

Pensionnews

2018 CHAIRMAN'S REVIEW

The scheme year ending 31 March 2018 was my first full year as Chairman and has seen the ITB Funds experience a number of positive developments as well as some significant challenges resulting from legislation.

There have also been numerous important external events and issues, such as the continuing uncertainty around the Brexit negotiations and the return to power of a Conservative Government without an overall majority. These factors contributed to a background of both political and economic uncertainty.

Despite this background, the ITB Pension Funds achieved a number of positive internal objectives, 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

For a number of years defined benefit pension schemes have been facing difficult headwinds. The issues to be dealt with are varied, but they include historically low long term interest rates and increasing life expectancy. The latter is good news for individuals, but puts a strain on pension schemes because pensions have to be paid for longer than previously assumed.

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. The valuation was 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 Funds assets, to estimate if the Open Fund will be able 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.

Against a background of continuing low interest rates and the majority of other DB schemes remaining in deficit, this was seen as a very positive development with the DB Section of the Open Fund once again fully funded on an ongoing basis.

DB Section Investment Strategy

At the beginning of the Scheme year, the Trustees had a policy of seeking to de-risk the Open Fund's investment strategy over the next 15 years or so and to move to a position where the Fund has sufficient lower risk assets to pay the benefits as they fall due, without requiring contributions from the employers.

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 and increasing life expectancies.

The advice from our advisers during the year was that there were market opportunities to invest in additional annuities from an insurance company and to hold them alongside the Fund's other investments. Using this approach, the Trustees are still responsible for paying members pensions, but the risk of paying pensions longer than previously assumed will be insured. This is called a "buy-in".

I can report that, during the last Scheme year, two further selection exercises were successfully completed, with the result that the Trustees purchased two further buy-in annuity policies for the Open Fund, with the last of the two contracts being signed on 6 April 2018. They were both with Pension Insurance Corporation, who offered the most competitive terms on both occasions.

Consequently, the de-risking strategy is now at the point where the Open Fund has already achieved a position of self-sufficiency on the Trustees chosen assumptions, with virtually all current pensioner benefits now secured by investments in buy-in policies. Members and Participating Employers will be re-assured by this achievement.

The Defined Contribution (DC) Section

In recent years, most ITB employers have changed their policy on pension provision by only offering new employees membership of the Open Fund DC Section. The majority of the employers have also moved their existing DB Section members to the DC Section for future service. The effect of this is that at the time of writing there are now only a handful of active members in the DB Section of the Open Fund, with most members now accruing future benefits in the DC Section. The members affected will have been advised by their employer of the terms of the move to the DC Section.

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2018 CHAIRMAN'S REVIEW (CONT'D)

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 Trustees that the Government's Master Trust Regulations were intended to cover commercial DC schemes providing pension arrangements to a wide range of employers. These Master Trusts are often very different from the ITB DC Section and are often operated to make a profit. The ITB 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 we are currently investigating what is required to obtain authorisation under the new regime.

THE CLOSED FUND

The last formal Closed Fund actuarial valuation was in 2015 and the next one will be as at 31 March 2018. We are therefore now well into the process of working with the Scheme's actuary to carry out the 2018 valuation.

However, every year the Government Actuary's Department conduct an interim review to check that the financial position of the Closed Fund has not changed to the extent that action is required. I can report that the last completed interim review as at 31 March 2017 confirmed that the Closed Fund remains in good financial shape and well positioned to provide members with all their promised benefits.

EMPLOYER COVENANT

For the ITB Trustees the strength of the employers' covenant is an important factor when formulating decisions about the appropriate actuarial assumptions and investment strategy for the 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.

For some time our covenant advisers CVR Global, have been highlighting their concerns with the financial performance of People 1st which was making financial losses. These concerns increased in the early part of 2018 when our advisers concluded that People 1st were approaching a situation where it appeared they might fail with insufficient reserves to meet their debt obligations to the pension scheme. Having taken advice and working in conjunction with the other Participating Employers, in March 2018 the Trustees decided to ask People 1st to withdraw from the Fund and pay its £75 debt, essentially the amount required from the company to meet its share of the Fund's unfunded benefit obligations if it was ever to wind-up. People 1st was unable to pay the debt and, after an unsuccessful period looking for a purchaser for the whole business, went into administration on 23 April 2018. The Trustees are now working with the liquidators to recover as much of the outstanding debt of circa £6.4 million as possible. However, based on the size of its reserves at termination, the Fund is likely to receive only a relatively small percentage of what is owed.

TRUSTEES

The wide and varied business experience, skills and diversity of thought on the Trustee Board makes a real and 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 Funds over the years.

A number of my Trustee colleagues have left during the scheme year or shortly afterwards. These include; Brian Wisdom, the employer nominated Trustee for People 1st, John McDonald, the employer nominated Trustee for OPITO Ltd and Andrew Doyle the member nominated Trustee for People 1st. I would like to formally thank them all 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 two new Trustees; David Lewis as the member nominated Trustee for ECITB and David Wake, the member nominated Trustee for CITB.

GOVERNANCE

The ITB Trustees have long regarded the subject of governance as a high priority. The operation and authority delegated to the three key trustee sub-committees; the Management Panel, the Investment Committee and the Salaries Committee, is 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.

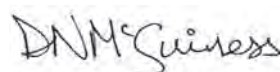
In addition, we value the quality of advice and service we receive from our professional advisers. We review our advisers regularly to ensure that quality and value for money are maintained.

FUNDS' STAFF

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










The Trustees feel that this past scheme year has been a successful one, with the DB Fund having achieved a very sound financial situation, based on a lower risk investment strategy as well as remaining in surplus and with the DC Section continuing to grow and achieving satisfactory investment returns on the various funds offered. Nonetheless, challenges remain as political and economic uncertainty continues to influence markets and the full impact of the Master Trust Regulations is still being investigated. However, the ITB Pension Funds approaches these challenges from a position of strength based on the sound financial platform we have been able to build.



David Newell McGuinness
29 June 2018



EMPLOYERS' TRUSTEES

<p>DAVID BIRTWISTLE</p> <p>Nominated by: Science, Engineering and Manufacturing Technologies Alliance (Independent Consultant)</p>  	<p>JOHN DEARDEN</p> <p>Nominated by: CAPITB Limited (Retired Chief Executive of CAPITB Limited)</p>  <p>CAPITB Ltd</p>	<p>TERRY LAZENBY, MBE</p> <p>Nominated by: Engineering Construction ITB (Retired Chairman of ECITB)</p>  	<p>NEWELL MCGUINNESS</p> <p>(Chairman) Nominated by: Scottish Electrical Charitable Training Trust (SECTT) (Managing Director of SELECT)</p>  	<p>TONY PRINGLE</p> <p>Nominated by: Cogent SSC Limited (Director of TPPLAST Ltd)</p>  
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MEMBERS' TRUSTEES

<p>PETER ROGERSON, OBE</p> <p>(Deputy Chairman-Employers) Nominated by: Construction ITB (Retired Deputy Chairman of Construction ITB)</p>  	<p>NIGEL TITCHEN</p> <p>Nominated by: Lantra (Lantra Trustee and Board Member)</p>  	<p>DAVID LEWIS</p> <p>Nominated by: Engineering Construction ITB (Senior Account Manager)</p>  	<p>MARTIN MCMANUS</p> <p>Nominated by: Cogent SSC Limited (Policy & Standards Manager – Nuclear)</p>  	<p>SARAH PARKIN</p> <p>Nominated by: Scottish Electrical Charitable Training Trust (SECTT), CAPITB Limited, OPITO Limited (Finance/Administration Manager for SECTT)</p>  
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PENSIONERS' TRUSTEES

<p>JAS SALL</p> <p>Nominated by the trades union Unite for: Science, Engineering and Manufacturing Technologies Alliance (External Quality Assurer for SEMTA)</p>  	<p>ROBERT TABOR</p> <p>Nominated by: Lantra (Director of Lantra Awards)</p>  	<p>DAVID WAKE</p> <p>Nominated by the trades union Unite for: Construction ITB (CITB Advisor – London East)</p>  	<p>MAURICE ALSTON</p> <p>Nominated by: Closed Fund Pensioners Previously Chemical and Allied Products ITB (Retired – formerly Senior Training Adviser Chemical and Allied Products ITB)</p> 	<p>DAVID BARNETT</p> <p>(Deputy Chairman-Members) Nominated by: Open Fund Pensioners Previously Road Transport ITB (Retired – Formerly Director General of RTITB)</p> 
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TRUSTEES' REPORT

The Trustees present their annual report together with the financial statements for the year ended 31 March 2018. 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 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.

PEOPLE 1ST

People 1st, a Participating Employer, left the ITB Pension Funds on 26 March 2018. As at that date People 1st's membership of the Open Fund was terminated and its Trustees' appointments were terminated. At that time a section 75 debt of £6.4m became due from People 1st. No monies have yet been received and recovery proceedings are ongoing. Due to the uncertainty of recovery no credit for this amount has been taken in the financial statements.

TRUSTEESHIP

APPOINTMENT AND REMOVAL OF TRUSTEES

Normally, based on the current number of Participating Employers, the ITB Pension Funds is governed by 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees. Since People 1st left the Funds on 26 March 2018, the Trustee Board has been short of one Employers' Trustee and one Employees' Trustee. Details of the Trustees in office at the year-end are shown on pages 8 and 9.

Of the nine Trustees currently 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 2018. 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.

The remaining Employers not large enough to appoint a Trustee on their own will co-operate in nominating a Joint Employers' Trustee. However, the only Employer that currently falls into the smaller Employer category under the Rules is CAPITB.

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 elect 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 head-count. 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 Funds' Employer Trustees must be appointed by an open and transparent process (OTP). Consequently, any appointment or re-appointment of an Employer's Trustee of the Funds will be undertaken under an OTP and moreover, all newly appointed Trustees will have a maximum tenure of 10 years.

CHANGES TO THE TRUSTEES

Employers' Trustees

The period of office of Jonathan Swift (Chairman of Trustees) as Employer Trustee for Lantra ended on 31 March 2017. Following an OTP Lantra nominated Nigel Titchen as its Employer Trustee, who was subsequently appointed as Trustee on 1 April 2017.

Peter Rogerson, the Employer Trustee for CITB, retired by rotation on 31 March 2017 and was re-nominated by CITB for a further three-year term under an OTP.

Tony Pringle, the Employer Trustee for Cogent, was due to retire by rotation on 9 October 2017 but as Cogent has not yet nominated a replacement, Tony remains in office.

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.

Brian Wisdom, the Employer Trustee for People 1st ceased to be a Trustee on 26 March 2018, when People 1st's participation in the Funds was terminated.

Members' Trustees

Rob Sweeney, the Member Trustee for CITB, left the service of CITB and resigned as a Trustee on 8 March 2017. David Wake was nominated by the trades union, Unite, to succeed him as a Members' Trustee and was appointed on 30 June 2017.

Roisin Boyer, the Member Trustee for People 1st left the service of People 1st on 30 April 2017 and Andrew Doyle was appointed by ballot to succeed her on 6 October 2017. Andrew Doyle was removed as Trustee on 26 March 2018, when People 1st's participation in the Funds was terminated.

Phillip Jefferies, the Member Trustee for ECITB, left the service of ECITB and resigned as a Trustee on 21 July 2017. David Lewis was appointed by ballot to succeed him as ECITB Members' Trustee on 6 October 2017.

The term of office of Robert Tabor, Lantra Members' Trustee, came to an end on 31 March 2018 and following a nomination process, he was reappointed for a further three-year term.

Pensioner Trustees

The term of office of Maurice Alston, Closed Fund Pensioner Trustee, came to an end on 3 April 2017 and following a nomination process, he was reappointed for a further three-year term.

The term of office of David Barnett, Open Fund Pensioner Trustee, came to an end on 1 October 2017 and following a ballot, he was re-elected for a further three-year term.

Chairman of Trustees

In the nomination process for Chairman of Trustees to succeed Jonathan Swift, Newell McGuinness, the Employer Trustee for SECTT, stood unopposed and was appointed Chairman as of 1 April 2017.

Employers' Deputy Chairman

Peter Rogerson's period of office came to an end on 31 March 2018 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.

OFFICERS & ADVISERS

OFFICERS

Chief Executive and Director

Vincent Gordon FPMI

Funds' Accountant

Mike Thorpe ACA

Pensions Administration Manager

Chris Bettles DipPMI

ADVISERS

Actuary

Martin Clarke FIA Government Actuary's Department

Auditor

Moore Stephens LLP

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

Capital International Portfolios (terminated 29 November 2017)

Fidelity International

Fletcher King

GMO Funds PLC (terminated 24 November 2017)

Insight Investment Management (Global) Ltd

Investec Asset Management Ltd (terminated 27 November 2017)

Just Retirement Ltd

Legal & General Assurance Society Ltd (DC Section and AVCs)

Pension Insurance Corporation PLC

Prudential Retirement Income Ltd (AVCs)

Royal London Mutual Insurance Society Ltd (AVCs)

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 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.

People 1st's participation in the Funds was terminated with effect from 26 March 2018.

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

CAPITB 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

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

VINCENT GORDON
FPMI



MIKE THORPE
ACA

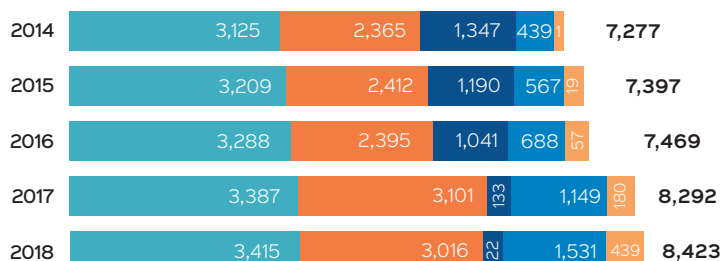


CHRIS BETTLES
DipPMI



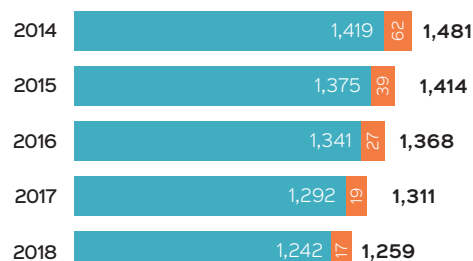
5 YEAR SUMMARY

OPEN FUND – Membership

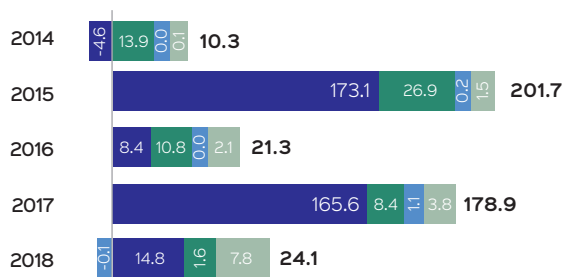


KEY: PENSIONERS & DEPENDANTS DEFERRED (DB) ACTIVE (DB) ACTIVE (DC) DEFERRED (DC)

CLOSED FUND – Membership

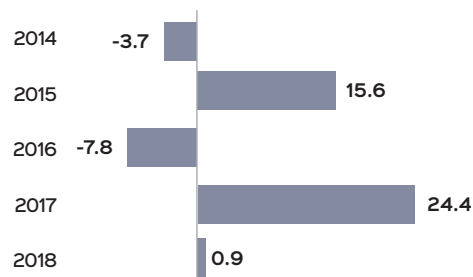


OPEN FUND (DB & DC SECTIONS) – Income (£m)

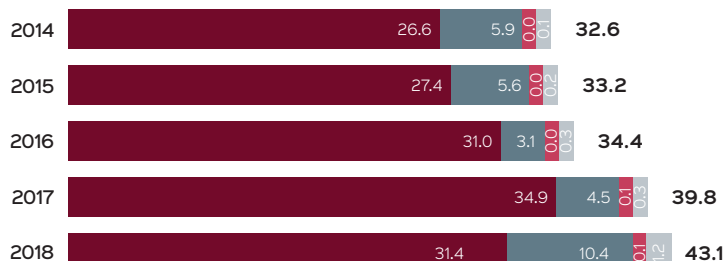


KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC) INVESTMENT CLOSED FUND

CLOSED FUND – Income (£m)

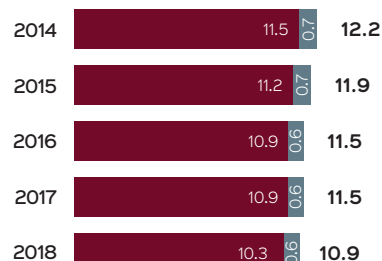


OPEN FUND (DB & DC SECTIONS) – Expenditure (£m)

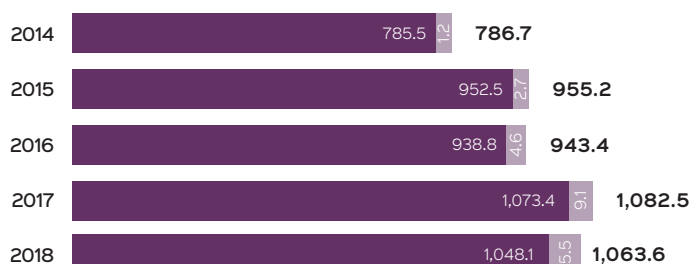


KEY: PENSIONS (DB) OTHER (DB) PENSIONS (DC) OTHER (DC)

CLOSED FUND – Expenditure (£m)

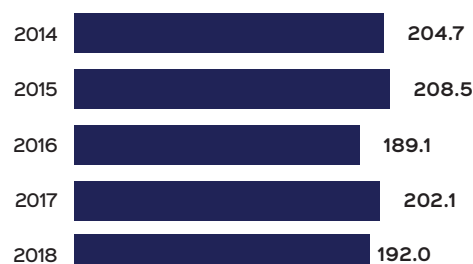


OPEN FUND (DB & DC SECTIONS) – Fund Value (£m)



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

CLOSED FUND – Fund Value (£m)



THE ITB PENSION FUNDS (OPEN FUND DB SECTION)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2017

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

THE LAST ONGOING FUNDING VALUATION

The most recent funding valuation of the Open Fund showed that on 31 March 2016 the funding position was as follows:

Assets	£942.2 million
Liabilities	£932.5 million
Funding Level	101%

The estimated amount as at 31 March 2016 needed to ensure that all members' benefits could have been paid in full if the Scheme had started winding-up (full solvency) was £1,215.8 million. Therefore, the Scheme was 77% funded on a full solvency basis as at 31 March 2016. 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 2017. 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 £9.7m million to £15 million between 31 March 2016 and 31 March 2017. This change in surplus was due to a combination of factors, some of which offset each other. For example, the fall in expected investment return was broadly offset by the increase in actual investment return over the period due to the Scheme's hedging strategy. The main reasons for the increase in surplus were due to the purchase of two buy-in insurance policies in respect of some of the pensioners' liability which are held as an investment of the Fund and pension increases being lower than expected.

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 have historically paid and some continue to 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.

Some of the Scheme's benefits are now covered by insurance policies. This means the Scheme receives payments to cover benefits payable in respect of some of the pensioners.

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 at 31 March 2017, as follows:

Global Equities	12%
Alternative Investments	18%
Property	6%
Bonds/Liability Driven Investments	62%
Cash	2%

THE PENSIONS REGULATOR

The Pensions Regulator reviews funding of defined benefit pension schemes and has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

WHERE CAN I GET MORE INFORMATION?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office in 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 Annual Report and Accounts of the ITB Pension Fund, which shows the Scheme's income and expenditure in the year up to 31 March 2017.
- The full Actuarial Valuation report follows the Actuary's check of the Scheme's situation as at 31 March 2016.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2017.
- 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.

SUMMARY FUNDING STATEMENTS

THE ITB PENSION FUNDS (CLOSED FUND)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2017

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

THE LAST ONGOING FUNDING VALUATION:

The most recent funding valuation of the Closed Fund showed that on 31 March 2015 the funding position was as follows:

Assets	£74.3 million
Liabilities	£38.3 million
Surplus	£36.0 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 2016.

Had the Scheme started to wind-up on 31 March 2015, 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 a second annual interim review of the Closed Fund as at 31 March 2017. 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 £25.4 million to £37.4 million between 31 March 2016 and 31 March 2017. This increase in surplus was principally due to higher than expected investment returns.

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.

THE PENSIONS REGULATOR:

The Pensions Regulator reviews funding of defined benefit pension schemes and has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

WHERE CAN I GET MORE INFORMATION?

If you have any other questions, or would like any more information, please contact the ITB Funds' Office in 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 2017.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2015.
- The reports on the annual interim Actuarial Reviews of the Scheme as at 31 March 2016 and 31 March 2017.
- 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.

	Closed Fund £'000	Open Fund DB £'000	Open Fund DC £'000
Value of the funds as at 31 March 2017	202,059	1,073,392	9,062
Income: contributions	0	1,648	7,253
Transfers from other schemes	0	0	283
Income from Investments	11,202	22,038	0
Total Income	11,202	23,038	7,536
Pensions and other benefits	(10,334)	(31,352)	(350)
Transfer values paid	0	(8,962)	(492)
Administration expenses	(558)	(1,414)	(198)
Pension levy	(7)	(22)	(1)
Total expenditure	(10,899)	(41,750)	(1,041)
Income less expenditure for the year	303	(18,064)	6,495
Net change in market value of investments	(10,329)	(7,729)	(26)
Value of Funds at 31 March 2018	192,033	1,047,599	15,531

STATEMENTS OF INVESTMENT PRINCIPLES (SIPs)

The Pensions Act 1995 sets out requirements for trustees of pension schemes to prepare and maintain a written statement of the principles that govern decisions about scheme investments. While the ultimate power and responsibility for deciding investment policy rests solely with the trustees, they must obtain and consider the written advice of a qualified investment adviser and consult the employer.

The Funds' SIPs can be viewed on the ITB website, www.itb-online.co.uk, or can be obtained by requesting a copy from the Funds' Office.

Investment strategy is reviewed at least every three years, when the results of full triennial actuarial valuations are known, and will be reviewed more frequently if necessary. The strategy is monitored each quarter by the Investment Committee, which reports quarterly to the Trustee Board. The Open Fund DB section estimated funding position is monitored each day to ensure the asset allocation remains in line with the strategy, as documented in the SIP, to reduce risk when the opportunity arises.

A report reviewing institutional investment – the Myners

Report – set out principles for DB pension scheme investment, which were issued in a revised format in 2008. The Trustees consider that the Funds are currently mostly in compliance with the Myners principles, and have taken action, where appropriate, to integrate the principles into working practices and procedures. In March 2017, the Pensions Regulator issued further guidance on defined benefit pension investment. The Trustees are taking advice about whether any changes to investment policy and practice are necessary as a result of the new guidance. The Trustees have also reviewed the Pensions Regulator's revised Code of Practice No.13 – Governance and administration of occupational defined contribution trust based pension schemes, which was issued in July 2016. The code sets out the standards of conduct and practice that is expected of trustee boards in complying with their duties in relation to running a DC scheme. The Trustees' consider that the Funds are currently substantially compliant with the code and have taken steps, where appropriate, to achieve full compliance.

CHAIRMAN'S STATEMENT

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. It covers the year to 31 March 2018 and six key areas relating to the Open Fund – Defined Contribution (DC) Section:

- The investment strategy relating to the DC default investment option
- The financial transactions made within the DC Section
- The charges and transactions 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 OPTION

The DC Section was introduced in April 2012 and the latest comprehensive review of the arrangements was concluded in November 2017. 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.

The review was comprehensive and took account of DC market trends, performance and strategy of the existing default option, analyses of members ages and current and projected account sizes, data about how members had taken benefits in the past, the investment consultant's views on the investment options and funds and an assessment of value for members.

As a result of the review the Trustees concluded that the drawdown lifestyle strategy remained an appropriate default option, and that the cash and annuity lifestyle strategies would remain as options. The Trustees further concluded that the self-select range of funds offered a sufficiently broad range of options to members. However, the Trustees decided to make the following changes to better achieve the aims and objectives of the default arrangement and other arrangements as set out in the Statement of Investment Principles (SIP). The changes were implemented on 9 April 2018.

- The allocation between equities and multi-asset was changed in the growth phase of all lifestyles from 50% equities 50% multi-asset to 70% equities 30% multi-asset to maintain expected returns and reduce charges;
- The global equity fund was changed from the L&G Global Equity Fixed Weights 50:50 Index Fund to the L&G Global Equity Market Weights 30:70 Index Fund 75% GBP Hedged to reduce an overweight allocation to UK equity;
- The Newton Real Return Fund was removed from the fund range on the recommendation of the investment adviser due to concerns over its outlook and changes in the fund management team; and
- A bespoke Passive Multi-Asset Fund was replaced by the L&G Multi Asset Fund to reduce charges.

A review of the AVC arrangements with 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 provider, fund performance, charges and value-for-money, administration and communications. It was concluded that these AVC fund arrangements remained fit for purpose and accordingly

the arrangements were left unchanged. The next review is scheduled for May 2019. The Investment Committee monitors the performance of the AVC funds each quarter.

The Trustees have adopted a SIP which covers both the DB and DC sections of the Funds. The latest DC Section SIP, dated 6 April 2018, is reproduced in the schedule to this statement. It sets out the investment principles for the DC funds, including the new default arrangement introduced in April 2018.

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, Legal & General Assurance Society Ltd. (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 performs 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 for processing all core financial transactions, including investing contributions promptly on time and within legislative timescales. 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 the DC Section's governance processes and internal controls each quarter, the most recent of which

was completed on 29 June 2018, 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 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 default option and the self-select funds, are as shown below. Charges are shown both for the period prior to the changes made as a result of the 2017 review and afterwards. The annual charges for the lifestyle options 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 highest and lowest annual charges within the period from 15 years to retirement.

	Up to March 2018			From April 2018		
LIFESTYLE OPTIONS Period to retirement:	MORE THAN 15 YRS	LESS THAN 15 YRS		MORE THAN 15 YRS	LESS THAN 15 YRS	
	% pa	Highest	Lowest	% pa	Highest	Lowest
		% pa	% pa		% pa	
Drawdown Lifestyle (Default Option)	0.57	0.66	0.66	0.44	0.62	0.45
Annuity Lifestyle	0.57	0.57	0.39	0.44	0.49	0.39
Cash Lifestyle	0.57	0.65	0.40	0.44	0.61	0.40
SELF-SELECT FUNDS	% pa			% pa		
Over 5 years index-linked gilts index fund	0.38			0.38		
Over 15 years gilts index fund	0.38			0.38		
AAA-AA-A Corporate Bond over 15 year index fund	0.42			0.42		
Global equity fixed weights 50:50 index fund	0.40			N/A		
Global equity market weights 30:70 index fund (75% GBP Hedged)	N/A			0.44		
Ethical global equity index fund	0.60			0.60		
Passive Multi Asset Fund	0.53			N/A		
Multi Asset Fund	N/A			0.43		
Standard Life Global Absolute Return Strategies fund	1.26			1.16		
Newton Real Return Fund	1.21			N/A		
HSBC Islamic Global Equity Index Fund	1.15			0.65		
Cash Fund	0.40			0.40		

The Investment Manager, L&G, has provided the following transaction costs for the year ended 31 December 2017 for funds managed by L&G available within the DC Section. 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 process (spreads) which may vary depending on market liquidity and the size of transaction. Negative implicit costs 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 funds available through L&G's platform but managed by another investment manager are not yet available from L&G. The Trustees have requested these costs from L&G.

CHAIRMAN'S STATEMENT

FUND	PERIOD AVAILABLE IF RESTRICTED	YEAR ENDED 31 DECEMBER 2017		
		Implicit %pa	Explicit %pa	Total %pa
Over 5 Years Index-Linked Gilt Fund		-0.03	0.00	-0.03
Over 15 Years Gilts Index Fund		0.01	0.00	0.01
AAA-AA-A Corp Bond Over 15 Years Index		-0.02	0.00	-0.02
Global Equity Fixed Weights 50:50 Index Fund	To March 2018	0.00	0.00	0.00
Global Equity Market Weights 30:70 Index Fund	From April 2018	0.00	0.00	0.00
Ethical Global Equity Index Fund		0.01	0.01	0.02
Multi Asset Fund	From April 2018	-0.03	0.01	-0.01
Cash Fund		-0.02	0.00	-0.02

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 money assessment of the DC arrangements was carried out by the Trustees as part of the comprehensive DC strategy review conducted in November 2017. The Trustees will review value for money each year. 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 review and 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.

The Trustees' assessment concludes that the TERs are competitive and that the new DC arrangements offer members good and improved value for money. This assessment was 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 within the investment funds and all other services are paid for directly by employers. In addition, the other costs and charges 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.

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 Trustee board comprises 16 members, either nominated by the participating employer or the employees and pensioners of participating employers. Each Trustee serves for a fixed three-year term, and can be re-appointed following each term. As at 31 March 2018, the average period of appointment is 5 years 10 months – 6 Trustees have been appointed for two years or less, whilst 6 Trustees, including the Chairman and the Deputy Chairmen, have been appointed for over 7 years. 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 are required to complete.
- A formal training session is provided following each quarterly Trustee meeting, that is attended by all Trustees. Sessions during the scheme year included "Implications for Investors of recent elections" by investment management firm Ruffer, "Master Trust regulation" by the legal adviser Mayer Brown, "DC Investment Strategy Review" by the investment consultant LCP and "Update on Buy-in Insurance" by Pension Insurance Corporation.
- Significant training is 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 employer covenant review process, data protection and the Pensions Regulator's DB investment guidance.
- Each year all the Trustees attend a dedicated training seminar. This year, training was provided by the Funds advisers on the latest 2018 investment strategy review, the management of the Fund's property portfolio, the latest DC legal and regulatory developments including Master Trusts, Trust Law and Trustee responsibilities, the Trust Deed and Rules, GMP equalisation, employer debt legislation, developments in mortality data and actuarial assumptions and the March 2018 DWP White Paper on protecting private pensions and scheme funding and consolidation.

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. The Trustees consider that

each new individual Trustee will take six months to complete the Trustee Toolkit and other training to meet the requirements for knowledge and understanding.

The combined training, knowledge and understanding of the trustee board currently enables the Trustees to properly exercise their functions. The combined knowledge of the board includes many years 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 of the trustees was a Trustee of a major Master Trust; another of the trustees was an HR Director with substantial pensions knowledge and another is Chairman of a separate pension fund. 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 31 years' experience in the pension industry, the Funds Accountant is a Chartered Accountant with 9 years' experience in life insurance and 11 years' experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 41 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 Chairman, must be "non-affiliated". For a Trustee to be "non-affiliated", he or she must be appointed via 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 DC Code of Practice No. 13.

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 via an OTP as explained below, and have monitored compliance with the conditions as to independence and term of office. Members' Trustees are nominated and appointed by members or by trades unions which represent them, and the Trustees are satisfied that these arrangements meet the OTP requirement. Employers' Trustees are appointed by Employers but, to ensure that the OTP requirement is met, the Trustees stipulate that Employers should follow certain ground rules when making appointments. 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. Nigel Titchen, Employer's Trustee, Lantra: was appointed by an OTP; Peter Rogerson, Employer's Trustee, CITB: was appointed by an OTP; Maurice Alston, Closed Fund Pensioner Trustee: was appointed following a nomination process; Andrew Doyle, Members' Trustee, People 1st: the selection was made by ballot of active members employed by People 1st; David Lewis, Members' Trustee, ECITB: the selection was made by ballot of active members employed by ECITB; David Wake, Members' Trustee, CITB: the selection was made by the trades union Unite which represents active members employed by CITB; Robert Tabor, Employer's Trustee, Lantra: Lantra followed the ground rules in making its selection; David Barnett, Open Fund Pensioner Trustee: re-appointed following a ballot of Open Fund pensioner members.

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 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 during the year explaining the changes to the DC and AVC funds made as a result of the DC investment strategy 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 226 264

E-mail: pensions@itbpen.com

Website: www.itb-online.co.uk

Signed by the Chairman on behalf of the Trustees

Signed: 

Dated: 29 June 2018

David Newell McGuinness (Chairman of Trustees)

CHAIRMAN'S STATEMENT – SCHEDULE

DC Section Statement of Investment Principles – 6 April 2018

WHAT IS THE TRUSTEES' OVERALL INVESTMENT OBJECTIVE?

The Trustees recognise that members of the DC 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 DC Section.

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

The Trustees have considered risk for the DC 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 long-term.

Risk of deterioration in investment conditions near retirement

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 offered 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 an investment manager fails to meet its investment objective. The Trustees monitor the investment managers on a regular basis.

OTHER RISKS

The Trustees recognise that there are other, non-investment, risks within the DC Section. Unlike the DB Section, these risks fall generally on the individual DC 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). The Trustees also recognise the regulatory and legal risks attached to running a DC Section.

WHAT ARE THE INVESTMENT STRATEGY ARRANGEMENTS?

The Trustees have provided 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. The range of investment options were reviewed by the Trustees in November 2017. The range of funds available is set out below.

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 track the benchmark
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	FTSE 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	FTSE 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 fifteen years prior to each member's selected retirement age, the lifestyle strategy invests in:

- 70% in L&G's Global Equity Market Weights 30:70 Index Fund - 75% GBP Currency Hedged; and
- 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;
- 25% in Standard Life's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

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.

The lifestyle strategy is designed to offer some protection against environmental, social and governance risks.

WHAT DID THE TRUSTEES CONSIDER IN SETTING THE OPEN FUND'S DC SECTION INVESTMENT 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; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs are set out below:

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

- 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 Legal & General to provide the funds in which the DC 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.

FURTHER INFORMATION

THE PENSIONS REGULATOR

The Pensions Regulator is the UK regulator of work-based pension schemes. It is responsible for making sure employers put their staff into a pension scheme and pay money into it (known as 'automatic enrolment'), protecting people's savings in workplace pensions, improving the way that workplace pension schemes are run, reducing the risk of pension schemes ending up in the Pension Protection Fund and making sure employers balance the needs of their defined benefit pension scheme with growing their business.

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 678 1174

THE MONEY ADVICE SERVICE

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

Website: www.moneyadvice.service.org.uk

Telephone: 0800 138 7777

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.

'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.

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 Tracing Service,
Unit 6-7 Glebe House, Boothem Old Road,
Staffordshire, ST4 4EZ.

Website: www.pensiontracing.service.com

Telephone: 0800 027 1300

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 DB Section Pensioners). 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 2017/8.

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

CONTACT