

Pensionnews

Chairman's Statement

Year under review

An eventful year for the Funds in many ways, most notably for the radical package of pension reforms introduced by the Chancellor in his Autumn Statement of 2013 allowing greater flexibility in the way that people are able to draw on their pensions. While these reforms are significant also of importance was the strong performance during the year of the Open Fund's investment portfolio which, in a volatile market, delivered excellent underlying returns of 21.3%. The Fund also recorded its highest ever level when it peaked at £960 million. But even though the main stock markets in the UK and US reached new record highs the growing uncertainty and political instability in many parts of the world are of concern, not least because of how they affect financial markets.

Trying to contend with these risks is difficult enough, but what makes it more challenging is the long-term low interest rates that have prevailed and effectively pushed up the price of bonds. This reflects in the yield on those bonds falling as a percentage of the price, most recently to record lows and because Defined Benefit (DB) liabilities are required to be valued using bond yields in an actuarial valuation, it serves to increase those liabilities.

Investment Strategy

Open Fund

I reported to you last year that following detailed discussions with the Participating Employers that agreement had been reached on a deficit recovery plan to address the shortfall in the Scheme's funding following the 2013 actuarial valuation. As part of the overall process, following the valuation we went on to review the investment strategy for the Scheme. In doing so we took stock of what factors were likely to shape our future investment strategy. Fundamental to the review was our independent advisers' in-depth assessment of the strength and prospects of the Participating Employers. This is probably the single most important factor that helps us determine how much investment risk the Scheme can take going forward.

While it is the Scheme Trustees who are responsible for setting the investment strategy the Employers have to be consulted. We are committed to open dialogue with the Employers in such matters in order to allay any concerns they may have about the effects a revised investment strategy can have on Scheme funding. We have to be both practical and realistic, taking investment risk only up to a level where the Employer can mitigate adverse outcomes over a reasonable period, also recognising that the current economic environment is now much more difficult and presents a set of complex challenges for the Trustees and Participating Employers. Consequently, a lot of work has gone into reducing risk in our long-term investment strategy with an emphasis on matching assets to the Scheme's liabilities. The changes made to our investment process are now embedded in the Scheme's Statement of Investment Principles.

In undertaking the investment review with our investment advisers we established a de-risking mechanism that can be accelerated or slowed down depending on actual investment performance, with strategy being regularly monitored to ensure that it remains on target. We have also made progress on our objective of a plan to be fully funded on a self-sufficiency basis with the aim of paying

benefits to members without further support from the Employers, or at least a low probability of Employers being required to make contributions. The plan currently extends over 20 years but can be adjusted depending on; Fund performance and solvency levels, strength of our Participating Employers and the future economic environment. This long-term plan has been comprehensively discussed with Employers, as we are mindful of our responsibility to protect the position of the Fund and that this is to the advantage of Employers who are responsible for any shortfall in the Fund.

These are all important steps towards our ultimate goal of securing a strong funding position and ensuring the Open Fund can pay the benefits promised to members at an affordable cost for Employers.

Closed Fund

The majority of the Closed Fund's assets are invested in a bulk annuity contract with the Pension Insurance Corporation (PIC) which broadly covers all of the Closed Fund's liabilities and removes much of the longevity and investment risk. The remaining assets in the Closed Fund are its Reserve Assets which include a portfolio of index-linked gilts. Although gilt yields were adversely affected in the year by the prevailing low interest rates, other parts of the reserve assets portfolio performed positively, featuring good investment returns from overseas equities, emerging market equities and the investment in diversified growth funds (broadly an investment in a fund that invests in a wide range of asset classes with the objective of providing returns similar to the level of return on investment in equities, but with less volatility). These positive returns provided an overall investment return of 10.9% in the year to 31 March 2015 and coincided with an increase in Closed Fund reserve assets to £74.5 million (31 March 2014 £67.5m).

Employer Covenant

The Participating Employer covenant

Central to the whole wellbeing of the Scheme is the assessment of the covenant strength of each of our Participating Employers as it indicates the ability of the Employers to fund the pension scheme and underwrite investment risk. Essentially it is used to inform decisions on the actuarial assumptions and the deficit recovery

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Chairman's Statement (cont.)

plan. It has a bearing on the degree of prudence applied to the assumptions adopted by the Scheme Actuary in carrying out an actuarial valuation and a need to strike a balance between the reasonable growth objectives of sponsors and their funding obligations to the Scheme.

Being mindful that the provision of Scheme pension benefits are long-term undertakings and the challenges presented by current economic circumstances should be seen within this longer-term context, we recognise that a strong ongoing Employer covenant together with an appropriate funding plan provides the best support for the Scheme. In this manner we maintain open communication channels to keep in balance our relationship with the Employers to ensure they are kept informed of any widening funding gaps and other major issues likely to affect Scheme funding.

Assessing the Employer covenant can be a complex business and the work undertaken by our specialist advisers in this area looks in detail at matters such as each company's current balance sheet strength, reserves, cash flow, the potential impact on the covenant of significant transactions or restructurings and whether there are any preferential creditors. It is critical work that helps to provide notice of any potential developments with Employers that could endanger the Scheme's recovery situation and we remain ready to trigger action to mitigate the effects on the Scheme if the need arises.

Regrettably during the year Skills for Logistics (S4L), one of the Scheme's smaller Employers, experienced a serious deterioration in its financial performance. The Trustees were willing to explore some further flexibility in S4L's deficit recovery plan and invited the company to provide additional security to the Scheme given its weakening position. However, at short notice, the Directors of S4L announced that they had decided to cease trading on 6 January 2015. This resulted in the Trustees issuing notice to S4L effectively ending its participation in the Scheme and triggering a Section 75 debt liability from S4L to the ITB Open Fund.

We are concentrating our efforts on maximising the recovery of assets from S4L and at the time of writing the situation is still being investigated by our specialist advisers.

Interim Actuarial Assessments

As Trustees of a DB Scheme we must obtain a full valuation at least every three years, or possibly at a shorter period where there has been a major change in circumstances likely to affect the Scheme's funding position. Less extensive valuation reports in the intervening years are also obtained to keep a spot check on the Scheme's financial position. These are called interim actuarial assessments.

Their purpose is to check that the Fund continues to be funded at the level expected and to bring any issues to the Trustees' attention if that were found not to be the case.

Closed Fund: In the case of the Closed Fund the interim assessments consider any material changes that may have taken place in the sufficiency of the Scheme's reserve assets to meet any liabilities not covered by the buy-in policy with Pension Insurance Corporation (PIC).

The most recent interim assessment of the Closed Fund as at 31 March 2014 was completed in October 2014 by the Actuary. This revealed a surplus of £29 million (2013 £21.8 million) that was derived from a market value of the Fund's assets of £67.5 million as at 31 March 2014 (2013 £67.4 million) and liabilities (excluding insured liabilities) of £38.3 million (2013 £45.6 million). It was confirmed that the Closed Fund continued to be in a sound, ongoing financial position.

Formal Triennial Valuation: Work is underway on the formal triennial valuation of the Closed Fund to be carried out as at 31 March 2015. The initial valuation results are expected to be announced in the latter part of the current Scheme Year/early 2016. Once the process is finalised, a summary will be published in the New Year for the information of Closed Fund pensioners and deferred members.

Open Fund: The most recent interim assessment of the Open Fund as at 31 March 2014 was completed mid-term 2015 by the Actuary. This reported a year on year increase in the funding level to 99% (2013 97%). The principal reasons for the estimated overall decrease in the Fund's deficit in the period to 31 March 2014 were a marginal increase in the yield on index-linked gilts, which are essentially used as a standard to value the majority of Scheme benefits, the combined deficit funding contributions paid by the Participating Employers, and salary increases had proved to be at a lower level than assumed. Conversely, the actual rate of return earned on the Fund's investments over the year to 31 March 2014 was lower than assumed, thereby having the effect of increasing the deficit.

Formal Triennial Valuation: The next triennial valuation of the Open Fund is due to be carried out as at 31 March 2016.

Budget

As I referred to earlier there have been many reforms of the pension system over the years, but none quite as radical as introduced by Government from 6 April 2015. Since then individuals from the age of 55 with a defined contribution (DC) pension are able to access their entire pension flexibly if they wish.

This new freedom of choice in pensions has in some measure been adopted by the Trustees for the ITB DC Section. What this means in practice is that if you are a DC member then provided you have attained age 55 you will be able to fully cash out your pension, or transfer your pension savings to an individual policy with another regulated provider and possibly draw on as much or as little of your pension savings as you like and have the flexibility to do so regularly if you wish. However, the new options are not necessarily straightforward and there may be some drawbacks, such as additional taxation which can be at a higher level than you may normally pay, so you may wish to consider taking independent professional advice before making any final decisions about your pension. The option to purchase an annuity remains. Some pension flexibility also extends to additional voluntary contributions (AVCs) of DB members, where invested through the Scheme with Legal & General, Prudential or Royal London (previously Scottish Life). ITB DB Section members may also currently transfer the value of their benefits to a DC arrangement outside the Fund. However, before doing so members should think very carefully before giving up their DB benefits and independent professional advice is recommended. Indeed, taking advice in this way is a formal requirement for any DB member with a transfer value of their benefits of £30,000 or more.

Much has changed and the jargon surrounding the new pension flexibilities can be really confusing. Your pension is a valuable asset and decisions you make may be irreversible. To assist you the government provides a free and impartial broad guidance to help you better understand your options at retirement through 'Pension Wise', a free service operated by the Citizens Advice Bureau and the Pensions Advisory Service available through the Pension Wise website, over the telephone or by appointment. However, it is important to note that none of this guidance is intended to replace professional advice.

What is also of concern to us as Trustees is that members do not become victims of pension scams and possibly lose their pensions savings. We recommend that you take great care if you receive unsolicited contact from firms or individuals concerning your pension, no matter how sophisticated they sound, as they may be unscrupulous. Good advice is on hand from the Age UK and The Pensions Regulator's websites. Also from the Money Advice Service which was initially set up by Government, but now supported by a levy to which all financial institutions contribute. The web addresses are provided on the back page of this Newsletter.

There is further coverage of the new pension flexibilities in the Principal Activities section in the full version of the 2015 Trustees' Report on www.itb-online.co.uk

Governance

The ITB Pension Funds' Trustee Board is committed to high standards of governance, which we view as central to delivering secure pension related benefits to members and pensioners over the long-term. The Board considers all aspects of the Funds' business necessary to provide good governance which is set out in the Governance Statement on pages 11 to 12 of this Newsletter. I am pleased to be able to confirm that the ITB Pension Funds essentially complies with all aspects of The Pension Regulator's Governance Codes of Practice relating to DB and DC pension benefits.

Regulation and Legislation

Regulatory and legislative change continues to challenge us, from the new rules relating to freedom and choice in pensions, to the charge cap on DC default funds, to various codes of conduct issued by The Pensions Regulator.

New State Pension and Contracting-out: The new State Pension will be introduced on 6 April 2016, replacing the existing two-tier system of Basic and Second State Pension. The new pension will apply to people who reach State Pension age on or after 6 April 2016, with the amount payable depending upon an individual's NI contribution record. The full new State Pension is expected to be circa £150 per week and the exact amount will be set in Autumn 2015.

Currently, like most DB Schemes the Open Fund DB Section is contracted-out of the Second State Pension (S2P) and members and Employers pay a lower rate of NI contributions, because the Scheme essentially substitutes S2P. However, as the ability of all DB schemes to contract-out of the S2P will end come April 2016 it will result in contracted-out active members and Employers paying full-rate NI contributions. Members will then accrue additional State Pension by way of their increased NI contributions. Employers with active DB members will see their costs increase. The Government allows DB employers certain measures to mitigate this increase in cost and we have undertaken preparatory work with our Participating Employers to examine the options open to them. Active members of the DB Section will be updated by their Employers when final decisions have been made.

Communication

Launched back in 2002 MyITB the DB Section's interactive modelling website broke new ground and won a number of pensions industry awards, so our decision to decommission MyITB during 2015 was reached with some regret. The reason for this action is that existing software architecture has become outmoded, requiring more regular maintenance and it does not have the flexibility to cope with further benefit changes without the expense of a complete rewrite of the system. Many modifications to the DB Scheme benefit structures on MyITB have taken place since 2002 along with major changes to pension benefit provision due to changes in legislation. Given the reducing numbers of active DB members we could not justify the significant cost of redevelopment.

MyITB functionality is currently accessed through a gateway on the Funds' information website www.itb-online.co.uk and the rest of the information facilities on the website will continue as normal for DB members and Employers when MyITB is decommissioned. DC members continue to have access to their details through a link on www.itb-online.co.uk to the Legal & General (L&G) website (the current DC investment provider), where members are provided with a range of useful tools, services and other useful information designed to help manage their DC investments and obtain an instant valuation of their complete DC portfolio. Prices are updated every day.

Trustees

It's reassuring to know there is a wide diversity of experience and expertise on the Trustee Board. These are attributes that are well-tested in these times of increasing focus on governance and accountability, along with the challenging demands of new regulations and Scheme underfunding.

Fundamental to everything we do as responsible Trustees is to look to the longer term and continue to focus on the security of member pension provision and understanding the issues faced by our Participating Employers.

I would like to thank my fellow Trustee Board members for their diligence and outstanding commitment to the Funds over the year, and I look forward to working with them again in the year ahead. My thanks are also extended to their Employers who nominate and release them for this responsibility.

Funds' Staff

The Funds' Director and the rest of the team at the Funds' Office make a significant and highly regarded contribution to our operational success. The team strive for high standards of management and administration as this is key to the level of service they provide to all members of the Trustee Board, the Funds' Participating Employers and to you the members, active, retired, or yet to draw your Scheme benefits.

On behalf of my fellow Trustees I thank them and appreciate all that they do.

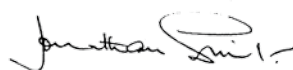
Scheme Actuary

We have benefited from the insight and experience of Trevor Llanwarne who was Scheme Actuary to the Funds from July 2008 to August 2014 when he retired. His replacement, Ken Kneller, was appointed to the Fund on 1 September 2014.

Outlook

This past financial year has been a busy one for your Trustees and this current year looks to be very much the same. Political and economic uncertainty continues to influence markets and we shall continue to respond decisively by maintaining a disciplined approach to investment with an unrelenting focus on investment performance. Taking a long-term view to investment, given the life-long nature of pension liabilities, our ultimate aim is to enable a positive future for all our stakeholders; our members and Employers. We remain prepared for further change through various measures, including integrated risk management with triggers for action in each area.

There is still work to do on scheme funding and we shall continue to drive our efforts into making sustained and consistent progress against our strategic objective of getting the DB Section of the Open Fund back to a fully funded position. Key to achieving this is our maintaining strong working relationships with our Participating Employers who in effect underwrite the Scheme benefits; no more so than when the Scheme is underfunded. We remain committed to regular and active dialogue with the Scheme's Employers as the future welfare of the Open Fund is closely interlinked with their continued success and stability.



Jonathan Swift
Chairman of Trustees – 3 July 2015



Board of Trustees

The Trustees are individuals who administer the ITB Pension Funds in accordance with the Trust Deed and Rules for the benefit of the members. The Trust has been set up independently from the Participating Employers' businesses. The ITB Pension Funds are controlled by 18 Trustees consisting of nine Employer Trustees, seven Member Trustees and two Pensioner Trustees. The current Trustees are as follows:

Employers' Trustees



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



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



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

Members' Trustees



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



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



Phillip Jefferies
Nominated by:
Engineering Construction
ITB
(Regional Account Manager –
EDP and SE&E)



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



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)



Robert Tabor
Nominated by:
Lantra
(Director of Lantra Awards)



Rob Sweeney
Nominated by
the Trade Union 'Unite'
for:
Construction ITB
(Product Developer for
Construction ITB)

Note:
As at 31 March 2015
no Joint Members'
Trustee in place for
CAPITB Limited, Cogent
SSC Limited, OPITO
Limited and Scottish
Electrical Charitable
Training Trust (SECTT).

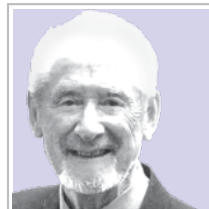
Pensioners' Trustees



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



Simon Tarr
Nominated by:
People 1st
(Managing Director for People 1st)



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)

Members' Trustees

Roisin Boyer retired by rotation on 6 October 2014 and was re-nominated by Scheme members of People 1st and reappointed to serve a further term in office from 7 October 2014.

Susan Smart retired by rotation on 6 October 2014 and, following a nomination process of Scheme members at Engineering Construction ITB, she was succeeded by Philip Jeffries whose appointment as Trustee commenced on 7 October 2014.

Chris Hall, the Member Trustee for Skills for Logistics, resigned from office on 4 December 2014.

Madge Moore retired from office by rotation on 31 March 2015 and, following a nomination process of Scheme members at Lantra, she was succeeded by Robert Tabor whose appointment as Trustee commenced on 1 April 2015.

Joint Members' Trustees

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

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

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

Pensioner Trustees

David Barnett retired by rotation on 30 September 2014 and, following a nomination process of Open Fund pensioners and deferred members, he was reappointed to serve a further term in office from 1 October 2014.

Employers' Trustees

Simon Tarr, the Employer Trustee for People 1st, retired by rotation on 6 October 2014 and was reappointed to serve a further term of office from 7 October 2014.

Tony Pringle, the Employer Trustee for Cogent SSC, retired by rotation on 9 October 2014 and was reappointed to serve a further term of office from 10 October 2014.

Theo de Pencier resigned from office on 6 January 2015 when Skills for Logistics ceased trading.

At the time of writing SECTT are in the process of nominating an Employer Trustee and CAPITB Limited are in the process of nominating a Joint Employer Trustee.

Gordon McNeil, the Employer Trustee for OPITO Limited, retired by rotation on 31 March 2015 and was reappointed to serve a further term of office from 1 April 2015.

Chairman

The period of office of the Chairman, Jonathan Swift ended on 31 March 2015 and, as he stood unopposed in the nomination process conducted by the Employer Trustees, he was reappointed to serve a second term of office from 1 April 2015.

Deputy Chairmen

The period of office of Peter Rogerson OBE as Deputy Chairman (Employers) ended on 31 March 2015 and, as he stood unopposed in the nomination process conducted by the Employer Trustees, he was reappointed to serve a second term of office from 1 April 2015.

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

Trustee Training, Induction and Governance

All new Trustees undertake an induction programme shortly after becoming a Trustee. The aim of this programme is to introduce new Trustees to the Funds' business, its operations and its governance arrangements. The induction programme includes meetings with the Director, Senior Managers and staff at the

Funds' Office in Watford. Upon appointment, new Trustees are issued with personal copies of all of the Funds' key documentation. Also, special arrangements are made for new Trustees to attend training courses arranged by outside providers. In addition, all Trustees regularly undergo a process to identify their training needs. Based on these assessments relevant training courses are then organised throughout the year and at least one annual training seminar for all Trustees is organised.

To identify and manage any potential problems related to Trustees conflict of interests, the Funds' Office also maintains a Trustees' 'Register of Interests'. The content of this Register has been updated during the past year and takes account of guidance issued by The Pensions Regulator. Conflicts of interest are regarded as a priority area for the Trustees in their governance of the ITB Pension Funds.

The Trustees are committed to maintaining high standards of governance and the Board recognise that they, as Trustees of the ITB Pension Funds, are expected to act to the highest standards of responsibility at all times. A set of governance structures and practices, designed to ensure that the Funds are run responsibly in the best interests of all of the Funds' stakeholders, is therefore in place and adhered to.

Meetings

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

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

There was overall 90% attendance at the Trustees' Board meetings during the review year.

Committees

The Investment Committee, the Management Panel and the Salaries Committee are formally set up by resolution in accordance with the Rules and have carefully defined remits. Where members of the various committees are unable to attend any meeting then agenda matters are addressed with them either in writing or by telephone, both prior to and after the meeting. Where possible any Committee member who is not able to attend a meeting in person will take part in the meeting by way of a conference telephone call.

Investment Committee

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

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

During the Scheme year to 31 March 2015 the Investment Committee included four Trustees.

The formal members of the Committee were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

Mr DC Barnett - Deputy Chairman (Members)

Mr SCV Tarr - Employers' Trustee: Mr Tarr stepped down as a Committee member in August 2014 after 8 years' service.

However, he remains a Trustee of the ITB Funds. He was succeeded by Mr Tony Pringle, the Employer Trustee for Cogent SSC, who took up the role on 13 August 2014.

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

There was overall 83% attendance at the Investment Committee meetings.

Independent Governance Committee

New regulations came into force on 6 April 2015 introducing more extensive quality standards to apply to operators of money-purchase schemes. As the ITB DC Section is such a vehicle it is required to establish and maintain an Independent Governance

Trusteeship (cont.)

Committee. Fundamentally the role of the Committee is to monitor and, where necessary, raise concerns about the quality of the Scheme and its value for money on behalf of DC members.

The Committee will also assess whether the DC Section's default investment strategies are designed and carried out in members' interests and regularly review the investment strategies for performance and suitability for members, making changes as necessary. Moreover, to check that DC contributions and other financial payments are processed promptly and accurately.

Essentially the Trustees Investment Committee already had these checks and balances in place and the business of the Independent Governance Committee forms part of the Investment Committee's agenda.

The formal members of the Independent Governance Committee are the same members as those of the Investment Committee.

Management Panel

The Management Panel is a committee established by the Trustees to carry out research and investigation into pension matters not dealt with by the Investment Committee, making appropriate recommendations to the Trustee Board where necessary. They can also be authorised to manage activities and implement policies and decisions on behalf of the Trustees. They

are assisted as required in these roles by the Trustees' professional advisers. The Management Panel meets as and when necessary. During the year to 31 March 2015 the Management Panel comprised three Trustees. The members were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

Mr DC Barnett - Deputy Chairman (Members)

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

There was overall 100% attendance at the Management Panel meetings.

Salaries Committee

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

During the year to 31 March 2015 the members of the Committee were:

Mr JF Swift - Chairman

Mr PG Rogerson OBE - Deputy Chairman (Employers)

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

Officers

Director

Vincent Gordon FPMI

Funds' Accountant

Dave Faulkner FCA

Pensions Administration Manager

Chris Bettles DipPMI

Advisers

Actuary

Trevor Llanwarne FIA, Government Actuary's Department (retired August 2014); Ken Kneller, Government Actuary's Department (appointed September 2014)

Solicitors

Mayer Brown International LLP

Investment Managers

Baring Asset Management Ltd (terminated September 2014); BlackRock Advisors (UK) Limited; Capital International Limited; GMO UK Limited (appointed October 2014); Insight Investment; Investec Asset Management; Longview Partners LLP; Pension Insurance Corporation (PIC); Ruffer LLP; Schroder Investment Management (UK) Limited; Legal & General Assurance Society Limited (DC Section)

Property Investment Managers

Fletcher King plc

Investment Advisers and Performance Monitors

Lane Clark & Peacock LLP

Custodians

BlackRock Advisors (UK) Limited (terminated September 2014); JP Morgan Chase Bank; ITB Pension Trustees (1) Limited; ITB Pension Trustees (2) Limited; The Bank of New York Mellon (Appointed September 2014)

Auditor

Moore Stephens LLP (On 1 May 2015 Chantrey Vellacott DFK LLP merged their practice with Moore Stephens LLP and are now practising under the name of Moore Stephens LLP)



Vincent Gordon FPMI



Dave Faulkner FCA



Chris Bettles DipPMI

Participating Employers

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

Skills for Logistics participation in the Scheme was terminated with effect from 6 January 2015.

Cogent SSC Limited advised during the year that it had changed the name of its subsidiary Technical Apprenticeship Service Limited to Cogent Skills Services Limited. It can also be reported that its new subsidiary Science Industry Assessment Service Ltd joined the Scheme with effect from 1 April 2015.

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

Science Industry Assessment Service Ltd

Cogent (Telford) Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

People 1st

Participating Subsidiaries:

Hospitality Guild

National Skills Academy for Retail

Skillsmart Retail UK Ltd

Science, Engineering and Manufacturing Technologies Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited

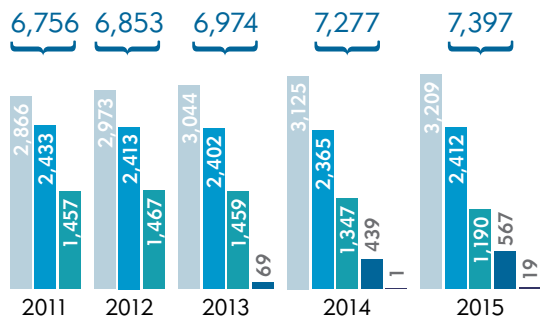
Metals Industry Skills and Performance Limited

Training Publications Limited

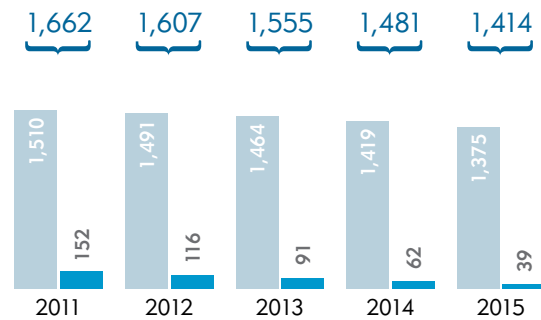
National Skills Academy for Manufacturing

Scottish Electrical Charitable Training Trust

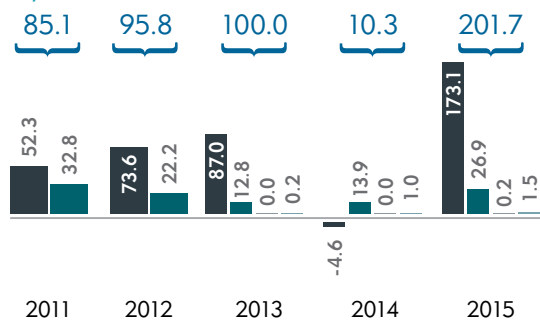
Open Fund - Membership



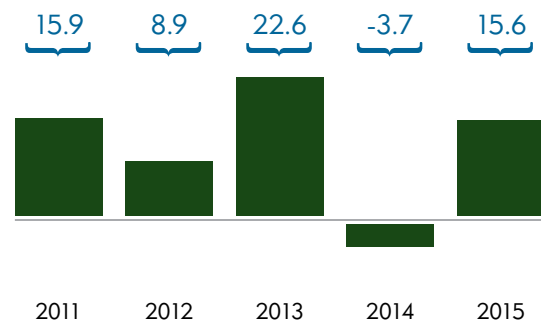
Closed Fund - Membership



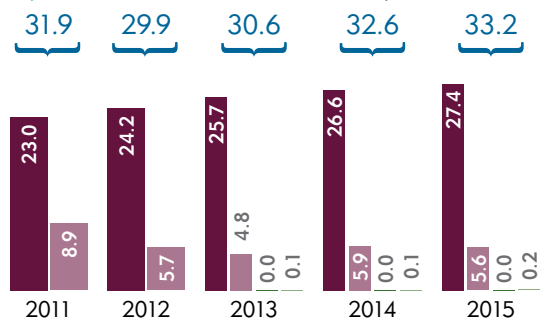
Open Fund (DB & DC Sections) - Income (£m)



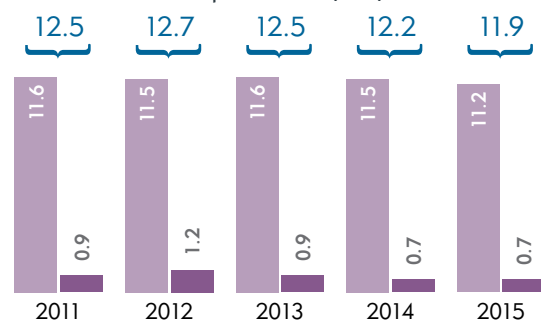
Closed Fund - Income (£m)



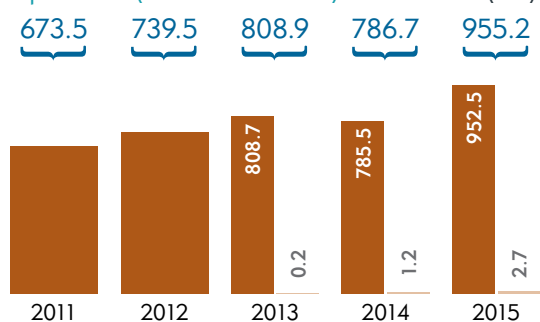
Open Fund (DB & DC Sections) - Expenditure (£m)



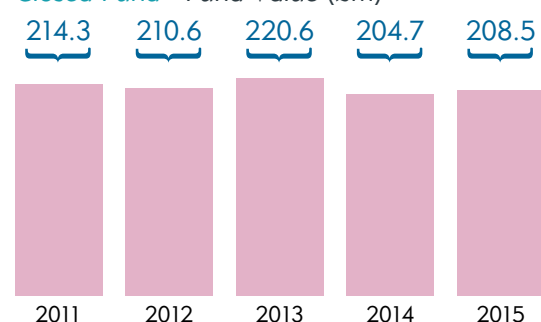
Closed Fund - Expenditure (£m)



Open Fund (DB & DC Sections) - Fund Value (£m)



Closed Fund - Fund Value (£m)



KEY:

| | | | | | | | | | | | | | | | | |
|---------------------------|----------------------|---------------|---------------|-----------------|-------------------|----------------------|-------------------|----------------------|---------------------------|------------------|---------------|------------------|---------------|---------------------------|---------------------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 1 Pensioners & Dependants | 2 Preserved Pensions | 3 Active (DB) | 4 Active (DC) | 5 Deferred (DC) | 6 Investment (DB) | 7 Contributions (DB) | 8 Investment (DC) | 9 Contributions (DC) | 10 Investment Closed Fund | 11 Pensions (DB) | 12 Other (DB) | 13 Pensions (DC) | 14 Other (DC) | 15 Open Fund (DB Section) | 16 Open Fund (DC Section) | 17 Closed Fund |

Summary Funding Statements

The ITB Pension Funds (Open Fund DB Section): Summary Funding Statement for period ending 31 March 2014.

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

The last ongoing funding valuation:

The most recent funding valuation of the Open Fund showed that on 31 March 2013 the funding position was as follows:

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

The estimated amount as at 31 March 2013 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding up (full solvency) was £1,165.4 million. Therefore, the Scheme was 69% funded on a full solvency basis as at 31 March 2013. Inclusion of this information is a standard requirement and is not related to any consideration of the Trustees to wind up the scheme.

Change in funding position:

The Scheme Actuary carried out an interim review of the Open Fund as at 31 March 2014. The purpose of that review was to assess how the Scheme's funding position had changed over the previous year.

The interim review showed that the funding level increased from 97% to 99% between 31 March 2013 and 31 March 2014. This increase in funding level was principally due to a decrease in the value placed on the liabilities due to changes in market conditions (net of the Fund's actual investment returns), deficit contributions paid by Employers and lower than expected salary increases awarded by Employers.

Actions to return the Scheme to full funding:

The Participating Employers have agreed to pay additional contributions to the Scheme to restore the Scheme to full funding. Generally Employers will pay additional contributions for between 1 and 8 years from January 2014. Where such contributions extend beyond 5 years, Employers have agreed to provide additional security to the Scheme.

Payment to the Participating Employers:

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

How the Scheme operates:

How is my pension paid for?

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

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

How is the amount the Scheme needs worked out?

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

The importance of the Participating Employers' support:

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

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

What is the Scheme invested in?

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

| | |
|--------------------------------|------------|
| Global equities | 18% |
| Bonds/LDI mandate | 47% |
| Alternative Investments | 24% |
| Property | 8% |
| Cash | 2% |

Where can I get more information?

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

- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Schedule of Contributions: This shows how much money is being paid into the Scheme.
- The Recovery Plan: This shows the agreed actions to restore the Scheme to full funding.
- The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2015.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2013.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2014.

- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they joined the Scheme, but a further copy can be requested).
- An Annual Benefit Statement: If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

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

The ITB Pension Funds (Closed Fund): Summary Funding Statement for period ending 31 March 2014.

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

The last ongoing funding valuation:

The most recent funding valuation of the Closed Fund showed that on 31 March 2012 the funding position was as follows:

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

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

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

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

Change in funding position

The Scheme Actuary carried out an interim review of the Closed Fund as at 31 March 2014. The purpose of that review was to assess how the Scheme's funding position had changed over the previous year.

The interim review showed that the surplus increased from £22 million to £29 million between 31 March 2013 and 31 March 2014. This increase in surplus was principally due to favourable movements in market conditions.

Payment to the Employers

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

How the Scheme operates

How is my pension paid for?

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

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

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

How is the amount the Scheme needs worked out?

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

What is the Scheme invested in?

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

Where can I get more information?

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

- Additional documents available on request or in some cases on the Funds' website www.itb-online.co.uk
- The Statement of Investment Principles: This explains how the Trustees invest the money paid into the Scheme.
- The Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2015.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2012.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2014.
- An Annual Benefit Statement. If you are not getting a pension from the Scheme you can ask for a statement that provides an illustration of your likely pension.

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

Financial Summary 2015

| | Closed Fund £'000 | Open Fund DB £'000 | Open Fund DC £'000 |
|---|-------------------|--------------------|--------------------|
| Value of the funds as at 31 March 2014 | 204,720 | 785,464 | 1,154 |
| Income: contributions | - | 26,643 | 1,537 |
| AVCs transferred to main Fund | - | 242 | - |
| Income from Investments | 12,192 | 9,558 | - |
| Total Income | 12,192 | 36,443 | 1,537 |
| Pensions and other benefits | (11,304) | (30,787) | (130) |
| Transfer values paid | - | (803) | (58) |
| Administration expenses | (556) | (1,324) | (44) |
| Pension Levy | (8) | (44) | - |
| Total expenditure | (11,868) | (32,958) | (232) |
| Income less expenditure for year | 324 | 3,485 | 1,305 |
| Net change in market value of investments | 3,434 | 163,562 | 238 |
| Value of Funds at 31 March 2015 | 208,478 | 952,511 | 2,697 |

Statement of Investment Principles (SIP)

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

The SIPs are regularly reviewed. The full versions of the SIPs can be viewed by accessing the ITB website on www.itb-online.co.uk, or obtained by requesting a copy from the Funds' Office.

Specialist investment managers are employed by the Trustees to manage the portfolio of investments. Their appointments are reviewed by the Trustees annually in the light of quarterly monitoring of the performance and investment process.

The recommendations of a report on institutional investment for defined benefit pension schemes – the Myners Report – which have previously been accepted by the Government, identified a set of investment principles which pension schemes should comply with on a voluntary basis. The Trustees consider that the Funds are currently mostly compliant with the Report's recommendations, and have taken steps, where appropriate, to integrate the recommendations into working practices and procedures.

In April 2012 a Defined Contribution (DC) Section of the Open Fund was introduced. The Trustees are mindful of the Principles included within The Pensions Regulator's (TPR) Code of Practice No.13 - Governance and administration

of occupational defined contribution trust based pension schemes. This concerns the governance matters The Pensions Regulator recommends be considered when setting up and operating a DC pension scheme. These Principles are designed to encourage better investment governance and decision making by Trustees. They provide a framework which can be used as a practical checklist to benchmark a scheme's investment governance processes against 'best practice'.

The Trustees consider that the Funds are currently compliant with the guidance recommended by the The Pensions Regulator and have taken steps, where appropriate, to integrate the guidance into working practices and procedures.

Governance Statement

Overview

Your Trustee Board is committed to high standards of governance and sees this as central to our role as Trustees and consistent with the Pension Regulator's guidance relating to Scheme Governance and Controls. In doing so we try to consider all aspects of the governance of the business of the Funds, including the operation of internal controls to enable the identification, evaluation and management of the risks that relate to the Scheme consistent with those set out in the Pension Regulator's Code of Practice 09: Internal Controls, and underpin this by endeavouring to ensure that your Trustees and the Funds' Office staff are properly trained to carry out our respective duties. To further assist our effectiveness as a board we seek to have timely access to accurate and relevant information, which is supported by access to a secure website of ITB Funds' specific information. Agendas and supporting papers for board and committee meetings are circulated by the Funds' Office in good time prior to the meeting date to allow sufficient time for review to enable informed debate and challenge at meetings. A record is made of all decisions taken at meetings of the board and its committees.

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

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

Internal Control

The Trustees have an established risk and control framework and, wherever practical, give a high priority to mitigating risks to the Funds that they and their advisers are able to identify. The risk evaluation process adopted by the Trustees provides a framework to identify, evaluate and manage risks on an ongoing basis. Once risks are identified, practical steps are developed to mitigate them and update operational procedures. Specifically, the significant risks have been determined by assessing the possible effects on, but not limited to, Scheme investment strategy, safe custody and security of scheme assets, strength of Employer covenant, conflicts of interest, finance and liquidity issues, legislative and regulatory change, operational procedures, fraud, Scheme management and administration, delegated responsibilities and cost control.

The Trustees' focus on risk management is actively pursued by the Funds' Office, who are encouraged to be risk aware and to develop and implement risk control initiatives. Controls found not to be effective are remedied. These measures seek to ensure that all staff act in accordance with the Trust Deed and Rules and relevant laws and regulations. A regular programme of internal procedure reviews are carried out by the Funds' Office which includes assessment of compliance with operating policies

and procedures. This is also evaluated by the Funds' Auditors whose findings are addressed by the Funds' Office and reported to the Trustees. The Funds' Office risk management framework is continually being refreshed to better support the Trustees' objectives and to recognise regulatory and legislative change.

Professional Advisers Service Levels

In compliance with established best practice principles produced by the National Association of Pension Funds and consistent with the Trustees' policy of regularly reviewing the performance of their professional advisers, an assessment of the Funds' independent investment consultants was carried out during the year, as was an assessment of the actuarial services provided by the Government Actuary's Department (GAD). The conclusion of the reviews was that Lane Clark & Peacock remained appropriate investment consultants for the ITB Funds and that GAD remained appropriate providers of actuarial services to the Trustees.

Monitoring Pension Contributions

The Funds' Office practice of monitoring contributions from members and their Employers is based on the Regulator's requirements on the matter, as regular detailed examinations of pay data and contributions are undertaken. Where an over or underpayment, missed or late payment, or materially significant payment failure is identified, action is initiated with the relevant Employer.

Approach to Scheme Funding (Defined Benefits)

The Trustees work closely with the Participating Employers in the funding of the Open Fund Defined Benefits Sections and are mindful of the key funding principles as set out in The Pension Regulator's Code of Practice 3 (updated 2014): Funding Defined Benefits.

The Trustees recognise that a strong, ongoing Employer alongside an appropriate funding plan is the best support for the Scheme. An appreciation and understanding of the changes and challenges taking place within our Participating Employers is crucial in ensuring the Scheme can deliver the benefit expectations of members, without overburdening and possibly restricting Employers' future business development plans.

Defined Contribution Section

As Trustees of the ITB Pension Funds we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes and regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

The Pension Regulator's Code of Practice 13 was subsequently annotated to specify the new charge cap of 0.75% applicable from 6 April 2015 on fees charged to members invested in default funds (funds into which contributions for members are invested where members do not actively choose a fund in which to invest their money).

continues on page 12

Governance Statement (cont.)

It is a constant objective of the Trustees that members get 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. The Trustees operate funds through the DC provider that include a default fund and other funds with fees below the 0.75% cap.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for our members at retirement.

Independent Governance Committee: The Trustees' Investment Committee also operates in the capacity of an independent governance committee, in keeping with new duties to consider and report on DC investment costs and charges.

Contact

In the event that members have a query or wish to make their views known to the Trustees on any aspect of their investment in the ITB Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ.



Jonathan Swift
Chairman of Trustees – 3 July 2015

Further information

The Pensions Regulator

The Pensions Regulator is the UK regulator of workbased 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

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 169 6565

The Money Advice Service

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

Website: www.moneyadvice.service.org.uk

Telephone: 0300 500 5000

Keeping our records up to date

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

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



The content incorporated within *Pensionnews* is based on the content contained in the ITB Trustees' Report & Financial Statements 2014/15.

Contact

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

E-mail: pensions@itbpen.com Telephone: 01923 226 264 Website: www.itb-online.co.uk

Scheme Reference No. 10169800