

2019 CHAIRMAN'S REVIEW



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

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

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

THE OPEN FUND

DEFINED BENEFIT (DB) ACTUARIAL VALUATION

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

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

The outcome of the valuation as at 31 March 2016 was that the Fund had cleared the previous deficit and had a small surplus and while the 2019 results will not be known until later in the year, the Trustees are hoping for a similar positive result and that the DB Section of the Open Fund remains fully funded on an ongoing basis.

DB SECTION INVESTMENT STRATEGY

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

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

THE DEFINED CONTRIBUTION (DC) SECTION

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

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

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

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2019 CHAIRMAN'S REVIEW (CONT.D)

This is proving a challenging exercise and while we anticipate a successful application, if the ITB Funds do not obtain authorisation the DC Section will be required to wind up and members benefits will be transferred to an authorised Master Trust. In such an event the legislation goes to great lengths to ensure members benefits are protected.

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

THE CLOSED FUND

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

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

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

EMPLOYER COVENANT

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

During my report to you last year, I explained the background to People 1st withdrawing from the Open Fund and being liable for its s75 debt, essentially the amount required from the company to meet its share of the Fund's unfunded benefit obligations if the Fund was ever to wind-up. People 1st was unable to pay the debt and the Trustees are still working with the liquidators to recover as much of the outstanding debt of circa £6.4 million as possible. Based on what has so far been recovered for the benefit of creditors, the Fund is likely to receive only a relatively small percentage of what is owed. The unrecovered amount will be allocated amongst the remaining sponsoring employers.

TRUSTEES

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

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

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

GOVERNANCE

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

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

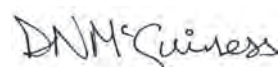
In addition, we value the quality of advice and service we receive from our professional advisers. We review our advisers regularly to ensure that quality and value for money are maintained.

FUNDS' STAFF

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

OUTLOOK

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



David Newell McGuinness
23 September 2019

BOARD OF TRUSTEES 31 03 2019

EMPLOYERS' TRUSTEES

DAVID BIRTWISTLE

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



JOHN DEARDEN

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

CAPITB Ltd



TERRY LAZENBY, MBE

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



NEWELL MCGUINNESS (Chairman)

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



TONY PRINGLE

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



PETER ROGERSON, OBE

(Deputy Chairman-Employers)

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



DARREN THOW

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



NIGEL TITCHEN

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



MEMBERS' TRUSTEES

DAVID LEWIS

Nominated by: Engineering Construction ITB
(Senior Account Manager)



MARTIN MCMANUS

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



ROBERT TABOR

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



DAVID WAKE

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



PENSIONERS' TRUSTEES

MAURICE ALSTON

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



DAVID BARNETT

(Deputy Chairman-Members)

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



TRUSTEES REPORT

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

FUNDS CONSTITUTION

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

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

FUNDS STRUCTURE

The Open Fund consists of four separate sections:

- the original section of the Open Fund, known as the 'Old Section'
- the 'New Section', which was introduced on 1 September 2003
- the '2007 Section', which was introduced on 1 January 2007, and
- the 'DC Section', which was introduced on 1 April 2012.

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

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

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

TRUSTEESHIP

APPOINTMENT AND REMOVAL OF TRUSTEES

The Trust Deed and Rules provides for the Funds to be governed by a Board of 18 Trustees consisting of nine Employers', seven Members' and two Pensioners' Trustees. However, as there are only eight Employers, the Trustee Board has only eight Employers Trustees and there are three Members Trustee vacancies. Details of the Trustees in office at the year-end are shown on pages 8 and 9.

Of the Trustees nominated by Employers, the two Statutory Training Bodies each nominate one Trustee. Of the remaining Employers, the six with the largest average number of active members at each triennial 31 December have a right to nominate an Employer Trustee for the three years commencing on the following 1 April (or such shorter period as the Trustee Board may determine), irrespective of annual changes in active membership numbers in the period following appointment. The next head-count date is 31 December 2021. Where an Employer has one or more wholly owned subsidiaries, those subsidiaries have no right to nominate Trustees, but the members in their employ are added to the Principal Employer's members for qualification purposes. Any successor bodies to a previous Training

Board may join for the purpose of Trustee nomination and, if necessary, tally their combined membership for qualification.

Active members employed by each of the six Employers with the largest number of members are entitled to nominate one Trustee each by ballot. The exception to this is where an Employer recognises a trades union for negotiating terms and conditions of service.

The trades union concerned then nominates the Trustee.

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

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

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

A Trustee may resign at any time and will automatically vacate office if he or she ceases to fulfil the eligibility qualifications. In addition, a Trustee will immediately vacate office upon becoming bankrupt or of unsound mind. The Trustees have the power by resolution to terminate a Trustee's appointment if, in their opinion, the individual concerned has been guilty of misconduct, or is otherwise unfit or unable to carry out his or her duties.

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

CHANGES TO THE TRUSTEES

EMPLOYERS' TRUSTEES

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

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

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

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

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

MEMBERS' TRUSTEES

Jas Sall, the Member Trustee for SEMTA, retired by rotation on 31 March 2019 and did not stand for re-nomination. SEMTA together with the trades union Unite, who nominate the SEMTA Member Trustee, are making arrangements for a replacement to be nominated and in the meantime this position remains vacant.

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

MEMBERS' DEPUTY CHAIRMAN

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

MEETINGS

Trustees normally meet at least four times a year.

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 (*resigned 1 February 2019*)

BDO LLP (*appointed 18 February 2019*)

COVENANT ADVISER

CVR Global LLP

INVESTMENT ADVISER AND PERFORMANCE MONITOR

Lane Clark & Peacock LLP

SOLICITORS

Mayer Brown International LLP

INVESTMENT MANAGERS

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

CUSTODIANS

JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

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.

PARTICIPATING EMPLOYERS

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

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

CAPITB Limited

Cogent SSC Limited

Participating Subsidiaries:

Cogent Skills Services Limited

Cogent Skills Training Limited

Cogent (Telford) Limited

Science Industry Assessment Service Limited

Construction ITB

Engineering Construction ITB

Lantra

OPITO Limited

Science, Engineering and Manufacturing

Technologies Alliance

Participating Subsidiaries:

Excellence, Achievement and Learning Limited

Metskill Limited

National Skills Academy for Manufacturing Limited

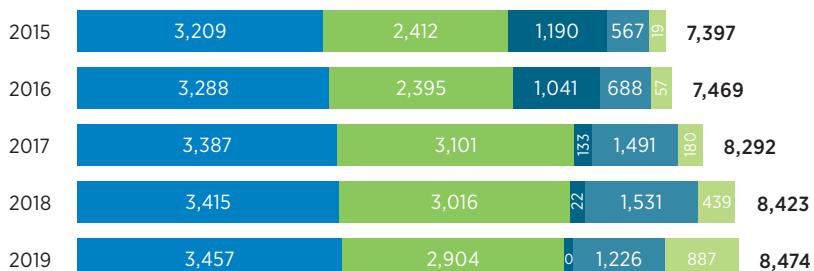
Training Publications Limited

Scottish Electrical Charitable Training Trust

5 YEAR SUMMARY

OPEN FUND

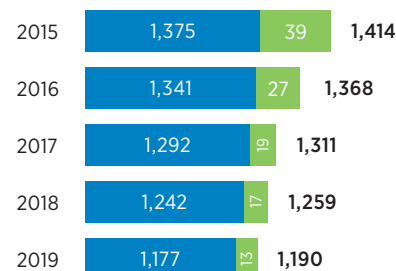
Membership



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

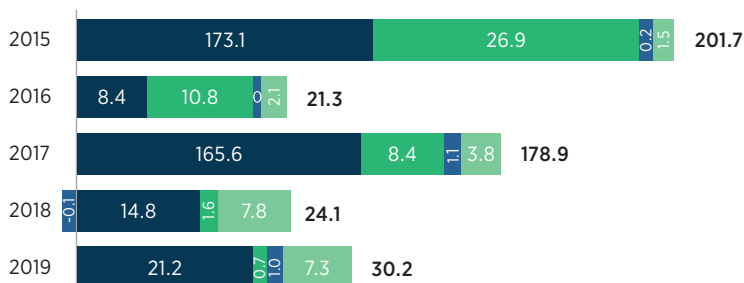
CLOSED FUND

Membership



OPEN FUND

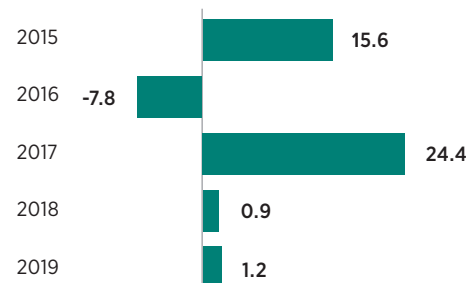
(DB & DC SECTIONS)
Income (£m)



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

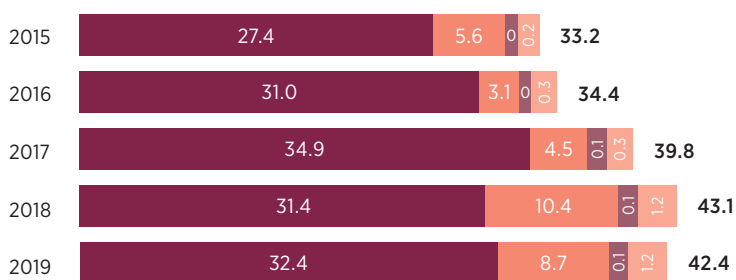
CLOSED FUND

Income (£m)



OPEN FUND

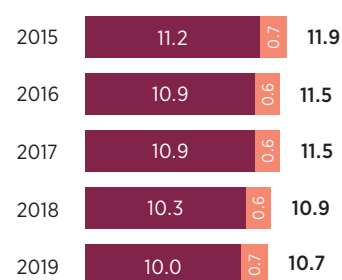
(DB & DC SECTIONS)
Expenditure (£m)



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

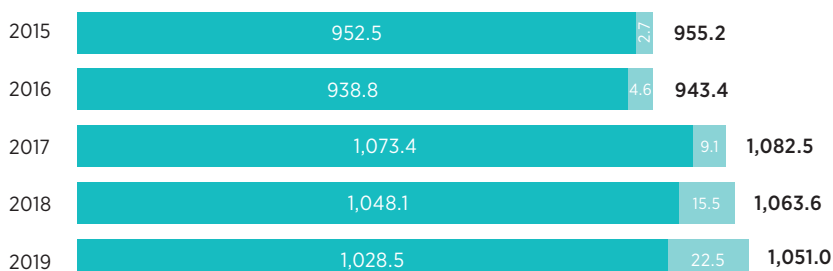
CLOSED FUND

Expenditure (£m)



OPEN FUND

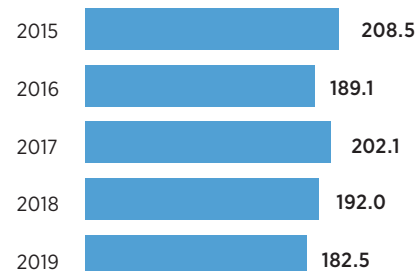
(DB & DC SECTIONS)
Fund Value (£m)



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

CLOSED FUND

Fund Value (£m)



SUMMARY FUNDING STATEMENT

THE ITB PENSION FUNDS (OPEN FUND DB SECTION)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2018

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 interim reviews of the Open Fund as at 31 March 2017 and as at 31 March 2018. The purpose of the reviews was to assess how the Scheme's funding position had changed since the most recent funding valuation as at 31 March 2016.

The interim review as at 31 March 2018 showed that the surplus had increased from £9.7m million as at 31 March 2016 to £22.9 million as at 31 March 2018. This change in surplus was due to a combination of factors, some of which offset each other. For example, a fall in expected investment return due to reduced risk in the investment strategy was broadly offset by an increase in actual investment return over the period due to the Scheme's hedging strategy. The main reason for the increase in surplus was the purchase of buy-in insurance policies in respect of the pensioners' liability prior to 2018, which are held as an investment of the Fund.

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.

Most of the Scheme's benefits are now covered by insurance policies. This means the Scheme receives payments to cover benefits payable in respect of most 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 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 2018, as follows:

GLOBAL EQUITIES – 2%

ALTERNATIVE INVESTMENTS – 4%

BONDS/LIABILITY DRIVEN INVESTMENTS – 38%

BUY-IN INSURANCE POLICIES – 56%

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 2018.
- 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 Reviews of the Scheme as at 31 March 2017 and as at 31 March 2018.
- 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 STATEMENT

THE ITB PENSION FUNDS (CLOSED FUND)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2018

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 2018 the funding position was as follows:

ASSETS	£75.5 MILLION
LIABILITIES	£36.6 MILLION
SURPLUS	£38.9 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 2019.

Had the Scheme started to wind-up on 31 March 2018, 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.

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 2018.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2018.
- 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 2019

	CLOSED FUND £'000'S	OPEN FUND DB £'000'S	OPEN FUND DC £'000'S
VALUE OF THE FUNDS AS AT 31 MARCH 2018	192,033	1,047,599	15,531
Income: contributions	0	707	7,172
Transfers from other schemes	0	0	114
Income from investments	11,004	35,662	1
TOTAL INCOME	11,004	36,369	7,287
Pensions and other benefits	(10,022)	(32,375)	(687)
Transfer values paid	0	(7,635)	(365)
Administration expenses	(670)	(1,086)	(223)
Pension levy	(5)	(25)	(3)
TOTAL EXPENDITURE	(10,697)	(41,121)	(1,278)
Income less expenditure for the year	307	(4,752)	6,009
Net change in market value of investments	(9,814)	(14,386)	973
VALUE OF FUNDS AT 31 MARCH 2019	£182,526	£1,028,461	£22,513

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.

The Pensions Regulator has issued investment guidance on the governance of defined benefit pension schemes investment. The Trustees consider that the Funds are currently in compliance with this guidance and have integrated its principles into working practices and procedures. The Trustees have also reviewed the Pensions Regulator's Code of Practice No.13 – Governance and administration of occupational defined contribution trust based pension schemes. 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 compliant with the code.

INTRODUCTION

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

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

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

1 DC DEFAULT INVESTMENT ARRANGEMENT

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

A review of legacy AVC funds (then managed by Royal London and Prudential) was completed in May 2016. The review was conducted with advice from the Trustees' investment adviser and it assessed the financial strength of the providers, fund performance, charges and value-for-money, administration and communications. The review concluded that these AVC fund arrangements remained fit for purpose and accordingly the arrangements were left unchanged. However, on 26 March 2019 the remaining legacy AVC funds, which were small in number and size, were transferred to the main AVC provider, L&G, in order to obtain operational and cost efficiencies. The Investment Committee monitors the performance of the AVC funds each quarter.

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

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

2 FINANCIAL TRANSACTIONS

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

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

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

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

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

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

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

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

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

3 MEMBER BORNE CHARGES AND TRANSACTION COSTS

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

The level of annual charges (as measured by the total expense ratio (TER), which includes L&G's platform fee of 0.30% pa, but not transaction charges) for the self-select funds are as shown below in Table 2.

The Investment Manager, L&G, has provided the transaction costs for the year ended 5 April 2019 for funds managed by L&G available within the DC Section. Table 3 below sets out transaction costs for the Lifestyle Options and Table 4 sets out transaction costs for the self-select funds. Transaction costs are borne by members. Explicit costs are those directly charged to or paid by the fund, e.g. taxes, levies and broker commissions, whereas implicit costs are costs such as differences between selling and buying prices (spreads) which may vary depending on market liquidity and the size of transaction. Implicit costs are calculated on the 'slippage' basis, as recommended by the Financial Conduct Authority. Under this basis negative implicit costs can arise when the actual price paid ends up being lower than the mid-market price at the time of placing an order. Transaction costs for two funds available through L&G's platform but managed by other investment managers have been requested from the investment manager but have not yet been supplied. The Trustees have pursued the investment manager for these costs regularly and often. It is a constant objective of the Trustees that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire. In order to meet this objective, a value for members assessment of the

DC arrangements is carried out by the Trustees each year and was also carried out as part of the comprehensive DC strategy review conducted in November 2017.

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

The Trustees' latest annual assessment, conducted in November 2018, concluded that given the size of the DC Section, members are receiving reasonable value. The Trustees considered the extent to which the cost of membership compares against the services and benefits provided by the DC Section, which include scheme governance and management, investment, administration and communications services. The assessment recognised that the only charges borne by members are the charges deducted from the funds (i.e. the TERs shown above, plus transaction costs), while the charges for all other services are borne by the participating employers.

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

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

TABLE 1: ANNUAL CHARGES FOR LIFESTYLE OPTIONS

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

TABLE 2: ANNUAL CHARGES FOR SELF-SELECT FUNDS

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

TABLE 3: TRANSACTION COSTS FOR LIFESTYLE OPTIONS

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

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

TABLE 4: TRANSACTION COSTS FOR SELF-SELECT FUNDS

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

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

TABLE 5: PROJECTED PENSION POT IN TODAY'S MONEY

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

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £8,700 – the median pot size as at 31 March 2019.
3. Inflation is assumed to be 2.5% each year.
4. It is assumed the current average level of contributions of £5,000 pa is made each year.
5. There are no charges levied on contributions.
6. Values shown are estimates and are not guaranteed.

7. The projected growth rates for each fund or arrangement are as follows:

- Default Fund Growth Phase: 2.7% above inflation
- Default arrangement at Age 50 and retiring at 65: between 2.7% and 1.0% above inflation
- Multi Asset: 2.1% above inflation
- Global Equity: 2.9% above inflation
- Cash: 1.3% below inflation
- Standard Life GARS Fund: 1.0% above inflation
- Over 15 years Gilts: 1.3% below inflation

4 TRUSTEE KNOWLEDGE AND UNDERSTANDING

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

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

The training programme comprises the following elements:

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

the scheme year included “Update on Buy-in Insurance” by Pension Insurance Corporation, “Liability Hedging” by the investment management firm Insight Investment, “Conflicts Policy” by the legal adviser Mayer Brown and “ESG demystified: how this is beneficial to trustees and members” by the investment management firm L&G. Significant training is also provided in the form of formal briefings and training provided at Trustee and Investment Committee meetings. This year all Trustees have received briefings on the risk and control process, the DC members buy-out exercise, actuarial valuations, master trust legislation and equalisation of GMPs.

- Each year all the Trustees attend a dedicated training seminar. This year training was provided by the Funds advisers and investment managers on master trust legislation, the latest investment strategy changes, the management of the Fund’s property portfolio, the latest DC legal and regulatory developments including a refresher session on trust and pension law and the powers of the Pensions Regulator, pension transfers, defined benefit consolidation, collective defined contribution schemes, developments in mortality, the 2019 Open Fund valuation and recent developments in the buy-out and buy-in market.

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

The combined training, knowledge and understanding of the trustee board, together with the available advice, enables the Trustees to properly exercise their functions. The combined knowledge of the board includes many years of trustee experience and training as described above. Several of the Trustees are current or former senior executives with substantial experience of financial, managerial and governance matters; for example, one Trustee was an HR Director with substantial pensions knowledge; another is Chair of a separate pension fund and another was Chief Engineer and Technology Director at a major oil company. Trustees are nominated by participating employers, or employees and pensioners of participating employers, and that ensures detailed knowledge of the participating employers is available to the board, which is useful for interpreting and understanding advice on employer covenant strength, subject to managing conflicts of interest. The Trustees’ combined knowledge and understanding is also enhanced by the support of the Funds Office. The Funds Chief Executive is a qualified PMI professional of more than 32 years’ experience in the pension industry, the Funds Accountant is a Chartered Accountant with 9 years’ experience in life insurance and 12 years’ experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 42 years’ experience in the pension industry. Trustees also have ready access to actuarial advice from the Government Actuary’s Department, investment advice from LCP and legal advice from Mayer Brown International. The actuarial and legal adviser attend each Trustee board meeting and the investment adviser attends each Investment Committee meeting. This combined support is part of the combined knowledge that enables the Trustees to properly exercise their functions.

5 APPOINTMENT OF TRUSTEES

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

All Trustees including the Chairman, are non-affiliated either because they have been appointed through an OTP or, where they were appointed prior to the 2015 Regulations coming into force, deemed non-affiliated in accordance with the Pension Regulator’s DC Code of Practice No. 13. None of the Trustees is (or has in the last five years been) a director, manager, partner or employee of any undertaking which provides advisory, administration, investment or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider.

Furthermore, none of the Trustees receive any payment or benefit from any undertaking which provides advisory, administration, investment or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider. Neither do any of the Trustees have any obligations to any such service provider that conflict with their obligations as a Trustee. None of the Trustees have, since 6 July 2015 (when the 2015 Regulations came into force), served for more than 10 years, with no single period in office being more than 5 years.

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

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

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

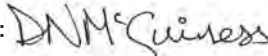
As regards non-affiliated Trustees appointed or re-appointed during the scheme year, the OTP requirement was met as follows. Terry Lazenby, Employer’s Trustee for ECITB: ECITB followed the ground rules in making its selection; Darren Thow, Employer’s Trustee for OPITO: OPITO followed the ground rules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

6 MEMBERSHIP ENGAGEMENT

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

The contact details of the Funds are as follows:
The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ
Telephone: 01923 226264
E-mail: pensions@itbpen.com
Website: www.itb-online.co.uk

Signed by the Chairman on behalf of the Trustees

Signed: 

Dated: 23 September 2019
David Newell McGuinness (Chairman of Trustees)

CHAIRMAN'S STATEMENT – SCHEDULE

DC SECTION STATEMENT OF INVESTMENT PRINCIPLES – 4 APRIL 2019

WHAT IS THE TRUSTEES' OVERALL INVESTMENT OBJECTIVE?

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

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

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

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

RISK OF INADEQUATE LONG-TERM RETURNS

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

RISK OF DETERIORATION IN INVESTMENT CONDITIONS NEAR RETIREMENT

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

CURRENT FUND RANGE

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

RISK OF LACK OF DIVERSIFICATION AND UNSUITABLE INVESTMENTS

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

RISK FROM EXCESSIVE CHARGES

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

INVESTMENT MANAGER RISK

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

OTHER RISKS

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

WHAT ARE THE INVESTMENT STRATEGY ARRANGEMENTS?

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

DEFAULT OPTION

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

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

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

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

- 50% in the Multi Asset Fund; and
- 25% in Standard Life's Global Absolute Return Strategies Fund; and

- 25% in the L&G Cash fund.

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

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

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

CURRENT FUND RANGE

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

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

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

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken. The main risks considered were inflation risk (the risk that a member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement – applicable to the annuity lifestyle) and capital risk (the risk of a fall in the amount of cash available to take at retirement);
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;

- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

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

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

APPOINTMENT OF INVESTMENT PROVIDER

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

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

SUPPLEMENTARY INFORMATION

INTERNAL DISPUTE RESOLUTION

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint. It is hoped that members and beneficiaries will always be pleased with the service provided by the ITB Pension Funds and that no-one has reason to complain. However, in the unlikely event that a complaint arises and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal internal dispute resolution procedure is available upon request from:

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

THE PENSIONS OMBUDSMAN

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

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

Email: helpline@pensions-ombudsman.org.uk

The Pensions Ombudsman, 10 South Colonnade, Canary Wharf E14 4PU

www.pensions-ombudsman.org.uk

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

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

Email: enquiries@pensions-ombudsman.org.uk

Address and website as above.

THE PENSIONS REGULATOR

The Pensions Regulator is the UK regulator of work-based pension schemes. Under the Pensions Act 2004, the Pensions Regulator's objectives are to protect the benefits of members, promote good administration; and to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund and to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008. The Pensions Regulator can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

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

Website: www.thepensionsregulator.gov.uk

THE PENSION PROTECTION FUND

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

Address: Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA

Website: www.ppf.co.uk

Email: information@ppf.co.uk

Telephone: 0345 600 2541

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

'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 Service, 9 Mail Handling Site A, Wolverhampton, WV98 1LU

Website: www.gov.uk/find-pension-contact-details

Telephone: 0800 731 0193

ITB PENSION FUNDS TAX OFFICE

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

Address: HM Revenue & Customs, Pay As You Earn Self-Assessment,

PO Box 1970, Liverpool, L75 1WX

Telephone: 0300 2003300

Open Fund Reference: 073/11012A

Closed Fund Reference: 073/11012

AGE UK

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

Website: www.ageuk.org.uk

Telephone: 0800 678 1602

THE MONEY ADVICE SERVICE

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

Website: www.moneyadviceservice.org.uk

Telephone: 0800 138 7777

CONTACT

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

Telephone: 01923 226 264

E-mail: pensions@itbpen.com

Website: www.itb-online.co.uk

The content incorporated within Pensionnews is based on the content contained in the ITB Trustees' Report & Financial Statements 2018/19.