



PENSIONNEWS

THE NEWSLETTER FOR MEMBERS
OF THE ITB PENSION FUNDS

OCTOBER 2020 - ISSUE 34

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YOUR SCHEME WORKING FOR YOUR FUTURE

CHAIRMAN'S REVIEW



The scheme year ending 31 March 2020 has been memorable for a number of reasons.

Encouragingly, both the Closed Fund and DB Section of the Open Fund remain in positive funding positions and the DC Section continues to perform in line with expectations.

The positive funding positions have been maintained in the context of numerous important external events and issues, such as ongoing uncertainty following Brexit, continuing volatility in investment markets and, of course, the impact of the coronavirus pandemic.

However, despite this background and the awful human and economic toll of the pandemic, I am able to report that once again the ITB Pension Funds made good progress on a number of fronts, some of which are highlighted below or contained in the main body of the report.

THE OPEN FUND

DEFINED BENEFIT (DB) ACTUARIAL VALUATION

2019 saw the successful completion of the Open Fund triennial valuation. A triennial valuation is the process by which the financial health of a pension scheme is assessed and future contribution requirements determined.

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 expected 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 2019 formal valuation was that the Fund was able to declare a surplus, using a prudent basis. This positive result, confirming that the DB Section of the Open Fund remains fully funded on an ongoing basis, has been welcomed by members, Trustees and Employers alike.

DB SECTION INVESTMENT STRATEGY

The Trustees, along with their investment advisers, are constantly seeking opportunities to increase the security of investments and reduce risk. During my report to you last year, I told you about our decision to create an allocation to a "buy and maintain" bond portfolio, to more closely match the Fund's liabilities and reduce risk. This has proved to be effective and has maintained focus on our de-risking strategy, Trustees are monitoring the scope for further investments in buy-in policies.

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 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.

As I explained to you last year, this manifested itself in new legislation requiring multi-employer DC pension providers to register as regulated Master Trusts. This provided a significant challenge to the ITB, but I am delighted to be able to report that with a lot of hard work by Funds staff and with the support of Trustees and our professional advisers, the ITB DC Section achieved Master Trust authorisation from The Pensions Regulator on 18 September 2019. This is a significant outcome for our Employers and their employees.

THE CLOSED FUND

Following the successful completion of the 31 March 2018 Closed Fund Actuarial Valuation in the prior year, 2019 saw a planned interim valuation. This revealed a comfortable surplus and that the Closed Fund remained in a healthy position. This instigated an investment strategy review and a plan to fine tune some measures within the fund to secure its low risk profile, reduce costs and maximise returns, all to help provide further benefit enhancements.

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, including the risks presented by the coronavirus pandemic. An important activity for the Trustees is to monitor their ability to meet their funding obligations to the Fund.

During the past year, a number of employer related matters were overseen by the Trustees. First among these were the ongoing efforts to recover as much as possible of the £75 debt owed by People 1st and it now seems this complex issue will soon be concluded. Other issues related to reducing risk for members included agreeing additional security over an Employer's property and continuing constructive discussions with the Department for Education regarding government policy towards the statutory ITB's. It is also pleasing to report that following OPITO Ltd terminating its participation in the ITB Pension Funds with effect from 5 March 2020, the scheme received full payment of the due £75 debt.

TRUSTEES

The business experience and skills of my colleagues on the Trustee Board makes a very positive contribution to decision making on the many varied and complex issues we have to deal 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.

Four of my Trustee colleagues have left during the scheme year. These are Tony Pringle, Employer's Trustee for Cogent, Andrew McLachrie, SEMTA Members' Trustee, Nigel Titchen, Employer's Trustee for Lantra and Darren Thow, Employer's Trustee for OPITO Ltd. 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.

It's my pleasure to also welcome to the Trustee Board two new Trustees. These are Ben Alexander-Dann, the new SEMTA, trading as Engnuity, Members' Trustee and Richard Capewell, Lantra's Employer's Trustee.

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 of, 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 and during the past year we changed our auditor to further enhance fiduciary governance of the Funds.

It is also important to us that Employers feel engaged with governance and we held a successful training day for them all in November 2019.

Towards the end of the financial year and in the period immediately thereafter, the coronavirus struck and had an impact on many areas of Funds' governance. The Trustees ensured that high standards of governance were maintained over the Funds' operations and investments, and they also commissioned a report on how the virus had affected the participating employers to help inform any action necessary.

FUNDS' STAFF

Like most organisations, we are only as good as the people that represent us. The Funds' Office Chief Executive, 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.

Special thanks are due to Vincent, with his decision to retire at the end of May 2020. There is no doubt that without his efforts, commitment and leadership over almost twenty years, the Funds would not be in the positive position they are today. I would take the opportunity to record our appreciation and very best wishes to him for a long, healthy and happy retirement.

It is also my pleasure to welcome Mike Thorpe as the new ITB Chief Executive and his replacement as Funds' Accountant, Gareth Pryce. Both have considerable experience of the pensions industry and I am confident they will skilfully build on the legacy left by Vincent.

Finally, I would like to thank my fellow Trustees for putting their faith in me and re-electing me as Chairman for a further three-year period. I will do my utmost to repay that faith.

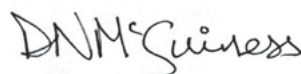
OUTLOOK

As I write this review of the scheme year, we remain in the grip of the coronavirus pandemic and the uncertainty that it generates. This uncertainty is exacerbated by proposals to reform RPI, which has meant significant effort in lobbying government to ensure least detriment to the Open Fund DB Section.

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 maintaining in 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 the DC Section continues to be an important part of the service offered to Employers and achieve satisfactory investment returns on the various funds available. Pleasingly, the DC Section is now an authorised Master Trust.

With this as our platform, the Trustees will continue to strive to ensure a positive outcome for all members of the ITB Pension Funds and it is my earnest hope that by the time you read this review all of us will be seeing at least a degree of normality returning to our lives.



David Newell McGuinness

BOARD OF TRUSTEES

EMPLOYERS' TRUSTEES

David Birtwistle



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



Richard Capewell

(from 15 April 2020)

Nominated by: Lantra

(Retired Trustee of Lantra)



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

(to 28 June 2019)

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

(to 5 March 2020)

Nominated by: OPITO Limited

(Director of Finance and Corporate Services)



Nigel Titchen

(to 31 March 2020)

Nominated by: Lantra

(Former Lantra Trustee and Board Member)



MEMBERS' TRUSTEES

Ben Alexander-Dann



(from 15 April 2020)

Nominated by: Science, Engineering and Manufacturing Technologies Alliance, trading as Enginuity
(Data Scientist and Insight Analyst)



David Lewis



Nominated by: Engineering Construction ITB

(Senior Account Manager - Nuclear)



Andrew McLachrie



(from 4 October 2019 to 31 December 2019)

Nominated by: Science, Engineering and Manufacturing Technologies Alliance, trading as Enginuity

(Group Finance Director)



Martin McManus



Nominated by: Cogent SSC Limited

(Policy & Standards Manager)



Robert Tabor

Nominated by: Lantra

(Chief Operating Officer/Deputy Chief Executive)



David Wake

Nominated by the trades union Unite for: Construction ITB

(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 2020. 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 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 (and subsidiaries) from 1 April 2017
- SEMTA (and subsidiary) 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 at 31 March 2020 there were only five Employers' Trustees, as there are only now seven main Employers and two vacancies existed. Following the year-end one of these vacancies was filled. As at 31 March 2020 there were six Members' Trustees with one vacancy. This vacancy was also filled after the year-end. Details of the Trustees in office at the year-end are shown on page 4.

The Trust Deed and Rules stipulate that, 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

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.

Tony Pringle, the Employer Trustee for Cogent SSC Ltd. resigned as a trustee on 28 June 2019. Cogent SSC Ltd. is making arrangements for a replacement to be nominated and in the meantime this position remains vacant.

Darren Thow, the Employer Trustee for OPITO Ltd. tendered his resignation as Trustee on 5 March 2020, the date OPITO Ltd. terminated its participation in the ITB Pension Funds.

Peter Rogerson, the Employer Trustee for CITB, retired by rotation on 31 March 2020 and was re-nominated by CITB for a further three-year term under an OTP.

Nigel Titchen, the Employer Trustee for Lantra retired by rotation on 31 March 2020 and was not re-nominated by Lantra. Lantra subsequently nominated Richard Capewell as its Employer's Trustee and he was appointed under an OTP on 15 April 2020.

TRUSTEES' REPORT

Members' Trustees

Martin McManus, the Members' Trustee for Cogent SSC Ltd. retired by rotation on 30 June 2019 and following a nomination process, he was reappointed for a further three-year term.

Andrew McLachrie was nominated as the Members' Trustee for SEMTA following an election, and the Trustees approved his appointment on 4 October 2019.

Andrew McLachrie, the Members' Trustee for SEMTA, left the service of SEMTA and resigned as a Trustee on 31 December 2019. The members of SEMTA subsequently nominated Ben Alexander-Dann as its Members' Trustee and he was appointed under an OTP on 15 April 2020.

Pensioner Trustees

The term of office of Maurice Alston, Closed Fund Pensioner Trustee, came to an end on 3 April 2020 and

following a nomination process, he was reappointed for a further three-year term.

Chairman

Newell McGuinness's period of office came to an end on 31 March 2020 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

Vincent Gordon *FPMI*
Chief Executive and Director (to 31 May 2020)

Gareth Pryce *ACA*
Funds' Accountant (from 11 May 2020)

Mike Thorpe *ACA*
Funds' Accountant (to 31 May 2020)
Chief Executive (from 1 June 2020)

Chris Bettles *DipPMI*
Pensions Administration Manager

ADVISERS

ACTUARY

Martin Clarke FIA Government Actuary's Department

INDEPENDENT AUDITORS

BDO LLP (resigned 3 January 2020)

PricewaterhouseCoopers LLP (appointed 13 January 2020)

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 Investment Management (DC Section and AVCs)

Pension Insurance Corporation PLC

Ruffer LLP (terminated 25 February 2020)

Schroder Investment Management (Luxembourg) S.A.

CUSTODIANS

JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

PROPERTY VALUER

BNP Paribas Real Estate UK

DC SECTION ADMINISTRATOR

Legal & General Assurance Society Ltd

PARTICIPATING EMPLOYERS

The Participating Employers comprise two Statutory Training Boards, CITB and ECITB, and five 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.

During the year four Participating Employers terminated their participation in the Funds. Science, Engineering and Manufacturing Technologies Alliance (SEMTA), trading as Enginuity, took on the pension liabilities of three of its subsidiaries – Metskill Ltd., National Skills Academy for Manufacturing Ltd. and Training Publications Ltd. and those companies ceased participation in the Funds on 1 February 2020. OPITO Ltd. opted to cease participation in the Funds on 5 March 2020 and settled a s75 debt of £2.2m plus cessation expenses in May 2020.

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

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE, trading as ENGINUITY

Participating Subsidiary:

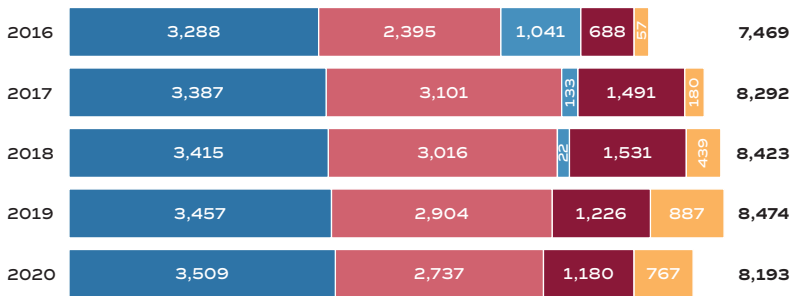
Excellence, Achievement and Learning Limited

SCOTTISH ELECTRICAL CHARITABLE TRAINING TRUST

5 YEAR SUMMARY

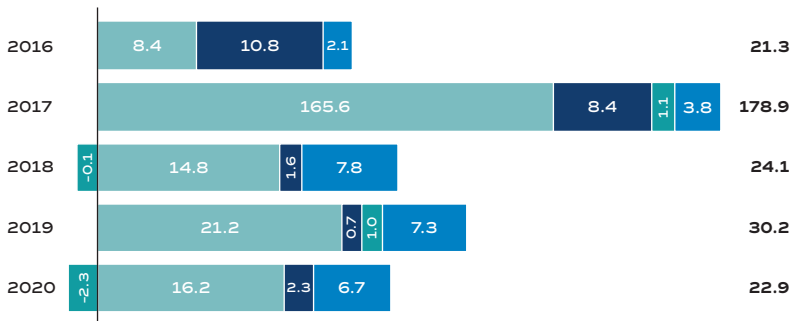
OPEN FUND

Membership



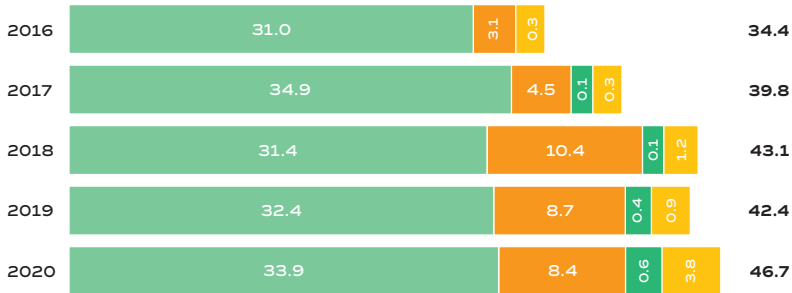
KEY: PENSIONERS & DEPENDANTS DEFERRED (DB) ACTIVE (DB) ACTIVE (DC) DEFERRED (DC)

DB & DC Sections Income (£m)



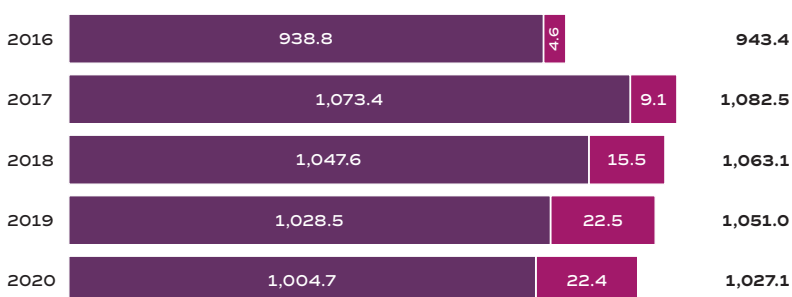
KEY: INVESTMENT (DB) CONTRIBUTIONS (DB) INVESTMENT (DC) CONTRIBUTIONS (DC)

DB & DC Sections Expenditure (£m)



KEY: BENEFITS (DB) OTHER (DB) BENEFITS (DC) OTHER (DC)

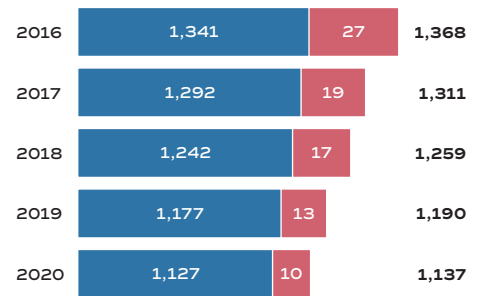
DB & DC Sections Fund Value (£m)



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

CLOSED FUND

Membership



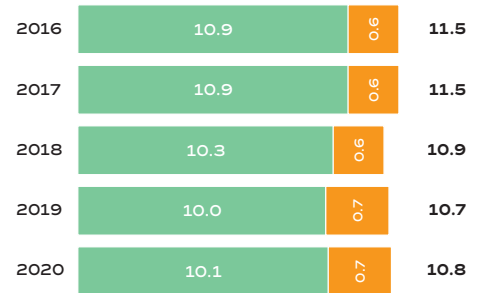
KEY: PENSIONERS & DEPENDANTS DEFERRED (DB)

Income (£m)



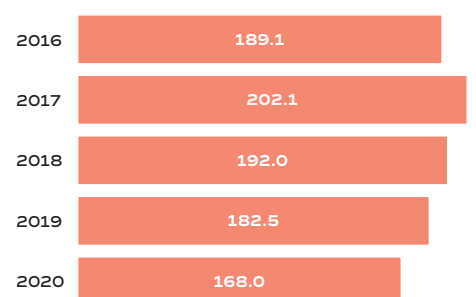
KEY: INVESTMENT CLOSED FUND

Expenditure (£m)



KEY: BENEFITS (DB) OTHER (DB)

Fund Value (£m)



KEY: CLOSED FUND

SUMMARY FUNDING STATEMENTS

THE ITB PENSION FUNDS (OPEN FUND DB SECTION)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2019

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 LATEST ONGOING FUNDING VALUATION

The most recent funding valuation of the Open Fund was carried out as at 31 March 2019. This showed that, excluding buy-in policies, the funding position was as follows:

ASSETS	£507.2 MILLION
LIABILITIES	£485.9 MILLION
FUNDING LEVEL	104%

The estimated amount as at 31 March 2019 needed to ensure that all members' benefits, excluding those insured under the buy-in policies, could have been paid in full if the Scheme had started winding-up (full solvency) was £584.6 million. Therefore, the Scheme was 87% funded on a full solvency basis as at 31 March 2019. 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 surplus at the interim funding review as at 31 March 2018 was reported to be £22.9 million. This surplus decreased by £1.6 million to £21.3 million at the full funding valuation as at 31 March 2019.

The change in surplus over the year was due to a combination of factors, some of which offset each other. For example, a fall in expected investment returns was broadly offset by an increase in actual investment returns due to the Fund's hedging investment strategy. The Trustees also decided to increase the margin for prudence in the assumed investment returns used for the 2019 valuation, which contributed to the fall in surplus.

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 and employees have historically paid contributions to the Scheme so that it can pay pensions to its members when they retire. There are no longer any contributing members in the Open Fund. Some Employers continued to pay contributions to the Pension Scheme up until the end of 2019. Since then the valuation surplus has been sufficient for there to be no need for the Employers to pay regular contributions into the Scheme.

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, which at 31 March 2019 were as follows:

GLOBAL EQUITIES - 2%
INVESTMENT GRADE CREDIT - 9%
BONDS/LIABILITY DRIVEN INVESTMENTS - 33%
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. These documents are available on request or, in some cases, can be found 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 Financial Statements of the ITB Pension Funds, which shows the Scheme's income and expenditure in the year up to 31 March 2019.
- The full Actuarial Valuation report as at 31 March 2019.
- The ITB Open Fund '2007 Section', 'New Section' and 'Old Section' Member Booklets (members should have been provided with a copy of the booklet relevant to their Scheme Section when they joined the Scheme, but a further copy can be requested).
- An Annual Benefit Statement: If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

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

THE ITB PENSION FUNDS (CLOSED FUND)

SUMMARY FUNDING STATEMENT FOR PERIOD ENDING 31 MARCH 2019

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 LATEST 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 Employer contributions were paid into the Scheme. 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.

CHANGE IN FUNDING POSITION

The Scheme Actuary carried out an interim review of the Closed Fund at 31 March 2019. 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 decreased from £38.9 million to £32.2 million between 31 March 2018 and 31 March 2019. The decrease in surplus was principally due to the discretionary increase made to all members' benefits in early 2019.

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, diversified growth funds 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. These documents are available on request or, in some cases, can be found 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 Financial Statements of the ITB Pension Funds, which shows the Scheme's income and expenditure in the year up to 31 March 2019.
- The full report on the Actuarial Valuation following the Actuary's check of the Scheme's situation as at 31 March 2018.
- The report on the interim Actuarial Review of the Scheme as at 31 March 2019.
- 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 2020

	CLOSED FUND £'000	OPEN FUND DB £'000	OPEN FUND DC £'000
VALUE OF THE FUNDS AT 31 MARCH 2019	182,526	1,028,461	22,513
Income: contributions	0	2,286	6,629
Transfers from other schemes	0	0	77
Income from investments	10,856	39,780	4
TOTAL INCOME	10,856	42,066	6,710
Pensions and other benefits	(10,094)	(33,873)	(902)
Transfer values paid	0	(6,979)	(3,377)
Administration expenses	(655)	(1,376)	(158)
Pension levy	(5)	(26)	(3)
TOTAL EXPENDITURE	(10,754)	(42,254)	(4,440)
Income less expenditure for the year	102	(188)	2,270
Net change in market value of investments	(14,671)	(23,579)	(2,314)
VALUE OF FUNDS AT 31 MARCH 2020	167,957	1,004,694	22,469

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 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.

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 scheme year to 31 March 2020 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 is currently invested in various funds offered by Legal & General Assurance Society Ltd. (L&G). 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 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.

The last full review of the DC Section investment strategy and performance, including the default arrangement, was conducted in November 2017. The next full review is scheduled for November 2020. Whilst a full review was not carried out during the scheme year, the Investment Committee monitored the performance of the DC Section and AVC funds each quarter. The funds' short-term and longer-term performance figures were considered alongside the Trustees' relevant targets and other objectives. Except as mentioned below, the figures were considered satisfactory and no changes to investments were made.

In November 2019 the Trustees, after considering advice from the Funds' investment adviser, decided to disinvest from the Aberdeen Standard Global Absolute Return Strategies Fund (GARS Fund), which forms part of the lifestyle funds, including the default fund, and which is also available as a self-select fund, and re-allocate these assets to the L&G Multi-Asset Fund. This decision was reached mainly because the GARS Fund had not met its investment objective over the long-term. The disinvestment was implemented after the financial year end, in April 2020.

The Trustees have adopted a Statement of Investment Principles (SIP) which covers both the DB and DC sections of the Open Fund. The DC Section SIP as at 31 March 2020, 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.

2. FINANCIAL TRANSACTIONS

This section explains how, during the scheme year the Trustees monitored that core financial transactions of the DC Section were processed promptly and accurately. Core financial transactions include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members. These transactions are undertaken on the Trustees behalf by the Funds' DC platform provider, L&G, under a policy to administer the Funds' DC Section.

The Trustees worked 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) were in regular communication with the employers about the detail of their obligations in respect of the DC Section. The Funds Office was notified by the participating employers of the various percentages of employer and employee contributions due and performed reconciliations to ensure the correct payments were deducted. All contributions deducted from members' pay by the participating employers were 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 was well within the legislative requirement. L&G invested the contributions in funds within 24 hours following receipt of contributions, well within the period expected by the Pensions Regulator.

The Trustees obtained and reviewed administration reports each quarter. The reports showed L&G's performance against service level agreements (SLAs) for processing all core financial transactions. The SLAs are comprehensive and cover the processing of joiner and contribution files, allocating contributions to investments, investment switches, issuing maturity and leaver packs, issuing quotes for events like retirement, ill health and transfers, and customer enquiries.

The Trustees also reviewed 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 reconciled L&G's quarterly reports to monthly contribution summaries supplied by the participating employers to monitor whether contributions had been processed accurately. Any identified errors were rectified quickly and, where necessary, processes at L&G and the employers were reviewed to prevent further similar errors. Contributions to the AVC arrangements were monitored in the same way. →

CHAIRMAN'S STATEMENT

The staff at the ITB Pension Funds liaised with the administrator each month about the service levels to identify any systemic administration issues that might affect members interests. Transfers out, fund switches and payments out, both to and in respect of members, were processed by L&G, on behalf of the Trustees. The promptness of processing these transactions was monitored by the Trustees through the service level performance reporting each quarter. The accuracy of processing these transactions was monitored by the Funds Office, which reconciled 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 were adhered to for most transactions. All contribution allocations, retirement payments, short service refunds, surrender payments, individual transfers in and investment switches were processed within service level. Further, that while 46% of transfers out were processed within the service level of 5 working days, 26 transfers out were paid outside the service level by an average of 4 days and also, that while 66% of lump sum retirement payments were paid within the service level, 13 retirement lump sum payments were paid outside the service level by 3 days on average.

L&G has processes in place to help meet the SLAs, for example the dedicated L&G contributions team performed a daily contribution data reconciliation for all contribution

payments received. L&G also performed daily automatic reconciliations of investment fund units purchased and sold within its fund reconciliation process controls. These reconciliations ensured that all units purchased and sold are recorded against a member's record.

The Trustees reviewed the DC Section's governance processes and internal controls each quarter and were satisfied that the processes and controls were consistent 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 substantially been processed promptly and accurately during the scheme year and that where transactions were processed outside service levels, the timing remained acceptable.

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, were as shown below in *Table 1*. The annual charges varied according to the mix of assets, which begins to change from when members are 15 years from retirement. Shown in the table below is the annual charge before 15 years to retirement and the annual charges at five-yearly intervals within the period from 15 years to retirement.

Table 1: Annual charges for lifestyle options

PERIOD TO RETIREMENT:	MORE THAN 15 YRS %PA	15 YRS %PA	10 YRS %PA	5 YRS %PA	0 YRS %PA
Drawdown Lifestyle (<i>Default Option</i>)	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

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 were as shown below in *Table 2*.

Table 2: Annual charges for self-select funds

FUND	%PA
Over 5 Years Index-Linked Gilt Fund	0.38
Over 15 Years Gilts Index Fund	0.38
AAA-AA-A Corp Bond Over 15 Years Index	0.42
Global Equity Market Weights 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
Aberdeen Standard Global Absolute Return Strategies Fund	1.07
Cash Fund	0.40

The Investment Manager, L&G, has provided the transaction costs for the years ended 5 April 2020 for the funds managed by L&G available within the DC Section. An annual average transaction cost has been calculated using the available data. *Table 3* below sets out annual average transaction costs for the lifestyle options (including the default arrangement) and *Table 4* sets out annual average transaction costs for the self-select funds. Transaction costs were 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.

Table 3: Transaction costs for lifestyle options

PERIOD TO RETIREMENT:	ANNUAL AVERAGE TO 5 APRIL 2020*				
	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	0.02	0.02	0.01
Annuity Lifestyle	0.02	0.02	0.02	0.02	-0.02
Cash Lifestyle	0.02	0.02	0.02	0.02	0.00

* As this period is close to the years ended 31 March 2020 the Trustees consider this data to be appropriate. The total may not add up due to rounding.

Table 4: Transaction costs for self-select funds

FUND	ANNUAL AVERAGE TO 5 APRIL 2020*		
	IMPLICIT %PA	EXPLICIT %PA	TOTAL %PA
Over 5 Years Index-Linked Gilt Fund	0.02	0.00	0.02
Over 15 Years Gilts Index Fund	-0.09	0.00	-0.07
AAA-AA-A Corp Bond Over 15 Years Index	-0.01	0.00	-0.01
Global Equity Market Weights 30:70 Index Fund	0.02	0.01	0.02
Ethical Global Equity Index Fund	-0.01	0.02	0.01
HSBC Islamic Global Equity Fund	0.00	0.07	0.07
Multi Asset Fund	-0.01	0.01	0.02
Aberdeen Standard Global Absolute Return Strategies Fund	0.00	0.26	0.26
Cash Fund	-0.03	0.00	-0.02

* As this period is close to the years ended 31 March 2020 the Trustees consider this data to be appropriate. The total may not add up due to rounding.

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, except that future charges for the default fund for the projected pot at age 50 retiring at 65 have changed due to the change in make up

of the default fund referred to in Section 1 - DC Default Investment Arrangement. The annual charges for the default fund from April 2020 will be: More than 15 years 0.44% pa; 15 years 0.44% pa; 10 years 0.43% pa; 5 years 0.43% pa; 0 years 0.42% pa. The funds illustrated include the most popular, the funds with the highest and lowest expected return and highest and lowest total charges.



CHAIRMAN'S STATEMENT

Table 5: Projected pension pot in today's money

		FUND CHOICE													
		"Most Popular"		"Most Popular, age 50, retiring at 65"		"Popular"		"Highest Expected Return"		"Lowest Expected Return"		"Highest Cost"		"Lowest Cost"	
		Default Fund Growth Phase		Default Fund at Age 50 Retiring at 65		Multi Asset		Global Equity		Cash Fund		Islamic Global Equity		Over 15 Years Gilts	
Yrs		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		15,547	15,499	15,547	15,499	15,380	15,334	15,618	15,570	14,866	14,828	15,618	15,543	14,916	14,885
3		27,268	27,038	27,211	26,982	26,530	26,313	27,589	27,355	24,350	24,187	27,589	27,227	24,556	24,419
5		39,880	39,340	39,617	39,081	38,221	37,723	40,612	40,057	33,515	33,161	40,612	39,754	33,948	33,650
10		75,764	73,768	73,634	71,736	69,995	68,241	78,396	76,307	55,098	54,018	78,396	75,180	56,379	55,455
15		118,859	114,169	109,116	104,986	105,770	101,835	125,033	120,023	74,908	72,801	125,033	117,357	77,390	75,560
20		170,613	161,578	N/A	N/A	146,049	138,816	182,597	172,745	93,090	89,716	182,597	167,572	97,070	94,098
25		232,767	217,210	N/A	N/A	191,398	179,524	253,649	236,328	109,778	104,948	253,649	227,358	115,504	111,190
30		307,410	282,491	N/A	N/A	242,457	224,337	341,348	313,009	125,095	118,666	341,348	298,538	132,770	126,950
35		397,052	359,097	N/A	N/A	299,945	273,666	449,596	405,487	139,154	131,019	449,596	383,285	148,943	141,481
40		504,707	448,991	N/A	N/A	364,670	327,969	583,206	517,014	152,058	142,144	583,206	484,184	164,092	154,878

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 £10,000 - the median pot size as at 31 March 2020.
3. Inflation is assumed to be 2.5% each year.
4. It is assumed the current average level of contributions of £5,079 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: 3.7% above inflation
 Default arrangement at Age 50 and retiring at 65: between 3.7% and 1.4% above inflation
 Multi Asset: 2.4% above inflation
 Global Equity: 4.3% above inflation
 Cash: 1.7% below inflation
 Islamic Global Equity: 4.3% above inflation
 Over 15 Years Gilts: 1.3% below inflation

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. The Trustees' latest annual assessment, conducted in November 2019, concluded that given the size of the DC Section, the fees members pay are good 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. The assessment had particular regard to the services funded by member-borne charges, in particular the investment, platform, administration and communication services provided by L&G, which were felt to be good relative to the charges. 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.

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 key documents relating to the Funds, and have knowledge and understanding of pensions and trust law and the principles of funding and investment. This section describes the policies and programmes in place (including during the scheme year) to ensure these "TKU" requirements are met, and specific steps taken during the year.

The Trust Deed & Rules provide 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, as at 31 March 2020 there were five Employers' Trustees, as there are now only seven main employers and two

vacancies existed. Following the year-end one of these vacancies was filled. As at 31 March 2020 there were six Members' Trustees with one vacancy. This vacancy was also filled after the year-end. Each Trustee serves for a fixed three-year term and can be re-appointed following each term. As at 31 March 2020, the average period of service as a Trustee is 8 years - 6 Trustees have been in office for six years or less, whilst 5 Trustees, including the Chair and the Deputy Chairs, have been in office for 9 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 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. This programme was completed by all new Trustees appointed during the scheme year.
- 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 have identified a need for a comprehensive introduction to trusteeship. To address this, new Trustees attend 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 and encourage Trustees to maintain a good working knowledge of those documents. The documents include the Trust 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.
- The papers for quarterly Trustee meetings included legal updates specifically prepared for the Funds, with the legal advisers present to discuss any questions raised by the Trustees.
- A formal training session is provided following each quarterly Trustee meeting, that is attended by all Trustees. Sessions during the scheme year included "Liability Driven Investment" by Insight Investment, "Active and Passive Equity Investment" by Allianz Global Investors, "Cyber security and disaster recovery" by Rio IT and "Retirement Living Standards and the Pensions Dashboard" by the PLSA. 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 actuarial valuations, setting of

late retirement factors, GMP equalisation, master trust contingency planning and supervision and protection of trustees.

- Each year all the Trustees attend a dedicated training seminar. In April 2019 training was provided by the Funds' advisers and investment managers on the latest investment strategy changes, the management of the property portfolio, an update on the latest pension legal and regulator 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 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 outgoing Chief Executive is a qualified PMI professional of more than 33 years' experience in the pension industry, the outgoing Funds Accountant and new Chief Executive is a Chartered Accountant with 9 years' experience in life insurance and 13 years' experience in the pension industry, and the Pension Administration Manager has a PMI Diploma and 43 years' experience in the pension industry. The incoming Funds Accountant is also a Chartered Accountant with 22 years' experience in the pension industry.

The 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. 

CHAIRMAN'S STATEMENT

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, met the above requirements during the scheme year as explained below, and so were (and still are) non-affiliated. All Trustees were appointed through an OTP. 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 has (since 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. During the scheme year and over the longer-term, the Trustees have monitored 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 reappointed during the scheme year, the OTP requirement was met as follows. David Birtwistle, Employer's Trustee for SEMTA: SEMTA followed the ground rules in making its selection; Martin McManus, Members' Trustee for Cogent SSC: nomination and selection process was by Cogent members, consistent with the member-nominated trustee legislation; Andrew McLachrie, Members' Trustee for SEMTA: nomination and selection was by SEMTA members, consistent with the member-nominated trustee legislation; Peter Rogerson, Employer's Trustee for CITB: CITB 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 574 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, who frequently discuss pensions matters with workplace colleagues and provide feedback to the Trustee board. 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 investments in the GARS Fund were sent a communication in March 2020 to explain the disinvestment of the GARS Fund and were invited to send comments and questions to the Funds Office about the changes.

The Trustees believe that the above arrangements are appropriate for the DC Section, having regard to the size, nature and demographic of the membership. In particular, the Trustees are conscious that the DC Section is a relatively small and immature arrangement, with a relatively high proportion of active members and a relatively low proportion of deferred pensioners.

The contact details of the Funds are as follows:

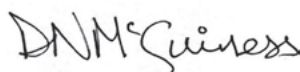
The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ

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: 18 September 2020

David Newell McGuinness (Chairman of Trustees)

CHAIRMAN'S STATEMENT – SCHEDULE

WHAT IS THE TRUSTEES' OVERALL INVESTMENT OBJECTIVE?

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

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

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

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

RISK OF INADEQUATE LONG-TERM RETURNS

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

RISK OF DETERIORATION IN INVESTMENT CONDITIONS NEAR RETIREMENT

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

RISK OF LACK OF DIVERSIFICATION AND UNSUITABLE INVESTMENTS

Within each fund available to members the holdings should be adequately diversified. To achieve this, the

Trustees have selected funds which invest in a suitable diversified range of holdings. The Trustees' policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

RISK FROM EXCESSIVE CHARGES

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

INVESTMENT MANAGER RISK

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

OTHER RISKS

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

WHAT ARE THE INVESTMENT STRATEGY ARRANGEMENTS?

The Trustees have provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. Following a review of the strategy in 2017, the Trustees have elected to restructure some of the member options in order to allow them to transfer a number of deferred members into a "Section 32 Buy-out Policy". The Trustees have also made further changes to the options to reflect the latest product developments in the investment market. The range of funds that is available is set out in the table on page 18.



CHAIRMAN'S STATEMENT – SCHEDULE

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
Aberdeen Standard	Global Absolute Return Strategies Fund	6 Month £ LIBOR	To outperform the benchmark by 5% pa (gross) over rolling three-year periods
L&G	Multi-Asset Fund	ABI UK – Mixed Investment 40%-85% Shares Pension Sector	To provide long-term investment growth through exposure to a diversified range of asset classes
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non-Gilts (ex BBB) Over 15-year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FT A Index-linked Gilts (Over 5 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FT A Gilts (Over 15 year) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median

DEFAULT OPTION

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

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

- 70% in L&G's Global Equity Market 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 Aberdeen Standard's Global Absolute Return Strategies Fund; and
- 25% in the L&G Cash fund.

The table on page 19 outlines how the proportion of portfolio holdings changes in the 15 years up to retirement under the strategy.

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

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

Years to Retirement	Global Equities (30/70) (%)	Multi-Asset (%)	Diversified Growth (%)	Cash (%)
15 or more	70.00	30.00	0.00	0.00
14	65.50	32.00	2.50	0.00
13	61.00	34.00	5.00	0.00
12	56.50	36.00	7.50	0.00
11	52.00	38.00	10.00	0.00
10	47.50	40.00	12.50	0.00
9	43.00	42.00	15.00	0.00
8	38.50	44.00	17.50	0.00
7	34.00	46.00	20.00	0.00
6	29.50	48.00	22.50	0.00
5	25.00	50.00	25.00	0.00
4	20.00	50.00	25.00	5.00
3	15.00	50.00	25.00	10.00
2	10.00	50.00	25.00	15.00
1	5.00	50.00	25.00	20.00
0	0.00	50.00	25.00	25.00

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

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

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

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

- In deciding upon the funds to offer to members, the Trustees' primary asset allocation is the primary driver of long-term returns;
- 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 the 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 Chief Executive, 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: enquiries@pensions-ombudsman.org.uk

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

Website: www.pensions-ombudsman.org.uk

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

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

Email: enquiries@pensions-ombudsman.org.uk

Address and website as above.

THE PENSIONS REGULATOR

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

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

Website: www.thepensionsregulator.gov.uk

THE PENSION PROTECTION FUND

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

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

Website: www.ppf.co.uk

Email: information@ppf.co.uk

Telephone: **0345 600 2541**

'PENSION WISE'

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

Pension Wise is a free government service delivering 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**

KEEPING US INFORMED

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

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

Pension Scheme Registry No. 10169800

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