assets of the Funds are separate from those of its Participating Employers and are held in trust by the Trustees, to apply them for paying pensions and other benefits in accordance with the Trust Deed and Rules.

FUNDS STRUCTURE

The Open Fund consists of four 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, and
- the 'DC Section', which was introduced on 1 April 2012.

Employees of Participating Employers may join the Open Fund subject to eligibility conditions and elections made by Employers. The benefits received by members are determined by elections made by the Employers. All Employers have elected not to offer further DB benefits from the following dates:

- ECITB from 6 April 2016
- CITB from 1 January 2017
- Lantra from 1 February 2017
- Cogent SSC Ltd (and subsidiaries) and OPITO Ltd from 1 April 2017
- SEMTA (and subsidiaries) and CAPITB from 1 October 2017, and
- SECTT from 1 July 2018.

The Closed Fund has no Participating Employers paying contributions, and it is predominantly invested in an insurance policy intended to match its liabilities.

TRUSTEESHIP

APPOINTMENT AND REMOVAL OF TRUSTEES

The Trust Deed and Rules provides for the Funds to be governed by a Board of 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees.

However, as there are only eight Employers, the Trustee Board has only eight Employers Trustees and there are three Members Trustee vacancies. Details of the Trustees in office at the year-end are shown on pages 8 and 9.

Of the Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest average number of active members at each triennial 31 December have a right to nominate an Employer Trustee for the three years commencing on the following 1 April (or such shorter period as the Trustee Board may determine), irrespective of annual changes in active membership numbers in the period following appointment. The next head-count date is 31 December 2021. 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. Any successor bodies to a previous Training Board may join for the purpose of Trustee nomination and, if necessary, tally their combined membership for qualification.

Active 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 trades union for negotiating terms and conditions of service. The trades union concerned then nominates the Trustee. The active members of all remaining Employers select one further Joint Members' Trustee by ballot.

All Trustees are normally expected to serve a minimum of three years on the Trustee Board, subject to there being no change in any Employer's status from Large to Small Employer for nominating a Trustee at the next 31 December headcount. If so, the period of Trustee appointment will come to an end as at the following 31 March.

Open Fund pensioners and members with preserved pensions, who are not also active members of the DC Section, nominate a Trustee by ballot, as do such members in the Closed Fund.

A Trustee may resign 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 the power by resolution to terminate 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.

To comply with the Charges & Governance Regulations 2015, the Employer Trustees must be appointed by an open and transparent process (OTP). Consequently, any appointment or re-appointment of an Employer's Trustee will be undertaken under an OTP and moreover, all newly appointed Trustees will have a maximum tenure of 10 years.

TRUSTEES REPORT

CHANGES TO THE TRUSTEES

EMPLOYERS' TRUSTEES

John McDonald, the Employer Trustee for OPITO Ltd, tendered his resignation as Trustee on 1 January 2018. After OPITO had undertaken an OTP, Darren Thow was appointed to succeed John on 29 June 2018.

Terry Lazenby, the Employer Trustee for ECITB, retired by rotation on 2 July 2018 and was re-nominated by ECITB for a further three-year term under an OTP.

Newell McGuinness, the Employer Trustee for SECTT, retired by rotation on 1 October 2018 and was re-nominated by SECTT for a further three-year term under an OTP.

John Dearden, the Employer Trustee for CAPITB, retired by rotation on 1 October 2018 and was re-nominated by CAPITB for a further three-year term under an OTP.

David Birtwistle, the Employer Trustee for SEMTA retired by rotation on 8 April 2019 and was re-nominated by SEMTA for a further three-year term under an OTP.

MEMBERS' TRUSTEES

Jas Sall, the Member Trustee for SEMTA, retired by rotation on 31 March 2019 and did not stand for re-nomination. SEMTA together with the trades union Unite, who nominate

the SEMTA Member Trustee, are making arrangements for a replacement to be nominated and in the meantime this position remains vacant.

Sarah Parkin, the Joint Member Trustee for SECTT, CAPITB and OPITO, left the service of SECTT and resigned as a Trustee on 11 January 2019. SECTT, CAPITB and OPITO are making arrangements for a replacement to be nominated and in the meantime this position remains vacant.

MEMBERS' DEPUTY CHAIRMAN

David Barnett's period of office came to an end on 28 February 2019 and as he was the sole nominee in the nomination process his period of office continues for a further three-year term.

MEETINGS

Trustees normally meet at least four times a year.

COMMITTEES

The Trustees have appointed the following committees – an Investment Committee, a Management Panel and a Salaries Committee. The Investment Committee meets at least four times a year. The Management Panel meets as frequently as is required by the projects it is delegated to undertake. The Salaries Committee meets at least once a year.

MEMBERSHIP

The membership for the year to 31 March 2019 was as follows:

OPEN FUND DB SECTION	31 MARCH 2018	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2019
Active Members	22	0	(22)	0	0
Deferred Members	3,016	21	(125)	(8)	2,904
Pensioners	2,813	105	-	(75)	2,843
Dependants	602	48	-	(36)	614
TOTAL	6,453	174	(147)	(119)	6,361

OPEN FUND DC SECTION	31 MARCH 2018	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2019
Active Members	1,531	221	(524)	(2)	1,226
Deferred Members	439	511	(63)	-	887
TOTAL	1,970	732	(587)	(2)	2,113

CLOSED FUND	31 MARCH 2018	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2019
Deferred Members	17	-	(4)	-	13
Pensioners	871	3	-	(60)	814
Dependants	371	21	-	(29)	363
TOTAL	1,259	24	(4)	(89)	1,190

PENSION INCREASES

OPEN FUND (OLD SECTION) AND CLOSED FUND

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

The level of increase is currently determined by reference to the annual rise in the Consumer Prices Index (CPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year. This year the level of CPI increase was 3% and was payable from 9 April 2018.

OPEN FUND NEW AND 2007 SECTIONS

Under the rules of the Open Fund, New and 2007 Sections the level of increase is currently determined by reference to the annual rise in the Retail Prices Index (RPI) at the end of the previous September each year, and was 3.9% with any increase being applied from the first Monday on or following the beginning of the new tax year (effective 9 April 2018). The actual increase is subject to a maximum increase cap as described for the New and 2007 Sections in the following table.

PRESERVED PENSIONS – INCREASE METHODS (ALL ITB SCHEME SECTIONS)

Annual increases to preserved pensions for the Closed Fund and Open Fund (Old Section) are in line with annual up-rating orders issued by the Government as described

in Pension Increases above. Preserved pensions for the Open Fund (New Section) and Open Fund (2007 Section) are increased by the lower of (a) 5% to the extent that the pension is attributable to pensionable service which accrued before 6 April 2005 and 2.5% (or other such percentage as shall be specified for the purposes of section 51 of the 1995 Act) to the extent that the pension is attributable to pensionable service which accrued on or after 6 April 2005 and (b) an amount which is in line with the RPI over the 12 months to the preceding 30 September.

CONTRACTING-OUT – CURRENT POSITION

The introduction of the new state pension system on April 2016 brought an end to the ability for defined schemes to contract members out of the additional state pension.

Prior to that, from 6 April 1978, all members of the ITB Pension Funds (DB Section) were contracted out of the Second Tier of the State Pension, known as the State Second Pension (S2P, formerly called SERPS). DC members participated in S2P as they and their Participating Employers paid full rate National Insurance contributions.

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

PENSIONS IN PAYMENT – INCREASE METHODS (ALL ITB DB SCHEMES):

	CLOSED FUND & OPEN FUND (OLD SECTION)	OPEN FUND (NEW SECTION) & OPEN FUND (2007 SECTION)	THE STATE
BEFORE STATE PENSION AGE THE SCHEME INCREASES TOTAL PENSION BY:	In line with annual up-rating orders issued by the Government	*RPI subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
AFTER STATE PENSION AGE THE SCHEME INCREASES EXCESS OVER **GMP BY:	In line with annual up-rating orders issued by the Government	*RPI subject to a maximum in any one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter.	Nil
THE **GMP IS INCREASED AS FOLLOWS: 6 APRIL 1978 TO 5 APRIL 1988 BY:	Nil	Nil	In line with annual up-rating orders issued by the Government
6 APRIL 1988 TO 5 APRIL 1997 BY:	Lesser of 3% and the annual up-rating orders issued by the Government	Lesser of 3% and the annual up-rating orders issued by the Government	Any excess over 3% of the annual up-rating orders issued by the Government

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

TRUSTEES REPORT

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

TRANSFER VALUES

In accordance with guidance from the Pensions Regulator, transfer value calculations under the ITB Pension Funds (DB Section) use a method and basis determined by the Trustees, after taking advice from the Scheme Actuary, to be consistent with the relevant legislation and the rules of the ITB Pension Funds (DB Section).

Transfer values paid under the ITB Pension Funds (DC Section) equal the value of a members DC account as at the date of disinvestment. The Trustees do not accept transfers in to the DB Section. However, members of the DC Section may apply to the Trustees for the acceptance of transfer values from similarly approved schemes.

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Participating Employers and set out in the Statements of Funding Principles, which are available to members on request.

OPEN FUND – VALUATION RESULTS

The most recent full actuarial valuation of the Open Fund was carried out as at 31 March 2016. This showed that on that date:

THE VALUE OF TECHNICAL PROVISIONS WAS:	£932,500,000
THE VALUE OF THE ASSETS AT THAT DATE WAS:	£942,200,000

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Annex to the Statement of Funding Principles):

OPEN FUND – METHOD

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

OPEN FUND – SIGNIFICANT ACTUARIAL ASSUMPTIONS

- Discount rate for determining the technical provisions (or, equivalently, the expected return on the assets): The expected return on the assets is assumed to be the redemption yield available on fixed interest gilts of a similar duration to that of the Fund liabilities, plus a prudent margin to allow for expected returns on the Fund's assets exceeding those from gilts and minus an allowance for an inflation risk premium of 0.25% a year. The discount rate in the period before retirement reflects the expected investment returns on a portfolio consisting largely of return-seeking assets, whereas for the period after retirement the discount rate reflects the expected return on the liability driven investment portfolio. The trustees allow for 2.5%pa outperformance relative to the gilt yield before retirement and 0.5%pa outperformance relative to the gilt yield after retirement.
- Future Retail Price Inflation (RPI): derived from the difference between annually compounded redemption yields on fixed interest gilts and index linked gilts of a similar duration to that of the Fund liabilities, less an adjustment of 0.25% a year for the inflation risk premium.
- Future Consumer Price Inflation (CPI): derived from the assumption for RPI less a prudent adjustment equal to 0.9% a year.
- Pension increases: are in line with the provisions under the Fund's rules, pension increases are in line with the assumption for future CPI or RPI as appropriate, allowing for any caps and floors.
- Pay increases: are assumed to be in line with RPI increases for the three years following the valuation date. Thereafter, salary inflation has been assumed to exceed RPI increases by 0.85% a year.
- Mortality (post retirement): is assumed to be in line with the S2NMA, S2NFA and S2DFA tables published by the UK actuarial profession, rated down 2 years of age for normal health retirements and rated up 2 years of age for ill-health retirements.
- Mortality Improvements: Projected improvements in mortality rates are assumed to be in accordance with an average of those underlying the principal and 'high' life expectancy variant improvements incorporated in the Office for National Statistics' 2014-based population projections for the United Kingdom. Improvements to mortality rates are assumed to be broadly in line

with actual improvements in UK population mortality between 1 January 2007 (the date at which the S2 tables apply) and mid-2014.

CLOSED FUND – VALUATION RESULTS

The most recent full actuarial valuation of the Closed Fund was carried out as at 31 March 2018. The valuation of the Fund's liabilities excludes those liabilities which will be met by a bulk annuity policy and for consistency the bulk annuity policy is excluded from the valuation of the Fund's assets. This most recent valuation showed that on that date:

THE VALUE OF TECHNICAL PROVISIONS WAS: £36,600,000

THE VALUE OF THE ASSETS AT THAT DATE WAS: £75,500,000

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Annex to the Statement of Funding Principles):

CLOSED FUND – METHOD

Scheme funding legislation requires trustees to determine which actuarial funding method to use. However, since the differences between the permissible methods arise solely in relation to the treatment of active members no such decision is necessary for the Closed Fund as it has no active members.

The valuation then assesses the extent to which the Fund's residual assets are sufficient to meet future expenditure not met by the bulk annuity policy. The Fund's liabilities are valued using financial assumptions consistent with market conditions at the valuation date.

CLOSED FUND – SIGNIFICANT ACTUARIAL ASSUMPTIONS

The largest part of the Closed Fund's liabilities is insured by a bulk annuity policy. Therefore, the significant assumptions relate to differences in the Fund's liabilities and the terms of the bulk annuity policy and to the provisions for insurer insolvency and future expenses.

- Discount rate for determining the technical provisions (or, equivalently, the expected return on the assets): The expected return on the assets is assumed to be the redemption yield available on fixed interest gilts of a similar duration to that of the Fund liabilities minus an allowance for an inflation risk premium of 0.25% a year.
- Future Retail Price Inflation (RPI): derived from the difference between annually compounded redemption yield on fixed interest gilts and index linked gilts of a

similar duration to that of the Fund liabilities less an adjustment of 0.25% a year for the inflation risk premium.

- Difference between RPI and CPI: There is no excess of the insurers benefit indexation (Retail Prices Index – RPI) above the Fund's benefit indexation (Consumer Prices Index – CPI).
- Mortality (post retirement): is assumed to be in line with the S2NMA, S2NFA and S2DFA standard tables published by the UK actuarial profession with 85% adjustment to rates except no adjustment for female dependants.
- Mortality Improvements: Projected improvements in mortality rates are assumed to be in accordance with those underlying the 2017 CMI core projection model with a long-term improvement of 1.5%.
- Insurer insolvency: The technical provisions include a provision for insurer insolvency, sufficient to cover an insolvency event in the year ended 31 March 2020 by setting a reserve equal to the present value of three years of benefit payments received from the insurer.
- Future expenses: The technical provisions include a provision for the Fund's expenses of £850,000 a year increasing in line with RPI until 2030.

FINANCIAL DEVELOPMENT DURING THE YEAR

The financial statements of the Funds for the year ended 31 March 2019 are set out on pages 37 to 58. During the year, the net assets of the Funds decreased from £1.26bn to £1.23bn.

CONTACT

If members have a query or wish to make their views known to the Trustees on any aspect of the ITB Pension Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ or email pensions@itbpen.com.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

INTRODUCTION

This statement has been prepared by the Trustees to demonstrate how the Funds have complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (2015 Regulations). It covers the year to 31 March 2019 and six key areas relating to the Open Fund Defined Contribution Section (DC Section):

- The investment strategy relating to the DC default investment arrangement
- The financial transactions made within the DC Section
- The charges and transaction costs within the DC Section
- The Trustees compliance with knowledge and understanding requirements
- Appointment of Trustees
- Membership Engagement

Where applicable this statement also applies to the Additional Voluntary Contribution (AVC) arrangements.

1 DC DEFAULT INVESTMENT ARRANGEMENT

The DC Section was introduced in April 2012 and the latest comprehensive review of the options offered, including the default arrangement, with the DC provider Legal & General Assurance Society Ltd. (L&G), was conducted in November 2017. The review considered a membership analysis and the Trustees' view of how membership will behave at retirement. As a result of the review, some investment options (including the default arrangement) were updated and implemented in April 2018. The review was undertaken in 2017 because there was a significant increase in the membership of the DC Section, and it was the third anniversary of the last full review. During 2017, the membership of the DC Section increased by 1,010 members (109%) due to employers switching from defined benefit accrual to defined contribution accrual. No further review of the default arrangements (or any of the other available funds) was undertaken during the year to 31 March 2019 and the next comprehensive review is scheduled for November 2020. The Investment Committee monitors the performance of the DC Section and AVC funds each quarter.

A review of legacy AVC funds (then managed by Royal London and Prudential) was completed in May 2016. The review was conducted with advice from the Trustees' investment adviser and it assessed the financial strength of the providers, fund performance, charges and value-for-money, administration and communications. The review

concluded that these AVC fund arrangements remained fit for purpose and accordingly the arrangements were left unchanged. However, on 26 March 2019 the remaining legacy AVC funds, which were small in number and size, were transferred to the main AVC provider, L&G, in order to obtain operational and cost efficiencies. The Investment Committee monitors the performance of the AVC funds each quarter.

The Trustees have adopted a Statement of Investment Principles (SIP) which covers both the DB and DC sections of the Open Fund. The latest DC Section SIP, dated 4 April 2019, is reproduced in the schedule to this statement. It sets out the investment principles for the DC funds, including a detailed description of the default arrangement and the Trustees' objectives and policies in relation to it.

The default arrangement is called ITB Drawdown. It is a lifestyle fund that targets income drawdown at retirement and automatically switches investments gradually to a lower risk investment strategy from 15 years before retirement. The details of the investment allocations are set out in the SIP, which is reproduced in the schedule to this statement. The Trustees objective in relation to the default arrangement is to grow members pots materially above inflation whilst they are far from retirement, and then to gradually reduce investment risk as members become close to retirement, targeting an "at retirement" allocation which the Trustees consider appropriate for a member intending to drawdown in retirement.

2 FINANCIAL TRANSACTIONS

The Trustees regularly monitor that core financial transactions of the DC Section are processed promptly and accurately. These transactions include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members, and are undertaken on the Trustees behalf by the Funds' DC platform provider, L&G, under a policy to administer the Funds' DC assets.

The Trustees work closely with the participating employers to help them understand their responsibilities as regards contributions and sharing information about members. Staff at the ITB Pension Funds (the Funds Office) are in regular communication with the employers about the detail of their obligations in respect of the DC Section. The Funds Office is notified by the participating employers of the various percentage of employer and employee contributions due and perform reconciliations to ensure the correct payments are deducted.

All contributions deducted from members' pay by the participating employers are paid to L&G by the end of the first week following the end of the calendar month in which they were taken from members' pay. This is within the legislative requirement, which is within 22 days of the end of the calendar month in which they were taken from members' pay if it is paid by electronic means (or 19 days in any other case). L&G invests the contributions in funds within 24 hours following receipt of contributions, whereas the Pensions Regulator expects contributions to be invested within a maximum of three working days following receipt.

The Trustees review reporting from L&G each quarter, which shows its performance against service level agreements (SLAs) for processing all core financial transactions, including investing contributions promptly on time and within legislative timescales. The SLAs are comprehensive and cover the processing of joiner and contribution files, allocating contributions to investments and investment switches, issuing maturity and leaver packs, issuing quotes for events like retirement, ill health and transfers, and customer enquiries.

The Trustees also review the annual AAF 01/06 / ISAE 3402 Assurance Report on Internal Controls issued by L&G Investment Management, which gives independent assurance on the strength of the systems and controls operating within L&G Investment Management, the investment manager of the DC funds.

Staff at the ITB Pension Funds reconcile L&G's quarterly reports to monthly contribution summaries supplied by the participating employers to monitor whether contributions have been processed accurately. Any identified errors are rectified quickly and processes at L&G and the employers are reviewed to prevent further similar errors. Contributions to AVC arrangements are monitored in the same way.

Transfers out, fund switches and payments out, both to and in respect of members, are processed by L&G, on behalf of the Trustees. The promptness of processing these transactions is monitored by the Trustees through the service level performance reporting each quarter. The accuracy of processing these transactions is monitored by the Funds Office, which reconciles L&G's advance notice of the transactions to separate fund accounting reports.

The Trustees' review of SLA performance identified no substantive issues during the scheme year. The quarterly SLA review identified that service levels are adhered to for most transactions and that only 14 transfers out were paid outside the service level by 2 days on average and 4 retirement lump sum payments were paid outside the service level by 3 days on average. The Trustees liaise with the administrator about the results of the review each quarter so as to identify any systemic administration issues that might affect members interests.

The Trustees review the DC Section's governance processes and internal controls each quarter, the most recent of which was completed on 28 June 2019, and have confirmed their view that they comply with the Pensions Regulator's DC Code of Practice No. 13. Based on the above, the Trustees are satisfied that the core financial transactions relating to the DC Section and AVCs have been processed promptly and accurately during the year.

3 MEMBER BORNE CHARGES AND TRANSACTION COSTS

The level of annual charges (as measured by the total expense ratio (TER), which includes L&G's platform fee of 0.30% pa, but not transaction charges) for the lifestyle options, including the current default arrangement, are as shown below in Table 1. The annual charges vary according to the mix of assets, which begins to change from when members are 15 years from retirement. Shown in the table below is the annual charge before 15 years to retirement and the annual charges at five-yearly intervals within the period from 15 years to retirement.

TABLE 1: ANNUAL CHARGES FOR LIFESTYLE OPTIONS

PERIOD TO RETIREMENT:	MORE THAN 15 YRS %PA	15 YRS %PA	10 YRS %PA	5 YRS %PA	0 YRS %PA
Drawdown Lifestyle (Default Option)	0.44	0.44	0.53	0.62	0.61
Annuity Lifestyle	0.44	0.44	0.47	0.49	0.39
Cash Lifestyle	0.44	0.44	0.53	0.61	0.40

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The level of annual charges (as measured by the total expense ratio (TER), which includes L&G's platform fee of

0.30% pa, but not transaction charges) for the self-select funds are as shown below in Table 2.

TABLE 2: ANNUAL CHARGES FOR SELF-SELECT FUNDS

FUND	%PA
Over 5 Years Index-Linked Gilt Fund	0.38
Over 15 Years Gilts Index Fund	0.38
AAA-AA-A Corp Bond Over 15 Years Index	0.42
Global Equity Fixed Weight 30:70 Index Fund	0.44
Ethical Global Equity Index Fund	0.60
HSBC Islamic Global Equity Index Fund	0.65
Multi Asset Fund	0.43
Standard Life Global Absolute Return Strategies Fund	1.07
Cash Fund	0.40

The Investment Manager, L&G, has provided the transaction costs for the year ended 5 April 2019 for funds managed by L&G available within the DC Section. Table 3 below sets out transaction costs for the Lifestyle Options and Table 4 sets out transaction costs for the self-select funds. Transaction costs are borne by members. Explicit costs are those directly charged to or paid by the fund, e.g. taxes, levies and broker commissions, whereas implicit costs are costs such as differences between selling and buying prices (spreads) which may vary depending on market liquidity and the size of transaction. Implicit costs

are calculated on the 'slippage' basis, as recommended by the Financial Conduct Authority. Under this basis negative implicit costs can arise when the actual price paid ends up being lower than the mid-market price at the time of placing an order. Transaction costs for two funds available through L&G's platform but managed by other investment managers have been requested from the investment manager but have not yet been supplied. The Trustees have pursued the investment manager for these costs regularly and often.

TABLE 3: TRANSACTION COSTS FOR LIFESTYLE OPTIONS

PERIOD TO RETIREMENT:	YEAR ENDED 5 APRIL 2019*				
	MORE THAN 15 YRS %PA	15 YRS %PA	10 YRS %PA	5 YRS %PA	0 YRS %PA
Drawdown Lifestyle (Default Option)	0.02	0.02	0.01	0.01	-0.01
Annuity Lifestyle	0.02	0.02	0.01	0.01	-0.04
Cash Lifestyle	0.02	0.02	0.01	0.01	-0.02

TABLE 4: TRANSACTION COSTS FOR SELF-SELECT FUNDS

FUND	YEAR ENDED 5 APRIL 2019*		
	IMPLICIT %PA	EXPLICIT %PA	TOTAL %PA
Over 5 Years Index-Linked Gilt Fund	0.01	0.00	0.01
Over 15 Years Gilts Index Fund	-0.03	0.00	-0.03
AAA-AA-A Corp Bond Over 15 Years Index	-0.02	0.00	-0.02
Global Equity Fixed Weight 30:70 Index Fund	0.02	0.02	0.03
Ethical Global Equity Index Fund	0.01	0.01	0.02
Multi Asset Fund	-0.03	0.01	-0.01
Cash Fund	-0.02	0.00	-0.02

* As this period is close to the year ended 31 March 2019 the Trustees consider this data to be appropriate. The Total may not add up due to rounding.

It is a constant objective of the Trustees that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire. In order to meet this objective, a value for members assessment of the DC arrangements is carried out by the Trustees each year and was also carried out as part of the comprehensive DC strategy review conducted in November 2017.

The Trustees' assessment conducted as part of the triennial investment strategy review in November 2017 concluded that the TERs are competitive and that the revised DC arrangements offer members good and improved value for money.

The Trustees' latest annual assessment, conducted in November 2018, concluded that given the size of the DC Section, members are receiving reasonable value. The Trustees considered the extent to which the cost of membership compares against the services and benefits provided by the DC Section, which include scheme governance and management, investment, administration and communications services. The assessment recognised that the only charges borne by members are the charges

deducted from the funds (i.e. the TERs shown above, plus transaction costs), while the charges for all other services are borne by the participating employers.

These assessments were made after considering the advice of the investment adviser on the level of TERs based on their knowledge of the market as a whole, that members only pay the direct cost charged for the investment funds (which includes the L&G platform charge of 0.30% pa) and all other services are paid for directly by employers. In addition, the other costs and charges borne by employers are kept as low as possible by rigorous budgetary control and the charges borne by members are well below the government 'charge cap' of 0.75% pa in respect of default funds.

The Trustees have prepared the following illustrative example of the cumulative effect of costs and charges incurred by members, which has been prepared in accordance with statutory guidance. The charges and costs deducted are the charges and transaction costs set out in tables 1 to 4 above. The funds illustrated include the most popular, the funds with the highest and lowest expected return and highest and lowest total charges.

TABLE 5: PROJECTED PENSION POT IN TODAY'S MONEY

		FUND CHOICE													
		"MOST POPULAR"		"MOST POPULAR, AGE 50, RETIRING AT 65"		"POPULAR"		"HIGHEST EXPECTED RETURN"		"LOWEST EXPECTED RETURN"		"HIGHEST COST"		"LOWEST COST"	
		Default Fund Growth Phase		Default Fund at Age 50 Retiring at 65		Multi Asset		Global Equity		Cash Fund		Standard Life GARS Fund		Over 15 Years Gilts	
Years		Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted	Before Charges	After all charges + costs deducted
		£	£	£	£	£	£	£	£	£	£	£	£	£	£
1		13,998	13,993	13,998	14,023	13,935	13,987	14,025	13,983	13,554	13,524	13,812	13,718	13,554	13,524
3		25,020	24,998	25,020	24,971	24,738	24,551	25,142	24,934	23,075	22,932	24,190	23,742	23,075	22,936
5		36,637	36,584	36,637	36,270	35,999	35,563	36,914	36,422	32,349	32,032	34,776	33,749	32,349	32,041
10		68,492	68,298	68,492	65,658	66,287	64,732	69,462	67,659	54,500	53,497	62,183	58,698	54,500	53,524
15		104,816	104,370	104,816	94,665	99,891	96,405	107,013	102,859	75,249	73,243	90,987	83,546	75,249	73,297
20		146,235	145,396	N/A	N/A	137,176	130,797	150,333	142,522	94,683	91,408	121,261	108,294	94,683	91,496
25		193,463	192,059	N/A	N/A	178,543	168,142	200,309	187,216	112,887	108,119	153,079	132,942	112,887	108,247
30		247,316	245,133	N/A	N/A	224,440	208,694	257,965	237,577	129,938	123,492	186,520	157,491	129,938	123,664
35		308,722	305,497	N/A	N/A	275,363	252,727	324,480	294,326	145,909	137,634	221,667	181,941	145,909	137,854
40		378,742	374,154	N/A	N/A	331,863	300,540	401,216	358,272	160,868	150,644	258,607	206,293	160,868	150,914

Notes

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- The starting pot size is assumed to be £8,700 – the median pot size as at 31 March 2019.
- Inflation is assumed to be 2.5% each year.
- It is assumed the current average level of contributions of £5,000 pa is made each year.
- There are no charges levied on contributions.
- Values shown are estimates and are not guaranteed.
- The projected growth rates for each fund or arrangement are as follows:
 Default Fund Growth Phase: 2.7% above inflation
 Default arrangement at Age 50 and retiring at 65: between 2.7% and 1.0% above inflation
 Multi Asset: 2.1% above inflation
 Global Equity: 2.9% above inflation
 Cash: 1.3% below inflation
 Standard Life GARS Fund: 1.0% above inflation
 Over 15 years Gilts: 1.3% below inflation

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

4 TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Trustees are expected to meet the requirements for knowledge and understanding, as set out in s247 of the Pensions Act 2004 pertaining to individual Trustees, i.e. that they are conversant with the documents governing the Funds, have knowledge and understanding of pensions and trust law and the principles of funding and investment. The Trustees consider that the overall Funds' training programme satisfies this requirement.

The Trust Deed & Rules provides for the Funds to be governed by a board of 18 Trustees, consisting of nine Employer Nominated, seven Member Nominated and two Pensioner Nominated Trustees. However, due to a reduction in the number of employers to eight, and three member trustee vacancies the Trustee board comprised 14 members as at 31 March 2019. Each Trustee serves for a fixed three-year term and can be re-appointed following each term. As at 31 March 2019, the average period of service as a Trustee is 6 years – 5 Trustees have been in office for two years or less, whilst 6 Trustees, including the Chair and the Deputy Chairs, have been in office for 8 years or more. There is a wide spectrum of trustee experience and, therefore, the training programme both keeps the experienced Trustees up to date with pension developments and gives newer Trustees a basis, in line with the minimum requirements, on which to develop their knowledge and experience.

The training programme comprises the following elements:

- All new Trustees attend an induction programme that introduces the trust's deed and rules, statement of investment principles, statement of funding principles and other Funds policy documents, for example the Funds' management of conflicts of interest policy.
- Every year, each Trustee completes a training needs self-assessment and the Funds Office uses this assessment to identify areas where training is required and prepares a training plan for each Trustee. Through this process Trustees identified investment as a training need and, therefore, attended training on investments provided by an Investment Manager. New Trustees identified a need for a comprehensive introduction to trusteeship and attended a trustee foundation course provided by the Funds' legal advisers.
- The Funds also provide access to an ITB Funds Trustee website on which all key documentation can be accessed, including the trust's deed and rules, statement of investment principles and statement of funding principles. The website also includes links to training course providers and the Pensions Regulator's

e-learning course, the Trustee Toolkit, which all Trustees have completed.

- A formal training session is provided following each quarterly Trustee meeting, that is attended by all Trustees. Sessions during the scheme year included "Update on Buy-in Insurance" by Pension Insurance Corporation, "Liability Hedging" by the investment management firm Insight Investment, "Conflicts Policy" by the legal adviser Mayer Brown and "ESG demystified: how this is beneficial to trustees and members" by the investment management firm L&G. Significant training is also provided in the form of formal briefings and training provided at Trustee and Investment Committee meetings. This year all Trustees have received briefings on the risk and control process, the DC members buy-out exercise, actuarial valuations, master trust legislation and equalisation of GMPs.
- Each year all the Trustees attend a dedicated training seminar. This year training was provided by the Funds advisers and investment managers on master trust legislation, the latest investment strategy changes, the management of the Fund's property portfolio, the latest DC legal and regulatory developments including a refresher session on trust and pension law and the powers of the Pensions Regulator, pension transfers, defined benefit consolidation, collective defined contribution schemes, developments in mortality, the 2019 Open Fund valuation and recent developments in the buy-out and buy-in market.

All training needs and training received is logged on a central training register that is used by the Funds Office to identify relevant subjects for training, which are then delivered within the framework described above. Each new individual Trustee is required to complete the Trustee Toolkit and other training to meet the minimum requirements for knowledge and understanding.

The combined training, knowledge and understanding of the trustee board, together with the available advice, enables the Trustees to properly exercise their functions. The combined knowledge of the board includes many years of trustee experience and training as described above. Several of the Trustees are current or former senior executives with substantial experience of financial, managerial and governance matters; for example, one Trustee was an HR Director with substantial pensions knowledge; another is Chair of a separate pension fund and another was Chief Engineer and Technology Director at a major oil company. Trustees are nominated by participating employers, or employees and pensioners of participating

employers, and that ensures detailed knowledge of the participating employers is available to the board, which is useful for interpreting and understanding advice on employer covenant strength, subject to managing conflicts of interest. The Trustees' combined knowledge and understanding is also enhanced by the support of the Funds Office. The Funds Chief Executive is a qualified PMI professional of more than 32 years' experience in the pension industry, the Funds Accountant is a Chartered Accountant with 9 years' experience in life insurance and 12 years' experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 42 years' experience in the pension industry. Trustees also have ready access to actuarial advice from the Government Actuary's Department, investment advice from LCP and legal advice from Mayer Brown International. The actuarial and legal adviser attend each Trustee board meeting and the investment adviser attends each Investment Committee meeting. This combined support is part of the combined knowledge that enables the Trustees to properly exercise their functions.

5 APPOINTMENT OF TRUSTEES

The Funds are a relevant multi-employer scheme under the 2015 Regulations. The Funds are, therefore, subject to a special requirement under Regulation 22, whereby a majority of the Trustees, including the Chair, must be "non-affiliated". For a Trustee to be "non-affiliated", he or she must be appointed through an open and transparent process (OTP); must be independent of the Funds' service providers; and must not have been in office for longer than prescribed periods.

All Trustees including the Chairman, are non-affiliated either because they have been appointed through an OTP or, where they were appointed prior to the 2015 Regulations coming into force, deemed non-affiliated in accordance with the Pension Regulator's DC Code of Practice No. 13. None of the Trustees is (or has in the last five years been) a director, manager, partner or employee of any undertaking which provides advisory, administration, investment or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider. Furthermore, none of the Trustees receive any payment or benefit from any undertaking which provides advisory, administration, investment or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider. Neither do any of the Trustees have any obligations to any such service provider that conflict with their obligations

as a Trustee. None of the Trustees have, since 6 July 2015 (when the 2015 Regulations came into force), served for more than 10 years, with no single period in office being more than 5 years.

In order to ensure compliance with Regulation 22, the Trustees have, during the scheme year and over the longer term, made arrangements with a view to ensuring that new Trustees are appointed through the process described below, which the Trustees consider to be an OTP. As described below, in relation to Members' Trustees, the process meets the member-nominated trustee requirements under s241(2) Pensions Act 2004 and, in relation to Employers' Trustees appointments are made through reasoned decisions, based on relevant and appropriate criteria, and made through due process, with both the process and the ultimate decision being clearly communicated to interested parties. The Trustees monitor compliance with the conditions as to independence and term of office.

Members' Trustees are nominated and selected by members or by trade unions which represent them, and the Trustees are satisfied that these arrangements meet the OTP requirement.

Employers' Trustees are selected by Employers and, to ensure that the OTP requirement is met, the Trustees stipulate that Employers should follow certain ground rules when selecting candidates. Under the ground rules, Employers must determine the constituency from which Trustees will be selected and the process used to make the selection, which must involve a panel of at least three individuals; notice as to these matters must be given to people in the constituency and to the Employer's active members (the "interested parties"); the selection must take account of candidates' fitness and propriety to act as Trustees; the Chairman of Trustees must be consulted as to the proposed appointment; notice as to the final decision must be given to the interested parties; and the Employer must confirm to the Trustees that the ground rules have been followed.

As regards non-affiliated Trustees appointed or re-appointed during the scheme year, the OTP requirement was met as follows. Terry Lazenby, Employer's Trustee for ECITB: ECITB followed the ground rules in making its selection; Darren Thow, Employer's Trustee for OPITO: OPITO followed the ground rules in making its selection; Newell McGuinness, Employer's Trustee for SECTT: SECTT followed the ground rules in making its selection; John Dearden, Employer's Trustee for CAPITB: CAPITB followed the ground rules in making its selection.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

6 MEMBERSHIP ENGAGEMENT

During the scheme year, the Trustees have encouraged members of the Funds to make their views known by operating a website for the Funds which includes a "feedback" button and contact details; by publishing an annual newsletter which is issued to all members who request it (currently 731 members) and which is available on the Funds' website where all members can view it; by liaising with the Pensioners' Association and informally through the Members' Trustees. DC section members also have access to L&G's website where comprehensive documentation and guidance on the Funds' DC section is available and which also facilitates direct communication with the L&G administration team. Furthermore, all members with DC and AVC benefits were sent an updated newsletter following the triennial DC investment strategy review in 2018 explaining the changes to the DC and AVC funds made as a result of the review and were invited to send comments and questions to the Funds Office about the changes.

The contact details of the Funds are as follows:

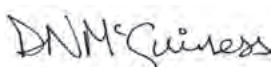
The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ

Telephone: 01923 226264

E-mail: pensions@itbpen.com

Website: www.itb-online.co.uk

Signed by the Chairman on behalf of the Trustees

Signed: 

Dated: 23 September 2019

David Newell McGuinness (Chairman of Trustees)

CHAIRMAN'S STATEMENT – SCHEDULE DC SECTION STATEMENT OF INVESTMENT PRINCIPLES – 4 APRIL 2019

WHAT IS THE TRUSTEES' OVERALL INVESTMENT OBJECTIVE?

The Trustees recognise that members of the Defined Contribution Section may have differing investment needs. These needs may change during the course of a member's working life and members may have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The Trustees' investment objective is, therefore, to make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

WHAT RISKS DO THE TRUSTEES CONSIDER AND HOW ARE THESE MEASURED AND MANAGED?

The Trustees have considered risk for the Defined Contribution Section from a number of perspectives, including, but not limited to, those set out below. Some of the risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

RISK OF INADEQUATE LONG-TERM RETURNS

As members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term.

RISK OF DETERIORATION IN INVESTMENT CONDITIONS NEAR RETIREMENT

For a given amount of money the level of pension secured for a member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact in the benefits provided. To protect against this, the Trustees have made a lifestyle strategy, the ITB Drawdown, which targets drawdown at retirement.

RISK OF LACK OF DIVERSIFICATION AND UNSUITABLE INVESTMENTS

Within each fund available to members the holdings should be adequately diversified. To achieve this, the Trustees have selected funds which invest in a suitable diversified range of holdings. The Trustees' policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

RISK FROM EXCESSIVE CHARGES

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive then the value of members' accounts will be reduced unnecessarily. The Trustees have, therefore, looked closely at the terms and conditions of the investment manager and are comfortable that the charges applicable to the Open Fund are in line with market practice and assess regularly whether these represent good value for members.

INVESTMENT MANAGER RISK

This is the risk that the investment manager fails to meet its investment objective. The Trustees monitor the investment manager on a regular basis.

OTHER RISKS

The Trustees recognise that there are other, non-investment, risks within the Defined Contribution Section. Unlike the Defined Benefit Section, these risks fall generally on the individual Defined Contribution Section members rather than on the membership generally and/or the sponsoring employer. Examples of these risks include longevity risk (the risk that insurers expect members to live longer, which increases the cost of securing a pension), and knowledge/understanding risk (the risk that members make inappropriate investment choices, given their circumstances).

WHAT ARE THE INVESTMENT STRATEGY ARRANGEMENTS?

The Trustees have provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. Following a review of the strategy in 2017, the Trustees have elected to restructure some of the member options in order to allow them to transfer a number of deferred members into a "Section 32 Buy-out Policy". The Trustees have also made further changes to the options to reflect the latest product developments in the investment market. The range of funds that is available is set out below.

CHAIRMAN'S STATEMENT – SCHEDULE

DC SECTION STATEMENT OF INVESTMENT PRINCIPLES – 4 APRIL 2019

CURRENT FUND RANGE

MANAGER	FUND NAME	BENCHMARK	TARGET
L&G	Global Equity Market Weights (30:70) Index Fund – 75% GBP Currency Hedged	Composite of 30/70 distribution between UK and overseas, 75% GBP Hedged	To track the benchmark
L&G	Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	To track the benchmark to within +/- 0.50% pa for two years in three
HSBC	Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Index	To track the benchmark
Standard Life	Global Absolute Return Strategies Fund	6 Month £ LIBOR	To outperform the benchmark by 5% pa (gross) over rolling three-year periods
L&G	Multi-Asset Fund	ABI UK – Mixed Investment 40%-85% Shares Pension Sector	To provide long-term investment growth through exposure to a diversified range of asset classes
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non-Gilts (ex BBB) Over 15-year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FT A Index-linked Gilts (Over 5 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FT A Gilts (Over 15 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median

DEFAULT OPTION

The Open Fund also has three lifestyle strategies and the default investment option is a lifestyle strategy which targets income drawdown at retirement. The default option provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches.

Until 15 years prior to each member's selected retirement age, the lifestyle strategy invests in:

- 70% in L&G's Global Equity Fixed Weights 30:70 Index Fund – 75% GBP Currency Hedged;
- 30% in L&G's Multi Asset Fund.

Fifteen years prior to each member's selected retirement age, automatic monthly switches commence. The investment split at each member's target retirement age would be as follows:

- 50% in the Multi Asset Fund; and
- 25% in Standard Life's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

The table below outlines how the proportion of portfolio holdings changes in the 15 years up to retirement under the strategy.

It is for each member to decide on their required strategic allocation to each of the available investment funds. The fund range offered also includes three "lifestyle" strategies that automatically combine the investments in proportions that vary according to the proximity to retirement age. Each of the three lifestyle strategies targets a different investment option for members at retirement; income drawdown, a cash lump-sum or the purchase of an annuity. If a member does not choose an investment option, their account will be invested into the default lifestyle option, which targets income drawdown at retirement. As a result of the strategy review and corresponding changes mentioned above, the structure of the lifestyle strategies has also been modified slightly.

The lifestyle strategy is designed to offer some protection against the risks described above.

YEARS TO RETIREMENT	GLOBAL EQUITIES (30/70) (%)	MULTI-ASSET (%)	DIVERSIFIED GROWTH (%)	CASH (%)
15 or more	70.00	30.00	0.00	0.00
14	65.50	32.00	2.50	0.00
13	61.00	34.00	5.00	0.00
12	56.50	36.00	7.50	0.00
11	52.00	38.00	10.00	0.00
10	47.50	40.00	12.50	0.00
9	43.00	42.00	15.00	0.00
8	38.50	44.00	17.50	0.00
7	34.00	46.00	20.00	0.00
6	29.50	48.00	22.50	0.00
5	25.00	50.00	25.00	0.00
4	20.00	50.00	25.00	5.00
3	15.00	50.00	25.00	10.00
2	10.00	50.00	25.00	15.00
1	5.00	50.00	25.00	20.00
0	0.00	50.00	25.00	25.00

WHAT DID THE TRUSTEES CONSIDER IN SETTING THE OPEN FUND'S DEFINED CONTRIBUTION SECTION INVESTMENT STRATEGY ARRANGEMENTS?

In determining the investment arrangements for the DC Section the Trustees took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken. The main risks considered were inflation risk (the risk that a

member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement – applicable to the annuity lifestyle) and capital risk (the risk of a fall in the amount of cash available to take at retirement);

- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustees' key investment beliefs are set out below.

- In deciding upon the funds to offer to members, the Trustees' primary asset allocation is the primary driver of long-term returns;

CHAIRMAN'S STATEMENT – SCHEDULE DC SECTION STATEMENT OF INVESTMENT PRINCIPLES – 4 APRIL 2019

- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity and credit are the primary rewarded risks;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Open Fund's returns; and
- costs have a significant impact on long-term performance.

APPOINTMENT OF INVESTMENT PROVIDER

The Trustees have appointed one main provider to provide the funds in which the Defined Contribution Section invests. The provider offers funds managed internally and by third party investment managers.

The provider's primary role is to maintain the funds in which the Defined Contribution Section invests. The provider is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

INVESTMENT REPORT

OPEN FUND – DB SECTION

INVESTMENT STRATEGY

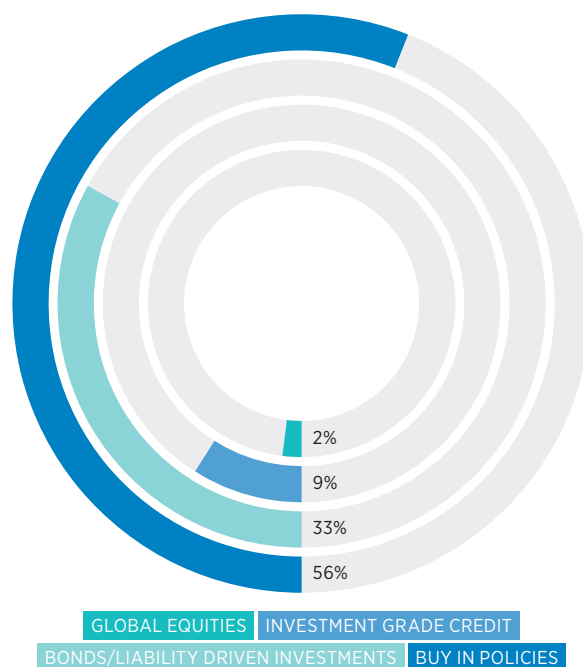
Previously, in November 2017, the Trustees had agreed to adopt an investment strategy that reduced risk significantly and targeted a long-term return of gilts +0.75% pa. The results of the 31 March 2018 annual funding update showed that the Open Fund DB Section had a surplus of £23m (105%) on the existing Technical Provisions basis; which was due to recent good asset performance and longevity assumptions that had been updated to reflect recent longevity trends.

Given the improvement in the funding position as at 31 March 2018, in August 2018 the Trustees decided, in consultation with the Employers, to review the investment strategy and adopt a new investment objective and adopt a more prudent funding target (gilts+0.25%). The new objective is to target a complete buy-in of all the Open Fund's DB liabilities by 2028, reduce risk further and target a long-term return of gilts +0.5% pa to further enhance the "self-sufficient" position of the Open Fund DB Section.

Following the latest buy-in in April 2018, all pensions in payment up to 31 December 2017 have been bought-in under insurance policies. As a result of the August 2018 investment strategy review, growth assets were reduced from 6% to 2% of total assets and the strategy revised from one with an expected return above gilts of 0.75% pa and risk* of £17m to one that targeted an expected return above gilts of 0.5% pa and risk* of £15m. Interest rate and inflation risk has been broadly 100% hedged using the LDI and bond portfolios. The strategy is considered to be a "self-sufficient" investment strategy. Self-sufficiency is taken to mean fully funded on a basis that assumes little or no outperformance over gilts, with only a small risk that the Open Fund would require additional contributions as a result of adverse market conditions or better than assumed longevity experience.

ASSET ALLOCATION

The target asset allocation, including buy-in policies, as at 31 March 2019 was as below. The Trustees review the allocation regularly to ensure that the investments remain appropriate when compared with the Fund's liabilities and the amount of risk the Trustees are prepared to accept.



The investment strategy includes investing in assets that protect the Fund's net funding position from changes in interest rates and inflation – liability driven investments (gilts and derivatives), investment grade credit and buy-in insurance policies that fully insure the Fund's pensioner liabilities.

During the year the Fund was protected from interest rate and inflation risk by the liability driven and bond investments to the extent of broadly 100% of uninsured liabilities (measured on a low risk basis).

During the year and by 31 March 2019, the Investment Committee had made good progress in implementing the revised strategy. Starting in April 2018 with the restructuring of the LDI portfolio managed by Insight Investment to a passive, gilt-based approach, whilst increasing the interest rate and inflation hedge ratios to around 100% of the uninsured liabilities (measured on a low risk basis). In April 2018, the Trustees also completed a further buy-in transaction with Pension Insurance Corporation, to insure the remaining pensioner liabilities up to 31 December 2017. In September 2018, the Trustees wholly disinvested the diversified growth fund allocation with Ruffer and, in November 2018, reduced the equity allocation with Allianz to the 2% growth assets target. In October 2018, a new buy and maintain bond allocation managed by Insight Investment was funded to act alongside the existing LDI portfolio to hedge 100% of the interest rate and inflation risk. By the end of the financial year, 75% of the value of property assets managed by

* Risk is 1 year 90% value at risk – this means there is a 10% chance that the funding deficit as measured on a technical provisions basis could worsen in any given year by £17m/£15m or more.

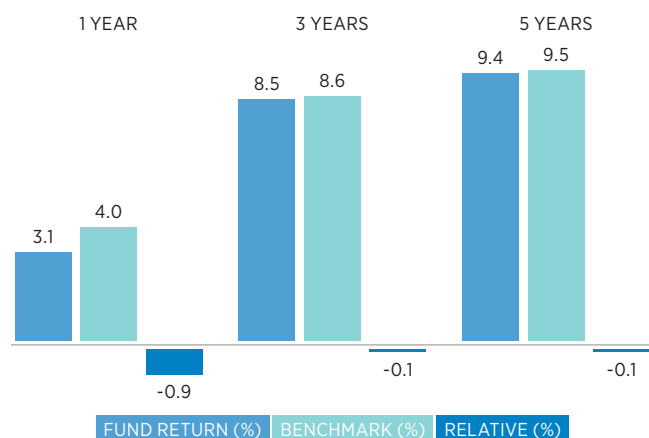
INVESTMENT REPORT

Fletcher King had been sold since the original decision was made in November 2017 to reduce risk significantly. The Trustees expect the remainder to be sold within the next financial year, depending on property market conditions.

The buy-in policies reduce risk in the investment strategy by transferring investment and longevity risk to the insurer and the Trustees achieved this at a price lower than the value placed on the insured liabilities in the 2017 annual actuarial valuation update.

INVESTMENT PERFORMANCE

The total performance of the Open Fund (excluding the buy-in policies) for the year ended 31 March 2019, after investment manager fees, was 3.1% compared with the overall benchmark of 4.0%. Performance of the Open Fund over one, three and five years to 31 March 2019 is shown below:



CLOSED FUND

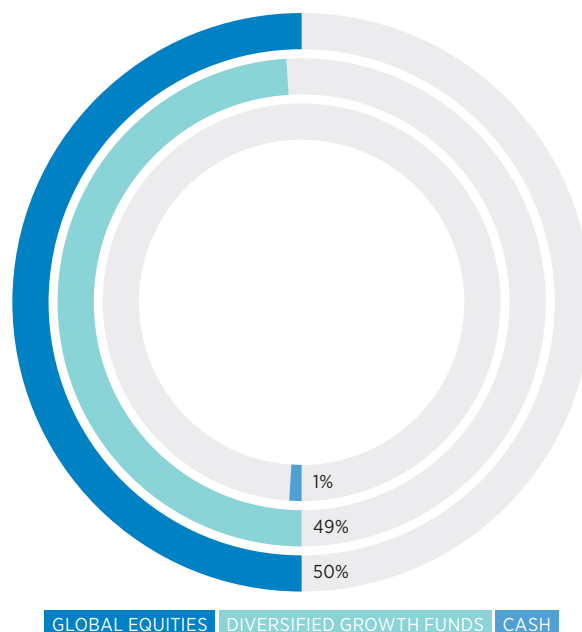
INVESTMENT STRATEGY

The Trustees' objectives are to match the cost of benefits and generate additional income and capital growth to meet further benefit enhancements, limit the risk of failing to meet the liabilities over the long-term and minimise long-term costs by maximising return.

Most of the Closed Fund's liabilities were bought-in through an insurance policy with Pension Insurance Corporation in April 2011. The remaining assets of the Closed Fund form the "Reserve Assets". Of the Reserve Assets, an amount equivalent to 20% of the value of liabilities is held in index-linked gilts as an allocation against default by the insurer. The remainder of the Reserve Assets (the "Free Reserve Assets") is invested as below.

ASSET ALLOCATION – FREE RESERVE ASSETS

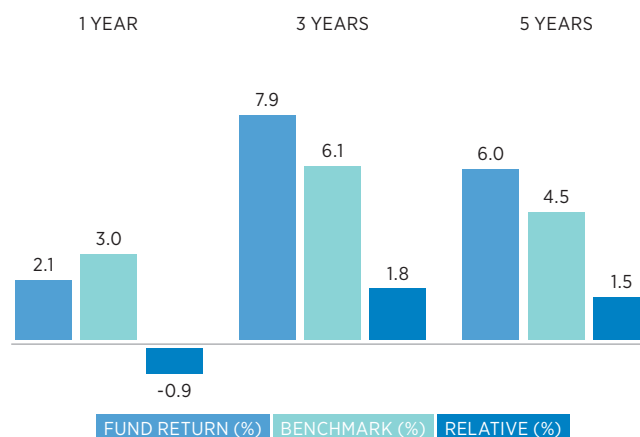
The target asset allocation as at 31 March 2019 was as follows. The allocation is invested based on the benchmark allocation below:



INVESTMENT PERFORMANCE

The performance of the Closed Fund Free Reserve Assets for the year ended 31 March 2019, after investment manager fees and excluding holdings of index-linked gilts which are not taken into account in the performance benchmark, was 2.1% compared with the overall benchmark of 3.0%.

Performance of the assets over one, three and five years to 31 March 2019 is shown below:



RESPONSIBLE INVESTMENT

The Trustees have considered how environmental, social, governance (“ESG”) and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Open Fund and its members.

The Trustees have limited influence over managers’ investment practices where assets are held in pooled funds but expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate.

The Trustees do not generally take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, within the DC Section the Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore has made available the L&G Ethical Global Equity Index Fund as an investment option to members.

INVESTMENT MARKETS YEAR ENDED 31 MARCH 2019

ECONOMIC OVERVIEW

Over 2018, most major asset classes produced negative returns in the context of political instability and an uncertain outlook. Volatility was caused by a variety of global concerns including increased trade tensions between the US and China, rising central bank rates and uncertainty around the outcome of Brexit. However, in the first quarter of 2019 global markets rebounded strongly as concerns over US-China tensions eased and major banks grew more accommodative.

EQUITIES

For equity investors, 2018 was a negative year, with almost all major indices producing negative returns in both local currency and Sterling terms. UK equities suffered over 2018 because of the Brexit impasse and global volatility. Emerging markets were challenged by ongoing global trade tensions, country specific difficulties, strengthening of the US Dollar and a fall in oil prices. This led to negative investment returns over the remainder of the calendar year. However, the first quarter of 2019 saw a rally for global equity markets, with many major indices making up lost ground from the previous

year. Improved valuations at the start of the year as well as hopes of progress in US-China trade negotiations provided optimism for investors. Weakening Sterling further benefited returns for Sterling investors.

BONDS

Gilt yields remained close to historical lows and continued to be volatile over 2018, despite the Bank of England raising interest rates from 0.5% to 0.75% in August 2018, the highest level since 2009. The rate increase was already largely anticipated by investors, therefore having a minimal impact on markets. Rising inflation expectations over the period led to index-linked gilts outperforming their fixed counterparts. Over the 12 months to 31 March 2019, nominal and real gilt yields fell, leading to positive returns from LDI portfolios. Corporate bonds produced positive returns overall over the year, particularly over the first quarter of 2019, as macroeconomic factors dominated market sentiment.

UK PROPERTY

UK property performed well over the year with income being the main driver of returns. The industrials sector was the best performing, benefiting from both significant yield compression, leading to strong capital returns, and positive rental value growth despite overall rental growth slowing to a standstill in the UK property market. Conversely, the retail sector detracted from performance over the year. Retail warehouses and shopping centres in particular continued to drag on returns due to the ongoing challenge of online retail and the uncertainty that Brexit has imposed on the UK investment market. Caution amongst investors in the retail sector led to investment volumes falling to their lowest level since 2001.

CUSTODIAN ARRANGEMENTS

SEGREGATED ASSETS

JP Morgan Chase Bank is the appointed independent custodian for all segregated assets, excluding property.

POOLED ASSETS

The Bank of New York Mellon is appointed as the custodian for the pooled funds managed by BlackRock. The investment managers of the pooled funds are responsible for appointing custodians for the underlying assets of other pooled funds the Funds invest in.

PROPERTY

Mayer Brown International holds the title deeds of the Open Fund’s properties.

INVESTMENT REPORT

OPEN FUND – DC SECTION

Contributions made for members of the Open Fund DC Section are invested with Legal & General Assurance Society Ltd. Total contributions of £7,012,000 were made in the year (2018: £7,267,000). Contributions are allocated to a range of funds according to members' choices. If a member does not nominate specific separate investment funds, contributions are invested in the default fund.

The default fund was reviewed in November 2017 and a revised default fund was implemented in April 2018. The revised default fund growth phase is made up of a mixture of a global equity fund (70%) and a multi-asset fund (30%).

15 years from retirement, this fund changes the allocation to reduce risk, with a target allocation at retirement of 50% multi-asset fund, 25% diversified growth fund and 25% cash fund.

Shown below is the range of funds available to members during the year, together with the performance benchmarks, fee charges and the value of units held in each fund. All index-tracking funds performed in line with benchmarks during the year. The L&G Multi-Asset Fund performance for the year was 6.7%, which was 2.8% above its benchmark. The Standard Life Global Absolute Return Strategies (GARS) Fund performance for the year was -0.5%, which was 1.4% below its benchmark.

FUND	FUND VALUE £000'S	% OF TOTAL DC FUNDS	PERFORMANCE BENCHMARK	PERFORMANCE TARGET	TER*
FIXED INTEREST FUNDS (INCLUDING INDEX-LINKED GILTS):					
Over 5 years index-linked gilts index fund	94	0.4%	FT A index-linked gilts (over 5 year) index	To track the index	0.38%
Over 15 year gilts index fund	46	0.2%	FT A gilts (over 15 year) index	To track the index	0.38%
AAA-AA-A Corporate Bond over 15 year index fund	53	0.2%	iBoxx £ non gilts (ex BBB) over 15 year index	To track the index	0.42%
GLOBAL EQUITY FUNDS:					
HSBC Islamic Global Equity Index Fund	1	-	Dow Jones Islamic Titans 100 index	To track the index	0.65%
Global equity market weights 30:70 index fund (75% GBP currency hedged)	12,478	55.9%	Composite of 30/70 distribution between UK and overseas, 75% £hedged	To track the index	0.44%
Ethical global equity index fund	149	0.7%	FTSE4 Good Global Index	To track the index	0.60%
OTHER FUNDS:					
Multi-Asset fund	7,534	33.7%	Composite Index	To provide long-term investment growth	0.43%
Standard Life Global Absolute Return Strategies fund	1,559	7.0%	6 month £ LIBOR	To outperform the benchmark by 5% pa	1.07%
Cash fund	413	1.9%	7 day LIBID	CAPS pooled pension fund median	0.40%
TOTAL FUND	22,327	100.0%			

* TER (Total Expense Ratio) includes annual management charge, custody fees and other legal expenses, e.g. audit fees. TERs exclude transaction costs which are additional expenses borne by the fund.

In November 2017 the Investment Committee reviewed the DC investment funds and options and changes were implemented at the start of the financial year, on 9 April 2018. The changes are summarised as follows:

- The L&G Passive Multi-Asset Fund was removed from all the lifestyle options, including the default option, and replaced with the L&G Multi Asset Fund.
- In the growth phase of all lifestyle options, the allocation was changed to 70% equities and 30% L&G Multi Asset

Fund. Further, introduction of the GARS allocation was delayed until 15 years before retirement.

- The L&G Global Equity Fixed Weights 50:50 Index Fund was replaced with the L&G Global Equity Market Weights 30:70 Index Fund (75% GBP Hedged).
- The Newton Real Return Fund was removed from the range and funds were transferred to the L&G Multi Asset Fund.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, 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 the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; 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, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

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 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. 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 also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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



Actuarial certificate – 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 could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine 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 agreed on 25 January 2019.

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.

Signature:

Date:

28 January 2019

Name: Martin Clarke

Qualification: Fellow of the Institute
and Faculty of Actuaries

Address: Finlaison House
15-17 Furnival Street
London EC4A 1AB

Employer: Government Actuary's
Department

ACTUARIAL CERTIFICATE – SCHEDULE OF CONTRIBUTIONS

Name of scheme: **The ITB Pension Funds – The Open Fund**

Adequacy of rates of contributions

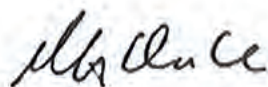
1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine 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 31 October 2016.

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.

Signature:



Date:

7 December 2016

Name:

Martin Clarke

Qualification:

FIA

Address:

Finlaison House
15-17 Furnival Street
London EC4A 1AB

Name of Employer:

GAD

The Schedule of Contributions referred to in this certificate is that dated 31 October 2016.

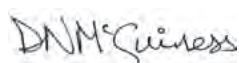
SUMMARY OF CONTRIBUTIONS

PAYABLE IN THE YEAR

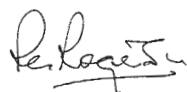
During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2019 £'000	2018 £'000
CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS		
Employers' normal contributions	6,543	7,064
Employers' deficit contributions	220	1,174
Employers' life assurance contributions	239	281
Members' normal contributions	269	356
Total contributions payable under the Schedule	7,271	8,875
OTHER CONTRIBUTIONS		
Employers' augmentation costs	39	35
Employers' buy-out contributions	304	-
Members' additional voluntary contributions	-	5
TOTAL PAYABLE TO THE SCHEME	£7,614	£8,915

The Trustees Report was approved by the Trustees on 23 September 2019



D N McGuinness
Trustee



P Rogerson
Trustee

An abstract graphic composed of numerous small teal dots arranged in a pattern that suggests a globe or a complex network, set against a light teal background.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ITB PENSION FUNDS

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of the ITB Pension Funds for the year ended 31 March 2019 which comprise the fund accounts, the net assets statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2019, 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities set out on page 33, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Trustees, as a body, in accordance with Regulation 3 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 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.



BDO LLP

Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

25 September 2019

INDEPENDENT AUDITOR'S STATEMENT

ABOUT CONTRIBUTIONS 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 2019 which is set out on page 36.

In our opinion contributions for the scheme year ended 31 March 2019 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 31 October 2016.

USE OF OUR REPORT

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.

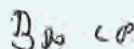
SCOPE OF WORK ON STATEMENT ABOUT CONTRIBUTIONS

Our examination involves obtaining evidence sufficient 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 Schedule of Contributions. This includes an 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.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES AND THE AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable to 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 active members 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.



BDO LLP

Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

25 September 2019

FUND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	CLOSED FUND 2019 £'000	OPEN FUND DB SECTION 2019 £'000	DC SECTION 2019 £'000	COMBINED FUND 2019 £'000	COMBINED FUND 2018 £'000
CONTRIBUTIONS AND BENEFITS						
Employer contributions	4	-	596	6,749	7,345	8,554
Employee contributions	4	-	6	263	269	361
Total contributions		-	602	7,012	7,614	8,915
Transfers in	5	-	-	114	114	283
Other income		-	105	160	265	261
		-	707	7,286	7,993	9,459
EXPENDITURE						
Benefits paid or payable	6	10,019	32,373	447	42,839	42,036
Payments to and on account of leavers	7	3	7,637	367	8,007	9,454
Other payments:						
Life assurance premiums		-	-	238	238	275
Administrative expenses:						
General administration	8	490	729	88	1,307	1,284
Professional services	8	180	402	135	717	613
Pension fund levy		5	25	3	33	30
Property revaluation		-	(45)	-	(45)	210
		10,697	41,121	1,278	53,096	53,902
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		(10,697)	(40,414)	6,008	(45,103)	(44,443)
RETURNS ON INVESTMENTS						
Investment income	9	11,004	35,662	1	46,667	34,729
Change in market value of investments	12	(9,733)	(13,772)	1,001	(22,504)	(18,084)
Investment management expenses	10	(81)	(614)	(28)	(723)	(1,552)
NET RETURNS ON INVESTMENTS		1,190	21,276	974	23,440	15,093
NET (DECREASE)/INCREASE IN THE FUNDS DURING THE YEAR		(9,507)	(19,138)	6,982	(21,663)	(29,350)
Net assets as at 31 March 2018		192,033	1,047,599	15,531	1,255,163	1,284,513
NET ASSETS AS AT 31 MARCH 2019		£182,526	£1,028,461	£22,513	£1,233,500	£1,255,163

The notes on pages 43 to 58 form part of these financial statements.

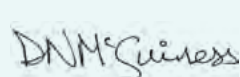
NET ASSET STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

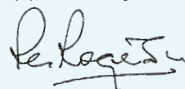
	NOTES	CLOSED FUND 2019 £'000	OPEN FUND DB SECTION 2019 £'000	DC SECTION 2019 £'000	COMBINED FUND 2019 £'000	COMBINED FUND 2018 £'000
INVESTMENT ASSETS						
Bonds		18,591	385,459	-	404,050	563,928
Property		-	13,800	-	13,800	29,700
Pooled investment vehicles	13	51,441	151,163	22,326	224,930	158,191
Derivative assets	14	-	15,400	-	15,400	566,177
Insurance policies	15	111,882	543,457	-	655,339	478,430
AVC investments	16	-	337	-	337	706
Cash		404	8,909	542	9,855	36,830
Other investment balances	17	93	1,316	-	1,409	3,661
		182,411	1,119,841	22,868	1,325,120	1,837,623
INVESTMENT LIABILITIES						
Derivative liabilities	14	-	(11,302)	-	(11,302)	(568,619)
Other investment balances	17	-	(82,918)	-	(82,918)	(17,359)
		-	(94,220)	-	(94,220)	(585,978)
TOTAL NET INVESTMENTS	12	182,411	1,025,621	22,868	1,230,900	1,251,645
TANGIBLE FIXED ASSETS	20	-	1,088	-	1,088	1,048
CURRENT ASSETS	21	330	2,503	392	3,225	3,958
CURRENT LIABILITIES	22	(215)	(751)	(747)	(1,713)	(1,488)
NET ASSETS AS AT 31 MARCH 2019		£182,526	£1,028,461	£22,513	£1,233,500	£1,255,163

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 Report on Actuarial Liabilities on pages 16 and 17 and these financial statements should be read in conjunction with this report.

The financial statements were approved by the Trustees on 23 September 2019.



D N McGuiness
Trustee



P Rogerson
Trustee

The notes on pages 43 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 BASIS OF PREPARATION

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 Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014).

2 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 Industry 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.

On 1 April 2012 the Open Fund introduced a defined contribution section.

3 ACCOUNTING POLICIES

A) CONTRIBUTIONS

- i) Employer normal contributions relating to wages and salaries earned up to the year end have been included in these financial statements.
- ii) Employer augmentation contributions represent amounts recoverable from employers to improve the benefits of certain members and these are due to the Open Fund from the relevant Participating Employers. These are recognised when agreed with the Participating Employer concerned.
- iii) Employer deficit funding contributions have been paid to the scheme in accordance with an agreed Schedule of Contributions. These are recognised when received.
- iv) Employer buy-out contributions, due under section 75 of the Pensions Act 1995 when an employer ceases to be a Participating Employer, are accounted for when received or determined by the Actuary, whichever is earliest, taking into account the likelihood of recovery.

- v) Employee contributions, including AVCs, relating to wages and salaries earned up to the year end have been included in these financial statements.

B) TRANSFERS RECEIVABLE

Transfers from other pension funds into the Defined Benefit section of the scheme are not currently accepted. Transfers into the Defined Contribution section of the scheme are allowed and are recognised on settlement date.

C) BENEFITS PAYABLE

- i) Pension payments are recognised in the period to which they relate.
- ii) Benefits payable include all valid benefit claims notified to the Trustees during the financial year.

D) PAYMENTS TO AND ON ACCOUNT OF LEAVERS

- i) Refunds of contributions, relating to members who leave the Funds and are entitled to a refund of these, including interest, are recognised in the year of leaving.
- ii) Opt-outs are accounted for when the Trustees are notified of the opt-out.
- iii) Transfers payable relate to those early leavers whose transfers have been agreed by the Trustees during the year.

E) ADMINISTRATIVE EXPENSES

- i) Administrative expenses are accounted for on an accruals basis.
- ii) The Funds bear all the costs of administration. Direct costs are charged to the section to which they relate. Indirect expenses are allocated between the Closed Fund and Open Fund's DB and DC sections in accordance with a basis determined by the Trustees.

F) INVESTMENT INCOME

- i) Dividends from equities are recognised on the ex-dividend date.
- ii) Interest on bonds is recognised on an accruals basis and includes interest bought and sold on investment purchases and sales.
- iii) Rental income is recognised when due.
- iv) Income from cash and short term deposits is accounted for on an accruals basis.
- v) Annuity income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

- vi) Interest payable under repurchase agreements is recognised on an accruals basis.
- vii) 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 the year end. All differences are taken to the Fund Accounts.

G) CHANGE IN MARKET VALUE OF INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

H) VALUATION OF INVESTMENT ASSETS AND LIABILITIES

Investments are valued at fair value determined as follows:

- i) Listed investments are valued at last traded price or bid-market price ruling at the year end date.
- ii) Pooled investment vehicles are stated at the bid-point of the latest prices quoted by the managers prior to the year end.
- iii) Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling at the year end date.
- iv) Properties are included at open market value as at 31 March 2019 determined in accordance with Practice Statement 4 of the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. The properties have been valued by BNP Paribas, Chartered Surveyors, who have recent experience in the locations and class of the investment properties held by the Open Fund.
- v) Forward contracts are valued at amounts that assume settlement at the spot rates ruling at the year end.
- vi) Exchange traded derivatives are stated at fair values determined using market quoted prices.
- vii) Over the counter derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
- viii) Repurchase agreements and reverse repurchase agreements are included at the amount payable or receivable under the agreement. The scheme continues to value, and recognise in investments, the securities that are delivered out as collateral

under repurchase arrangements. Cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Similarly, under reverse repurchase arrangements, cash delivered to the counterparty is recognised as a receivable in other investment assets and the scheme does not recognise the collateral securities received as an asset.

- ix) The insurance policies have been valued as provided by the insurance companies.

I) TANGIBLE FIXED ASSETS

Tangible assets are initially recorded at cost. Freehold properties are revalued annually to fair value. Depreciation is provided on other tangible fixed assets based 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

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
EMPLOYER CONTRIBUTIONS:				
Normal	-	33	6,510	6,543
Deficit funding	-	220	-	220
Augmentation	-	39	-	39
Buy-out contributions (section 75 debt)	-	304	-	304
Other	-	-	239	239
Total employer contributions	-	596	6,749	7,345
EMPLOYEE CONTRIBUTIONS:				
Normal	-	6	263	269
	£-	£602	£7,012	£7,614

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
EMPLOYER CONTRIBUTIONS:				
Normal	-	374	6,690	7,064
Deficit funding	-	1,174	-	1,174
Augmentation	-	35	-	35
Other	-	-	281	281
Total employer contributions	-	1,583	6,971	8,554
EMPLOYEE CONTRIBUTIONS:				
Normal	-	60	296	356
Members' AVC contributions	-	5	-	5
Total employer contributions	-	65	296	361
	£-	£1,648	£7,267	£8,915

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to members by certain Employers.

Normal contributions receivable by the Scheme during the year, including amounts outstanding at the year end (see note 21), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

Following the formal agreement of a revised Schedule of Contributions to deal with the deficit arising in the Open Fund valuation as at 31 March 2013, appropriate Employers continued to pay deficit recovery contributions and these have been included in the financial statements on the basis of amounts due under the Schedule of Contributions.

In addition to these contributions the following section 75 debts are due in respect of former employers:

- People 1st membership of the Open Fund was terminated on 26 March 2018. At that time a section 75 debt of £6.4m plus expenses became due. No monies have yet been received. The final amount that will be recovered is currently unknown, therefore no amount has been recognised in these financial statements.
- Skills For Logistics' membership of the Open Fund was terminated on 6 January 2015 when the company went into administration. At that time a section 75 debt of £2,053,000 became due. £69,000 was received during the year to 31 March 2016. £304,000 was received during the year to 31 March 2019 in final settlement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

5 TRANSFERS IN

	2019 £'000	2018 £'000
OPEN FUND – DC SECTION		
Individual transfers from other schemes	£114	£283

6 BENEFITS PAID OR PAYABLE

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Pensions	9,995	29,591	-	39,586
Commutation of pensions and lump sum retirement benefits	24	2,656	210	2,890
Lump sum death benefits	-	126	237	363
	£10,019	£32,373	£447	£42,839

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Pensions	10,334	29,048	-	39,382
Commutation of pensions and lump sum retirement benefits	-	2,211	78	2,289
Lump sum death benefits	-	93	272	365
	£10,334	£31,352	£350	£42,036

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Individual transfers to other schemes	3	7,635	365	8,003
Refund of contributions	-	2	2	4
	£3	£7,637	£367	£8,007

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Individual transfers to other schemes	-	8,962	481	9,443
Refund of contributions	-	-	11	11
	£-	£8,962	£492	£9,454

8 ADMINISTRATION EXPENSES

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
GENERAL ADMINISTRATION:				
Employment costs	323	467	59	849
Office accommodation	17	25	3	45
General expenses	110	180	19	309
Trustees' honoraria	40	57	7	104
	£490	£729	£88	£1,307
PROFESSIONAL SERVICES:				
Auditor's fees	18	26	3	47
Legal and professional services	37	100	130	267
Actuarial services	122	212	-	334
Other	3	64	2	69
	£180	£402	£135	£717
2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
GENERAL ADMINISTRATION:				
Employment costs	300	434	55	789
Office accommodation	39	57	7	103
General expenses	98	184	20	302
Trustees' honoraria	34	50	6	90
	£471	£725	£88	£1,284
PROFESSIONAL SERVICES:				
Auditor's fees	19	26	6	51
Legal and professional services	24	136	39	199
Actuarial services	39	239	-	278
Other	5	78	2	85
	£87	£479	£47	£613

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

9 INVESTMENT INCOME

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Income from bonds	327	10,173	-	10,500
Net rents from properties	-	627	-	627
Income from pooled investment vehicles	399	327	-	726
Annuity income	10,275	27,615	-	37,890
Derivative cost	-	(3,611)	-	(3,611)
Interest on cash deposits	3	1,852	1	1,856
Interest paid under repurchase agreements	-	(1,320)	-	(1,320)
Underwriting commission	-	(1)	-	(1)
	£11,004	£35,662	£1	£46,667

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Income from bonds	323	11,988	-	12,311
Net rents from properties	-	1,299	-	1,299
Income from pooled investment vehicles	409	1,003	-	1,412
Annuity income	10,552	11,880	-	22,432
Derivative cost	-	(2,630)	-	(2,630)
Interest on cash deposits	-	144	-	144
Interest paid under repurchase agreements	-	(238)	-	(238)
Underwriting commission	-	(1)	-	(1)
	£11,284	£23,445	£-	£34,729

Net rents from properties is stated after deducting £182,000 (2018 – £923,000) of property related expenses. Income related to derivative costs and interest paid under repurchase agreements is included in the related income categories.

10 INVESTMENT MANAGEMENT EXPENSES

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Administration, management and custody	52	448	-	500
Advisory	13	137	22	172
Performance measurement service	16	29	6	51
	£81	£614	£28	£723

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Administration, management and custody	42	1,007	-	1,049
Advisory	21	358	56	435
Performance measurement service	19	42	7	68
	£82	£1,407	£63	£1,552

11 TAXATION

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004. The Scheme is therefore exempt from income tax and capital gains tax.

12 RECONCILIATION OF INVESTMENTS

The movements in investments during the year were:

CLOSED FUND	NOTES	VALUE AT 31 MAR 2018 £'000	PURCHASES AT COST £'000	SALES PROCEEDS £'000	CHANGE IN MARKET VALUE £'000	VALUE AT 31 MAR 2019 £'000
Bonds		18,112	-	-	479	18,591
Pooled investment vehicles	13	57,236	669	(7,283)	819	51,441
Insurance policy	15	116,520	6,393	-	(11,031)	111,882
		191,868	£7,062	£(7,283)	£(9,733)	181,914
Cash		53				404
Other investment balances	17	90				93
		£192,011				£182,411

OPEN FUND – DB SECTION	NOTES	VALUE AT 31 MAR 2018 £'000	PURCHASES AT COST AND DERIVATIVE PAYMENTS £'000	SALES PROCEEDS AND DERIVATIVE RECEIPTS £'000	CHANGE IN MARKET VALUE £'000	VALUE AT 31 MAR 2019 £'000
Bonds		545,816	162,565	(334,972)	12,050	385,459
Property		29,700	-	(14,186)	(1,714)	13,800
Pooled investment vehicles	13	85,783	126,358	(64,239)	3,261	151,163
Derivatives	14	(2,442)	102,428	(89,725)	(6,163)	4,098
Insurance policies	15	361,910	202,762	-	(21,215)	543,457
AVC investments	16	706	212	(590)	9	337
		1,021,473	£594,325	£(503,712)	£(13,772)	£1,098,314
Cash		36,777				8,909
Other investment balances	17	(13,788)				(81,602)
		£1,044,462				£1,025,621

OPEN FUND – DC SECTION	NOTES	VALUE AT 31 MAR 2018 £'000	PURCHASES AT COST £'000	SALES PROCEEDS £'000	CHANGE IN MARKET VALUE £'000	VALUE AT 31 MAR 2019 £'000
Pooled investment vehicles	13	15,172	£6,810	£(657)	£1,001	22,326
Cash		-				542
		£15,172				£22,868

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

There are no transaction costs included within the above purchases and sales figures. Costs are 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 Funds do not invest in any of the Participating Employers' businesses.

Apart from the insurance policies, there are no other individual investments in which more than 5% of the total value of the net assets of the Funds is invested.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13 POOLED INVESTMENT VEHICLES

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Equities	20,799	21,224	14,037	56,060
Bonds	10,676	92,312	342	103,330
Property	-	1,599	-	1,599
Diversified	19,966	-	7,534	27,500
Cash	-	36,028	413	36,441
	£51,441	£151,163	£22,326	£224,930

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Equities	25,881	27,357	9,180	62,418
Bonds	10,249	-	216	10,465
Property	-	2,706	-	2,706
Diversified	21,106	55,720	5,542	82,368
Cash	-	-	234	234
	£57,236	£85,783	£15,172	£158,191

14 DERIVATIVES – OPEN FUND

The Trustees hold derivatives in accordance with the Statement of Investment Principles for the Open Fund and use them to reduce the effect on the scheme of interest rate and inflation fluctuations. At 31 March 2019 the open arrangements may be summarised as follows:

	2019 ASSET £'000	2019 LIABILITIES £'000	2018 ASSET £'000	2018 LIABILITIES £'000
Swaps	15,400	(11,302)	566,177	(568,173)
Future	-	-	-	(446)
	£15,400	£(11,302)	£566,177	£(568,619)

SWAPS

TYPE	BASE	SETTLEMENT	ASSET VALUE £'000	LIABILITY VALUE £'000
Interest rate swap	IRSW	2050 – 2062	8,949	(8,489)
Limited price index swap	UK LPI	2019 – 2058	6,451	(2,813)
TOTAL 2019			£15,400	£(11,302)
TOTAL 2018			£566,177	£(568,173)

The contracts are traded over the counter. The counterparties for all the swaps are banks. At 31 March 2019 the Funds had received collateral of £15,587,000 and pledged collateral of £6,518,000 in a mixture of cash and bonds. This collateral is not reported within the Scheme's net assets.

FUTURE

The balance at 31 March 2018 represents the unrealised loss on a gilt future settled in June 2018.

15 INSURANCE POLICIES

2019	LIABILITY PROVISION BASIS	CLOSED FUND	OPEN FUND		COMBINED FUND
		£'000	DB SECTION £'000	DC SECTION £'000	£'000
PIC	RPI	111,882	67,706	-	179,588
JRL	RPI	-	87,100	-	87,100
PIC	CPI	-	190,939	-	190,939
PIC	CPI	-	197,712	-	197,712
TOTAL		£111,882	£543,457	-	£655,339
PERCENTAGE OF NET ASSETS		61.3%	52.8%	0.0%	53.1%

2018	LIABILITY PROVISION	CLOSED FUND	OPEN FUND		COMBINED FUND
		£'000	DB SECTION £'000	DC SECTION £'000	£'000
PIC	RPI	116,520	71,035	-	187,555
JRL	RPI	-	89,100	-	89,100
PIC	CPI	-	201,775	-	201,775
TOTAL		£116,520	£361,910	-	£478,430
PERCENTAGE OF NET ASSETS		60.7%	34.5%	0.0%	38.1%

The insurance policies are bulk annuity policies (also known as a “buy-in”) with Pension Insurance Corporation PLC (“PIC”) and Just Retirement Limited (“JRL”). The Closed Fund policy secures the benefits of Closed Fund members. The Open Fund policies secure all pensions in payment as at 31 December 2017. The policies are written in the name of the Trustees and do not discharge their liabilities to those members. The policies have been included in the Net Assets Statement at values provided by PIC and JRL, valued on an actuarial basis.

16 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

MEMBER CREDITED SERVICE

AVCs made during the financial year to purchase added years under the principal scheme are shown in the income of the Open Fund and the assets acquired with the AVCs are included in the Net Assets Statement.

MONEY PURCHASE SCHEMES

The Trustees hold assets invested separately from the Funds to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2019 £'000	2018 £'000
OPEN FUND – DB SECTION		
Legal & General	337	464
Royal London	-	184
Prudential Assurance Company	-	58
	£337	£706

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

17 OTHER INVESTMENT BALANCES

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
ASSETS:				
Investment revenue receivable	93	1,316	-	1,409
	£93	£1,316	£-	£1,409
LIABILITIES:				
Amounts due to brokers	-	86	-	86
VAT	-	24	-	24
Repurchase agreements	-	82,808	-	82,808
	£-	£82,918	£-	£82,918
	£93	£(81,602)	£-	£(81,509)

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
ASSETS:				
Investment revenue receivable	90	3,183	-	3,273
VAT	-	9	-	9
Margin debtor	-	379	-	379
	£90	£3,571	£-	£3,661
LIABILITIES:				
Repurchase agreements	-	17,359	-	17,359
	£-	£17,359	£-	£17,359
	£90	£(13,788)	£-	£(13,698)

REPURCHASE AGREEMENTS

At the year-end amounts payable under repurchase agreements were due over the period May to September 2019 (2018 - in April 2018). During this period further repurchase agreements were entered into. The counterparties for all the repurchase agreements are banks. At the year-end they held as collateral gilts to a value of £85,709,000 (2018 - £17,724,000) which are reported in Funds assets.

18 INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
 Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
 Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

AT 31 MARCH 2019	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
CLOSED FUND				
Bonds	-	18,591	-	18,591
Pooled investment vehicles	-	51,441	-	51,441
Insurance policies	-	-	111,882	111,882
Cash	404	-	-	404
Other investment balances	93	-	-	93
	£497	£70,032	£111,882	£182,411

AT 31 MARCH 2019	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
OPEN FUND – DB SECTION				
Bonds	-	385,459	-	385,459
Property	-	-	13,800	13,800
Pooled investment vehicles	-	149,564	1,599	151,163
Derivatives	-	-	4,098	4,098
Insurance policies	-	-	543,457	543,457
AVC investments	-	337	-	337
Cash	8,909	-	-	8,909
Other investment balances	1,292	(82,894)	-	(81,602)
	£10,201	£452,466	£562,954	£1,025,621

AT 31 MARCH 2019	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
OPEN FUND – DC SECTION				
Pooled investment vehicles	-	22,326	-	22,326
Cash	542	-	-	542
	£542	£22,326	£-	£22,868

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

18 INVESTMENT FAIR VALUE HIERARCHY (CONT.D)

AT 31 MARCH 2018	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
CLOSED FUND				
Bonds	-	18,112	-	18,112
Pooled investment vehicles	-	57,236	-	57,236
Insurance policies	-	-	116,520	116,520
Cash	53	-	-	53
Other investment balances	90	-	-	90
	£143	£75,348	£116,520	£192,011

AT 31 MARCH 2018	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
OPEN FUND – DB SECTION				
Bonds	-	545,816	-	545,816
Property	-	-	29,700	29,700
Pooled investment vehicles	-	83,077	2,706	85,783
Derivatives	(446)	-	(1,996)	(2,442)
Insurance policies	-	-	361,910	361,910
AVC investments	184	464	58	706
Cash	36,777	-	-	36,777
Other investment balances	3,192	(16,980)	-	(13,788)
	£39,707	£612,377	£392,378	£1,044,462

AT 31 MARCH 2018	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
OPEN FUND – DC SECTION				
Pooled investment vehicles	-	15,172	-	15,172
	£-	£15,172	£-	£15,172

19 INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine the Funds' investment strategy after taking advice from a professional investment adviser. The Funds have exposure to these risks because of the investments held to implement the investment strategy.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the agreements in place with the Funds' investment managers. The Trustees monitor the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, regularly.

Further information on these risks and the Trustees approach to risk management is set out below. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Funds.

OPEN FUND DEFINED BENEFIT SECTION AND CLOSED FUND

CREDIT RISK

The Funds are subject to credit risk because the Funds invest in bonds and have cash balances. The Open Fund has further exposure to credit risk because it invests in OTC derivatives. The Funds are also directly exposed to credit risk in relation to the "buy-in" insurance policies with Pension Insurance Corporation PLC and Just Retirement Limited. Both Funds also invest in pooled investment vehicles and are, therefore,

directly exposed to credit risk in relation to the investments held in pooled investment vehicles. The Funds are indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Cash is held within financial institutions which are at least investment grade credit rated.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Open Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 14).

In the case of the buy-in insurance policies, the credit risk is mitigated as a result of the protections in place under the UK insurance regime. The regime is intended to protect policyholders by ensuring insurance companies are adequately capitalised, to minimise the risk of not being able to meet their obligations.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled investment managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence on the appointment of the new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled investment manager. Pooled investment arrangements used by the Funds comprise unit linked insurance contracts and authorised unit trusts.

The Funds are indirectly exposed to credit risks arising from the underlying investments held by the pooled investment vehicles, where they invest in bonds, derivatives or cash. The amount invested in each of these mandates is shown in note 12. The managers of these pooled investment vehicles manage credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having no exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

CURRENCY RISK

The Funds are subject to currency risk because some of the Funds' investments are held in overseas markets within pooled investment vehicles, however the only pooled investment vehicle denominated in an overseas currency is the European property fund (£1.6m, 2018: £2.9m). The exposure to foreign currencies within the pooled investment vehicles will vary over time as the manager changes the underlying investments, but is not expected to be a material influence on returns over the long-term. For the multi-asset pooled investment vehicles, decisions about the exposure to foreign currencies are at the discretion of the fund managers.

The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists is appropriate. Furthermore, the Trustees manage the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure.

INTEREST RATE RISK

The Funds are subject to interest rate risk because some of the Funds' investments are held in government bonds, interest rate swaps and cash (the liability driven investment "LDI" assets) and corporate bonds. In the Open Fund the Trustees have set a benchmark for hedging interest rate risk of 100% of liabilities. Under this strategy, if interest rates fall, the value of bonds and swaps will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI assets will fall in value, as will the actuarial liabilities because of an increase in the discount rate. Therefore, the interest rate exposure of these assets is structured to hedge the corresponding risks associated with the Funds' liabilities. The net effect is to reduce the volatility of the funding level of the Open Fund, and so the Trustees believe that it is appropriate to take exposures to these risks in this manner. At the year-end the LDI assets and corporate bonds represented 95% (2018: 86%) of the Open Fund investment portfolio, excluding the buy-in policies. In the Closed Fund the buy-in insurance policy mitigates all interest rate risk arising from the Closed Fund's liabilities.

Some of the underlying assets within the multi-asset pooled investment vehicles are exposed to interest rate risk. However, this is at the discretion of the respective fund managers.

OTHER PRICE RISK

Other price risk arises principally in relation to the Funds' return seeking assets, which includes equities and alternative growth assets held in pooled investment vehicles and investment properties. The Open Fund has a target asset allocation of 5% (2018: 14%) of investments being held in return seeking investments excluding the buy-in policies. The Fund manages this exposure to overall price movements by investing in a diverse fund that invests across various markets.

OPEN FUND DEFINED CONTRIBUTION SECTION

CREDIT RISK

The Open Fund Defined Contribution Section (DC Section) is subject to direct credit risk in relation to Legal & General Assurance Society Limited through its holding in unit linked insurance funds provided by Legal & General Assurance Society Limited.

Legal & General Assurance Society Limited is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the creditworthiness of Legal & General Assurance Society Limited by reviewing published credit ratings. Legal & General Assurance Society Limited invests most of the Fund's investments in its own investment unit linked funds. In the event of default by Legal & General Assurance Society Limited the Fund is protected by the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk (including interest rate risk) arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

At the Fund year-end the Bond, Cash, Multi-Asset and Diversified Growth funds were exposed to underlying credit risk.

MARKET RISK

The DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Legal & General Assurance Society Limited.

The Equity funds are exposed to foreign exchange and other price risks. The Bond funds are exposed to interest rate risk. The Cash fund is exposed to foreign exchange and interest rate risk. The Multi-Asset and Diversified Growth funds are exposed to foreign exchange risk, interest rate risk and other price risk.

20 TANGIBLE FIXED ASSETS

OPEN FUND – DB SECTION	PROPERTY £'000	EQUIPMENT £'000	TOTAL £'000
COST OR VALUATION			
Balance at 1 April 2018	925	457	1,382
Additions	-	44	44
Revaluation	45	-	45
Balance at 31 March 2019	970	501	1,471
DEPRECIATION			
Balance at 1 April 2018	-	334	334
Charge	-	49	49
Balance at 31 March 2019	-	383	383
NET BOOK VALUE AT 31 MARCH 2019	£970	£118	£1,088
NET BOOK VALUE AT 31 MARCH 2018	£925	£123	£1,048

Freehold property is included at valuation. The property was valued by BNP Paribas, Chartered Surveyors at open market value on 31 March 2019. The historical cost of the property was £998,000 (2018 – £998,000).

At the year-end there were capital commitments of £66,958 (2018 – £80,349).

21 CURRENT ASSETS

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Bank balances	329	1,879	351	2,559
DEBTORS:				
Amounts due from employers				
Employer contributions	-	7	40	47
Employee contributions	-	-	1	1
Other debtors	1	37	-	38
External current assets	330	1,923	392	2,645
Interfund balance	-	580	-	580
CURRENT ASSETS	£330	£2,503	£392	£3,225
2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Bank balances	223	3,104	462	3,789
DEBTORS:				
Amounts due from employers				
Employer contributions	-	33	48	81
Employee contributions	-	2	2	4
Other debtors	1	54	-	55
External current assets	224	3,193	512	3,929
Interfund balance	-	29	-	29
CURRENT ASSETS	£224	£3,222	£512	£3,958

Amounts due from employers in respect of contributions were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

22 CURRENT LIABILITIES

2019	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Unpaid benefits	-	-	108	108
Other	185	751	89	1,025
External current liabilities	185	751	197	1,133
Interfund balance	30	-	550	580
CURRENT LIABILITIES	£215	£751	£747	£1,713

2018	CLOSED FUND	OPEN FUND		COMBINED FUND
	£'000	DB SECTION £'000	DC SECTION £'000	£'000
Unpaid benefits	-	18	120	138
Other	177	1,115	29	1,321
External current liabilities	177	1,133	149	1,459
Interfund balance	25	-	4	29
CURRENT LIABILITIES	£202	£1,133	£153	£1,488

23 RELATED PARTY TRANSACTIONS

Certain of the Trustees are members of the pension scheme either as active or pensioner members. Their contributions and benefits, as appropriate, are paid in accordance with the Scheme Rules.

Trustees honoraria are disclosed in note 8.

24 EQUALISATION OF GUARANTEED MINIMUM PENSION BENEFITS

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees are aware that the issue will affect the Funds and will be considering this at a future meeting and decisions will be

made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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 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 OMBUDSMAN

You can at any stage seek free and impartial help from the Pensions Ombudsman's "early resolution" service. This independent service is available to assist members and beneficiaries in connection with any difficulty with the Funds. The contact details for this purpose are:

Telephone: 0800 917 4487 and select the option to discuss a potential complaint

Email: helpline@pensions-ombudsman.org.uk

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

www.pensions-ombudsman.org.uk

The Pensions Ombudsman also has power to investigate and determine complaints about injustice caused by maladministration, and disputes of fact or law, which are referred to the Ombudsman in accordance with the Pension Schemes Act 1993. Normally the Ombudsman will expect the complainant first to go through the Funds' internal dispute resolution procedure. The Ombudsman's contact details for this purpose are:

Telephone: 0800 917 4487 and select the option to make a formal application

Email: enquiries@pensions-ombudsman.org.uk

Address and website as above.

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 and to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008. 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

THE PENSION PROTECTION FUND

The Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation. It was established to pay regular compensation to members of eligible defined benefit schemes when there has been a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation. The Pension Protection Fund is also responsible for the Fraud Compensation Fund – a fund that will provide compensation to occupational pension schemes that suffer a loss that can be attributable to dishonesty.

Address: Pension Protection Fund, Renaissance,
12 Dingwall Road, Croydon, Surrey CRO 2NA

Website: www.ppf.co.uk

Email: information@ppf.co.uk

Telephone: 0345 600 2541

'PENSION WISE'

Pension Wise only provides guidance on defined contribution (DC) pensions. It cannot answer specific questions about your pension. For independent help you can contact the Pensions Advisory Service or the Money Advice Service.

Pension Wise is a free government service delivering free, impartial, broad guidance to defined contribution (DC) pension holders to help them make sense of their options at retirement. The service is operated through the Citizens Advice Bureau and the Pensions Advisory Service and is available on-line, over the phone or by appointment. See www.pensionwise.gov.uk for further details. However, none of this guidance is regulated by the Financial Conduct Authority and is not intended to replace independent financial advice.

SUPPLEMENTARY INFORMATION

INDEPENDENT FINANCIAL ADVICE

An Independent Financial Adviser (IFA) can for a fee provide more detailed advice taking account of individual financial circumstances. The IFA directory can be accessed at www.unbiased.co.uk/pensions

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.

Address: The Pension Service, 9 Mail Handling Site A, Wolverhampton, WV98 1LU.
Website: www.gov.uk/find-pension-contact-details
Telephone: 0800 731 0193

ITB PENSION FUNDS TAX OFFICE

The Tax Office dealing with the ITB Pension Funds can be contacted via:

Address: HM Revenue & Customs, Pay As You Earn Self-Assessment, PO Box 1970, Liverpool, L75 1WX
Telephone: 0300 2003300
Open Fund Reference: 073/11012A
Closed Fund Reference: 073/11012

AGE UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life.

Website: www.ageuk.org.uk
Telephone: 0800 678 1602

THE MONEY ADVICE SERVICE

Provides free and impartial money advice, set up by government.

Website: www.moneyadviceservice.org.uk
Telephone: 0800 138 7777

KEEPING US INFORMED

Please ensure that you keep the Trustees of the ITB Pension Funds advised of any change of address. You can do this by writing to the Funds' Office or using the Funds' website www.itb-online.co.uk

CONTACT

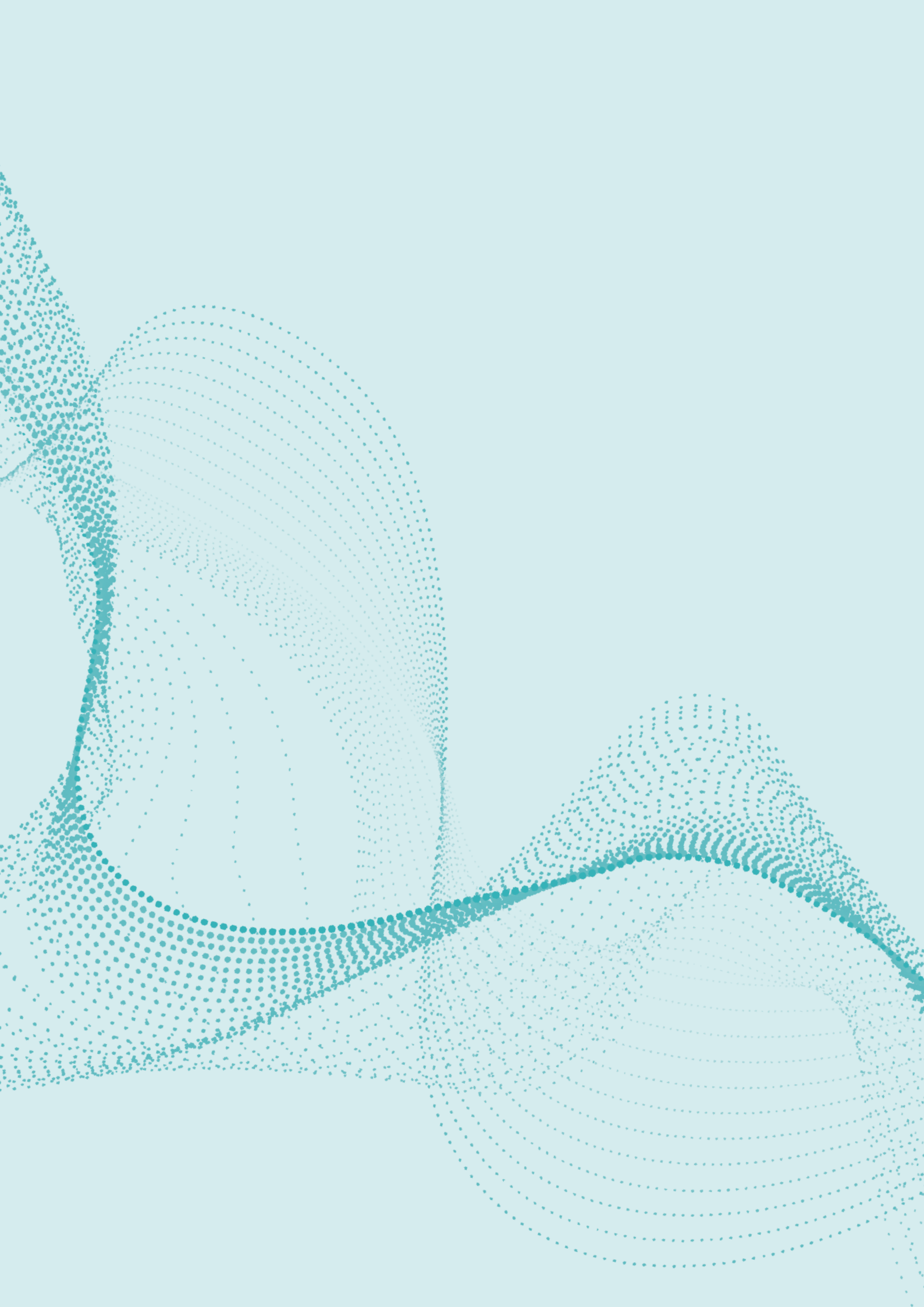
The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ

Telephone: 01923 226 264

E-mail: pensions@itbpen.com

Website: www.itb-online.co.uk

Pension Scheme Registry No. 10169800





The ITB Pension Funds

23 KING STREET, WATFORD, HERTS, WD18 0BJ

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