



The Pensions Trust

Annual Review **2008**

Resourceful and Realistic

Our Annual Review 2008 depicts the Imperial Trans-Antarctic Expedition of 1914-17, during which Ernest Shackleton and his men overcame seemingly overwhelming adverse circumstances to return home safely and with no loss of life. Like the other people whose stories we portray this year, we recognise the challenges of a rapidly changing global economy and the need to face them with determined resourcefulness and a pragmatic sense of realism. In this spirit, we can plan ahead for a safe, secure future for our members.

Founded in 1946, The Pensions Trust today provides employer organisations and members with over 60 years' professional experience of occupational pension funds. We exist solely to serve our members' needs and our Trustee model ensures that our members' best interests are served at all times.

Any well known public or historical people and accompanying biographical information featured or referred to within this document are merely provided as examples of people who portray the twin characteristics of resourcefulness and realism that we both greatly admire and strive to emulate. We wish to make it clear that no such people featured or referred to within this document in any way represent, endorse, recommend or approve of The Pensions Trust or the activities or practices of The Pensions Trust.

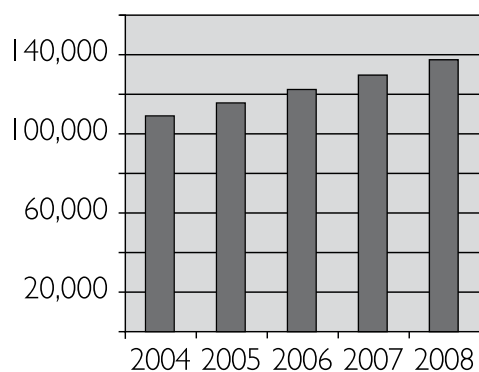
The Pensions Trust 2008

How are we doing?

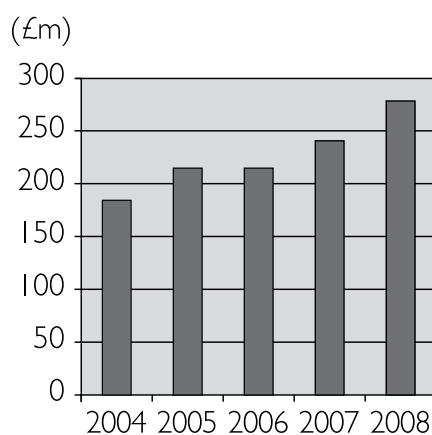
- Total membership increased by nearly 5% to 135,705.
- Annual contributions receivable rose by 15.9% to £278.1 million.
- Total benefits payable increased by 12.4% to £117.5 million.
- Investments have decreased in value to just over £3.5 billion.
- A new risk-reducing strategy was implemented for the Growth Plan securing pensions currently in payment via an insurance policy.
- Continued growth in the Flexible Retirement Plan with nearly 3,000 members from 200 participating employers.
- The Independent Schools' Pension Scheme was voted 'Small Scheme of the Year' at the Professional Pensions Awards 2008.

Five-Year Summary

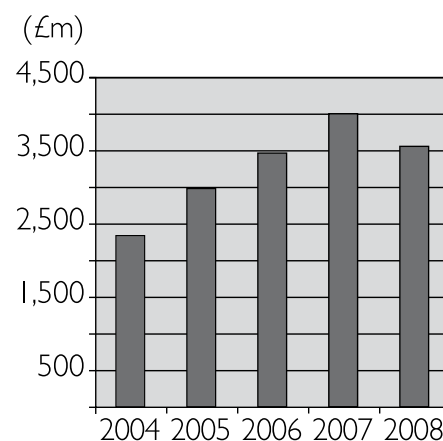
Membership



Contributions



Net Assets



Chair's Statement

The Chair, John Alleston, is an elected member of the Trustee Board and became Chair in March 2004. He has been a Board Member since 1999 and has chaired both the Audit and Compliance Committee and the Investment Committee. Before retirement, John was Administration Director of The Guinness Trust and before that worked at the Housing Corporation as Registrar.

I could have wished for a better financial climate for my last Chair's statement; no Chair likes to report on a year when the investment return has been negative. And what a difference a year makes.

This time last year we were fretting about our relative investment performance, but we were able to report that the Main Investment Portfolio's investment return was comfortably ahead of the long-term assumptions built into our actuarial model, and the Fund had grown to £4 billion.

Not so this year. The Trust is not and cannot be immune from turmoil in financial markets nor insulated from downturns in world economic cycles. Of the asset classes that we invest in only UK Government bonds and cash gave positive returns. Overall our investments have lost money and the Fund has fallen in value to a little over £3.5 billion. There have been further

substantive market falls since the year end and, at the time of writing, I see little reason for optimism for the swift recovery of financial markets and the wider world economy.

Amongst others, our two largest schemes, the Social Housing Pension Scheme and the Growth Plan are due for a September 2008 base date actuarial valuation. These reduced market values, together with the expected burden of the new mortality tables, will likely make these particularly difficult for all involved.

In such turbulent and troubled times all of us need to be more realistic about our expenditure and expectations and make the best use of our available resources. We have done our best to do both, and our theme for this year's Annual Review is "Resourceful and Realistic." As it turns out our icy front cover also reflects the current times.

Investment

Our own experience and economic history tells us that markets go up as well as down and that in the longer-term equity investment in particular has secured good returns to shareholders. It is particularly taxing when, as now, almost all asset classes are falling in value but it is notoriously difficult, if not impossible, to correctly time when to buy and when to sell. During the year we thoroughly explored introducing an arrangement for the temporary switching of assets when a downturn was anticipated, but this only confirmed the difficulties in trying to time the sell and then buy back before markets recovered. We reaffirmed our approach that pensions are very much for the long-term and we have kept faith with our long-term investment strategies.

I reported last year that the Investment Committee had undertaken a rigorous review of investment structure and manager capability and were implementing changes to improve and diversify the Trust's Investment Strategy. Implementation is now almost complete and we believe that this strategy should deliver an improved investment performance in the long-term.

Sadly this is not yet bearing fruit, and there is further comment about this on page 18 of this review.

The Growth Plan

Once again, the Growth Plan has been the focus of much of our work over the past year.

We have now concluded our attempt to gain an exemption from the employer debt on withdrawal regulations for the Growth Plan. We still believe that these regulations are poorly scoped and that there are good reasons why the regulations should not apply, but have accepted that change is not possible. Consequently, we now include the Growth Plan as a defined benefit scheme in our financial statements.

As employers and members of this scheme will already know, the Board decided in July 2008 to adopt a new risk-reducing strategy for the Growth Plan and as a first step in implementing this new strategy has now secured all Series 1 and 2 pensions currently in payment via an insurance policy with Paternoster UK Ltd.

The Trustee's prime concern is ensuring that members receive their benefit entitlement. We decided

that investment in a bulk annuity policy from Paternoster offered the best first step to give Growth Plan members greater certainty and additional security and protection. This simple sounding action took an awful lot of research and debate against the clock and we were successful in securing what is now clearly market favourable terms for this “buy-in.” We will review opportunities to insure further member liabilities as and when markets and funds allow.

The decision to reduce downside risk was not straightforward for the Growth Plan because it also all but eliminates the prospect of future discretionary bonuses for members. But we have to be realistic and prudent in a world which economics and legislation have made much more difficult for pension funds generally and the Growth Plan in particular. The Trustee has acted solely in the best interests of members and is pleased to have been able to secure pensioners’ benefits with Paternoster UK Ltd.

I reported last year that draft amending regulations had been issued that could make it easier

for us to agree a solution with employers where a debt on withdrawal inadvertently results from an incorporation or corporate restructure. These new regulations came into force on 6 April 2008 and we have successfully made use of these new provisions to enable a number of charities to restructure without incurring a significant debt on withdrawal, whilst at the same time protecting both members and employers by ensuring that a strong guarantor is in place to cover the withdrawing employer’s liabilities.

As I reported last year we now need to involve employers much more in the operation of the Growth Plan. We have benefited from working with the newly established Growth Plan Employers’ Consultative Group (GPECG). In particular, their counsel led us to amend our proposals for introducing Series 4. Employers now have the choice of continuing to contribute to Series 3 or switch to Series 4. We will next year work with the GPECG on developing the investment strategy for the remaining assets backing Series 1 and 2 liabilities and dealing with the assumptions for, and consequences of, the September 2008 actuarial valuation.

Governance

We have reported before on the increasing complexity of the pensions environment and the increasing demands and expectations on those elected to serve on the Board. During the year the Board considered whether changes to its structure were necessary to help improve the governance of The Pensions Trust.

Equal representation of members and employers on the governing body is one of the fundamental principles upon which The Pensions Trust is based. However, having a 100% elected Trustee Board does carry with it the risk that the Directors elected may not always have the best mix of skills and experience to carry out all the Trustee's responsibilities to the level members and employers expect and deserve. In order to address this risk, we have introduced a power to co-opt up to two people to the Board. Constitutional safeguards are in place to protect the existing balance and ensure that the elected Directors retain control. Co-opted Directors will be selected by the elected Directors on the basis of their ability to fill any identified skills gaps and will receive a fee for their services. We are presently seeking someone who has current

and wide experience at trustee level of the pensions industry and how it is developing.

The Board has also decided to reduce the number of elected Directors from sixteen to ten, five nominated and elected by employers and five nominated and elected by members. We believe that a smaller Board will make the decision making process more efficient. The changes will be phased in over the next two years.

One of the recommendations from the National Association of Pension Funds' review of compliance with the Myners' principles was that trustees should undertake formal self-assessments of their own performance and that of the Board as a whole. As a further step towards improving governance and accountability, the Board has now completed its first comprehensive self-assessment and appraisal against pre-set knowledge, understanding and experience standards. This has helped us identify skills gaps that could usefully be filled by newly elected Directors and will direct our training in the coming year. We plan to undertake these appraisals each year.

Ernest Shackleton - Endurance trapped by ice

By the time he mounted the ill-fated Imperial Trans-Antarctic Expedition of 1914–17, Ernest Shackleton was already a veteran of several major expeditions – but this was to be the venture that would truly test his resourcefulness and realism. From over 5,000 applications, Shackleton selected his team based more on whether they could contribute to the morale of the group rather than for outright experience – a philosophy that paid dividends. When their ship, Endurance, was irreparably damaged by ice, the men were faced with dwindling supplies and no chance of rescue. The 28 men set out for dry land before the summer thaw and eventually reached Elephant Island where they established camp. Shackleton and five others then sailed hostile Antarctic waters before finding help 27 days later. On securing a rescue ship, Shackleton then returned to the base camp to find every single member of the main party alive and well.

Legislation, legislation, legislation

The Pensions Act 2008 received Royal Assent in November 2008. A key focus of our work in the coming years will be dealing with the consequences of this Act, including the introduction of Personal Accounts and the provision for schemes to change the cap on revaluation of deferred pensions from 5% to 2.5% for future service if they so wish. In addition to this new legislation there have also been some regulatory developments.

I reported last year that we were hoping that levies would be reduced as a result of the Pension Protection Fund (PPF) recognising that charities carry lower risks of insolvency than commercial organisations. Unfortunately, the benefit of this has been wiped out by the massive increase in the levy scaling factor that the PPF uses to bring its total levy up to the required amount. In November 2007 the PPF indicated that the scaling factor would be 1.6. The actual factor is 3.77, over twice the original estimate. In short, the PPF has failed to plan its requirements adequately. The impact on The Pensions Trust is that the levy for 2008/09 will be £850,000 more than

originally estimated. We continue, so far without a glimmer of success, to argue the case that the levy calculation for our multi-employer schemes seriously overstates the risk of employer insolvency and that this results in an unfair cost burden on those schemes.

In February 2008 the Pensions Regulator published a consultation document on good practice when choosing assumptions for defined benefit schemes. As expected, the consultation had a special focus on mortality assumptions. There is no doubt that people are living longer and that this has led and inevitably will lead to further increases in the liabilities of pension schemes. Initially, the Pensions Regulator proposed to introduce a trigger for further investigation linked to mortality which would have affected valuations already under way and where employers had already made decisions about future contribution rates and benefit structures. Retrospective changes are never a good thing and we made this point strongly in our consultation response. It is pleasing to note that, on this occasion, the Pensions Regulator did listen and has now withdrawn its proposal to include a specific mortality trigger, instead deciding to look at mortality in the

context of the whole assumption set. We have just received the long-awaited new mortality tables and are considering their application to the 2008 valuations.

The outlook for pensions

However gloomy the financial situation and the economic outlook, it is still important to stress the case for pensions saving.

To take John Betjeman out of context:

“I’d hate to think our final fate
Was at the mercy of the State,
That love and joy and all ambitions
Were made for us by politicians.”

The basic State Pension is still under £100 per week, an amount that fails to provide for a comfortable retirement. Even with earnings-related supplements and/or Pensions Credit few can afford to rely on the State to provide for this.

Successive Governments have developed initiatives to encourage people to make provision for their retirement, the latest being Personal Accounts which are due to be launched in 2012. From 2012 it will be compulsory for employers to contribute to either Personal Accounts or an alternative pension

scheme for the majority of their employees, unless the employees opt out. We still have reservations about Personal Accounts but the new system will go some way to increasing aggregate private pension savings, particularly by people on low to moderate incomes. However, the minimum contributions are set at such a modest level that it is by no means a panacea. The key message is that people have to take responsibility for their own retirement income and start saving as much as they can as soon as they can. This is not easy for very many people but there is a long-term price for not doing so.

For all the bad press that pensions have received in recent years, the tax advantages (be very jealous of these) and the fact that it is difficult to access the funds until retirement still make them an ideal long-term savings vehicle. Furthermore, if an employer is offering to contribute to a pension on an employee's behalf it seems very short sighted not to take advantage of this as it is effectively turning down a pay rise.

And finally, and I say this from personal experience, it is a lot more comfortable spending a pension in retirement than it is selling other assets.

People matters

I would once again like to thank all members of the Board, especially Clive Unitt, Deputy Chair and Chair of the Audit and Compliance Committee, and Stephen Duckworth, Chair of the Investment Committee, for their work during the year. Kevin McNerney and Catherine Howarth have completed their first year on the Board. We have had to make complicated and sometimes uncomfortable decisions. Only time will be the judge of their correctness but I know that these have been made only after full consideration and with the best interest of members paramount. For the 2009 elections, Philip Edwards, Allan Herring, Clare Smith, Barry Smith and Richard Marshall will all stand down and will not be seeking re-election. I thank them all for their service, which in total amounts to some 44 years. I too, definitely and finally, will be standing down this year so this will be my last Chair's statement. When I was first elected to the Board in 1999 I was, I now realise, a sometimes unfair critic of The Pensions Trust. The Trust is a complex organisation and has become ever more so in recent years. Significant structural and operational improvements have been made and I sincerely believe that The Pensions

Trust is now well placed to face the challenges that lie ahead.

Finally, on behalf of the Board I would like to thank and congratulate all the staff of the Trust for the very real progress made during the year and for their hard work, commitment and enthusiasm to tackle the challenges we face.

Not least as a pensioner myself, I wish all of those involved in The Pensions Trust well in the future.

A handwritten signature in black ink, appearing to read 'J Alleston', with a long horizontal stroke extending from the end of the name.

John Alleston

Chair, Verity Trustees Limited

20 January 2009

Chief Executive's Review

Stephen Nichols has been Chief Executive of The Pensions Trust since May 2007. He is an Associate of the Pensions Management Institute, a Member of the Institute of Directors and a Fellow of the Royal Society for the Encouragement of Arts.

Being Chief Executive of The Pensions Trust is both a challenging and rewarding experience: challenging because of the impact that continuing market turmoil and increasing regulatory burden has on pension schemes; rewarding because of the opportunity to improve pension provision and customer service for those working in the not-for-profit sector. In a sector where many employees are not highly paid (and usually do not benefit from corporate bonuses or share options), I am well aware of the importance of a good occupational pension scheme.

Service delivery

The provision of a good quality service at an acceptable cost is at the heart of everything we do.

I am pleased to report that the majority of members' records have now been transferred to our new PSPensions administration system. The efficiency gains generated by the new system will both reduce costs

and deliver an improved service experience to our customers.

Regretfully I must also report that this year our level of customer service has temporarily fallen below the timeliness standard that we set ourselves. Our Edinburgh office finally closed on 31 March 2008. Whilst every effort has been made to minimise disruption caused by the transfer of work from Edinburgh to Leeds, there has been a short-term impact on service delivery. We have given priority to maintaining the quality of our administration service even if we have not always achieved our ten-day turnaround target. We have addressed these problems and are monitoring the situation closely. I am confident that normal service will be resumed shortly. In the meantime, we appreciate the patience of employers and members.

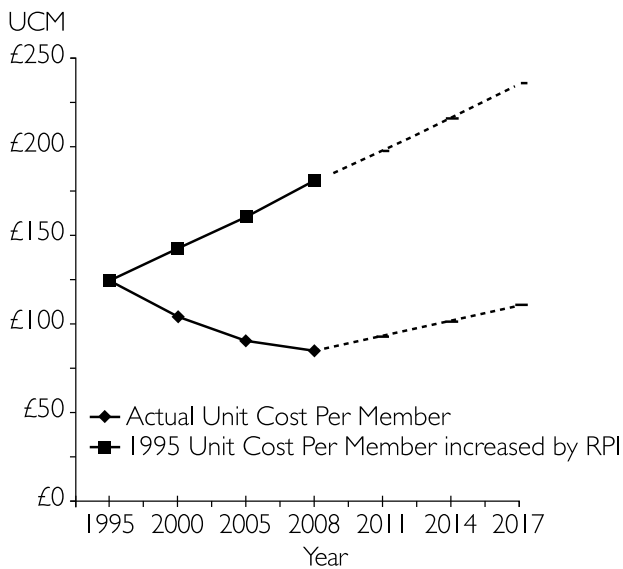
In early 2008 we undertook a Customer Satisfaction Survey of our members and employers within the

multi-employer schemes. The results were a score of 80.9% for members and 79.3% for employers. There was a slight increase in the member score and a slight decrease in the employer score from the results in 2004/05. Our business plan target is to be in the top performance quartile and there is still further work to be done to achieve this. We see the Customer Satisfaction Survey as a valuable tool in improving levels of customer service. Not only does it provide an independent assessment of our performance but it also helps us draw up an action plan of the areas that we need to work on.

Business Plan

I reported last year on our progress against our business plan targets. The Board has now agreed to draw our current business plan to a close a year early because the targets have either already been met or are no longer applicable because of external factors. Any outstanding targets will be incorporated into the new five-year business plan, a major focus of which will be how we compete with the new national system of Personal Accounts, due to be launched in 2012. The new business plan will be the main topic for consideration at the Board away day in April 2009.

Controlling costs is always at the forefront of our minds particularly when discussing a new business plan. The Trust is now a much leaner organisation than it was a few years ago; we now serve more members with fewer staff and fewer offices and at a lower per member cost. We know that these costs are now very competitive in the wider pensions industry. The graph on the following page illustrates how the average unit cost per member has fallen since 1995. The graph also shows what the average unit cost per member would have been had it increased in line with retail prices. The space between the two lines indicates the cost savings that we have delivered. Although per member costs have been reducing year on year since 1995 we must accept that we are nearing the end of this reducing trend. Whilst a greater use of technology has led to a reduction in costs, in the future we expect this to be more than offset by the increase in costs associated with the increasing burden of primary legislation and regulations. Realistically, our focus in future will need to be on maintaining costs at their current level in real terms rather than reducing them further.



Product development

Over the past year much work has been undertaken to develop Growth Plan Series 4, which was launched on 1 October 2008. Growth Plan Series 4 enables employers to offer their employees a more attractive pension arrangement without requiring employers to withdraw from the Growth Plan, which in many cases would result in a debt being due from the employer. Growth Plan Series 4 has a more diverse investment strategy compared to the very conservative cash-based strategy required for Series 3. In the long-term this has the potential to result in greater returns. However, Series 4 does not have a capital guarantee so members' personal funds can go down as well as up. Employers can choose to continue to contribute to Series 3 or start contributing to Series 4. So far, over half of the Growth Plan employers

that have made a decision have switched to Series 4.

The Pensions Trust's CARE Scheme was launched in 2001. CARE was designed for those employers that wanted to provide a defined level of benefit for their employees but at a more predictable cost than is possible with traditional final salary schemes. Whilst the employer contribution rate to the CARE Scheme has remained at the level set at the outset, improving longevity and increasing long-term inflation assumptions have led to an increase in the cost of providing defined benefits which in turn puts pressure on contribution rates. We have sought employers' views on the future direction of the CARE Scheme. Depending upon the outcome of the employer consultation the result could be an increase in contribution rates, a change in future service benefits or a combination of the two.

The pensions committees of a number of our other multi-employer schemes are also considering their benefit design and consulting participating employers on possible options for future service. These options include offering a defined contribution option alongside the established defined benefit structure.

One of our multi-employer schemes, The Independent Schools' Pension Scheme, implemented new benefit options to suit all employers' budgets in 2006. I am pleased to report that this scheme was voted "Small Scheme of the Year" at the Professional Pensions Scheme Awards in September 2008.

The Flexible Retirement Plan continues to grow. The Plan, launched in October 2006, now has nearly 3,000 members from almost 200 participating employers. All of these employers submit contribution data via the internet. Ultimately we plan to roll out this facility to all of our schemes. Our web-based contributions system allows employers to reconcile their own data before submission, significantly reducing the error rate and consequently speeding up the processing of contributions. Not only does this improve service to our members it also reduces costs, which benefits employers.

Customer relations

Once again our Customer Relations Team has been busy, supporting particularly those employers that sponsor individual final salary schemes. This has included the launch of our new Pensions Bulletin

Sir Bob Geldof

In 1984 Bob Geldof was outraged by a news report showing the plight of the Ethiopian famine victims – and the seeming inability of Governments to do anything practical about the situation. He decided that the best way to make a difference was to use his very specific abilities to shake things up. The result was "Feed the World," a moving appeal recorded by the biggest stars of the day, closely followed by "Live Aid", the most globally significant concert ever, spanning two continents and watched on live TV by millions around the world. It was – and is – one of the biggest charity efforts ever. By using the resources at his disposal with realism and passion Bob Geldof made a real impact.

which aims to keep all employers up-to-date with current pension issues, providing Stewardship Reports and holding seminars on topical subjects. In the current financial climate actuarial valuations are likely to bring unwelcome news for employers. Each year our Account Managers work closely with the sponsors of those schemes undergoing valuations to guide them

through the process and address any concerns. A key part of this is our annual valuation day which we held for the third time in July 2008. Feedback received from employers is that this is a valuable service.

New accounting requirements

The format of our financial statements has been updated this year to meet the requirements of the new SORP (Statement of Recommended Practice, Financial Reports of Pension Schemes) issued in May 2007. This has required some relatively minor restating of last year's figures and some additional disclosures particularly above investments. Quantitatively most significant are the figures on the Trust's currency hedging programme which are now shown gross within both assets and liabilities.

People

Our people are the foundation upon which The Pensions Trust is built. Our people strategy encourages our employees to engage with our values. It is only through this commitment that we can improve service delivery to our customers.

I would like to close by thanking all my colleagues for their hard work and commitment throughout the year.



Stephen Nichols

Chief Executive, The Pensions Trust
20 January 2009

The Fund 2008

The following information gives an overall picture of the Scheme's financial position:

Money in	£m	Money out	£m
Members Contributions:		Death Benefit Lump Sums	6.7
Normal	84.9		
Additional Voluntary	5.0	Retirement Lump Sums	33.6
Employer Contributions	188.2	Pensions	77.2
Transfers in	14.5	Transfers out & refunds	23.9
Investment income	83.2	Administration Expenses (Incl. PPF levy)	14.3
		Investment Management Expenses	9.8
Total	375.8	Total	165.5

	£m
Fund at beginning of year	4,001.1
Net new money (Money In less Money Out)	210.3
Decrease in value of investments	(666.0)
Net decrease in the Fund during the year	(455.7)
Fund at end of year	3,545.4

Nye Bevan

Nye Bevan was the youngest member of the post-war cabinet formed by Atlee to rebuild the nation. Bevan recognised that healthcare in the UK had improved during the war for most people – but was also aware that, after the war, the same levels of treatment would no longer be available. With signs that post-war hospitals were once again struggling to raise funds for even the most basic of care, Bevan became passionately committed to create a system whereby the sick would be provided with healthcare free at the point of delivery. Through shrewd understanding of the priorities of medical consultants, Bevan fought off opposition from the British Medical Association, to launch the NHS on “the appointed day” of 5 July 1948.

Membership

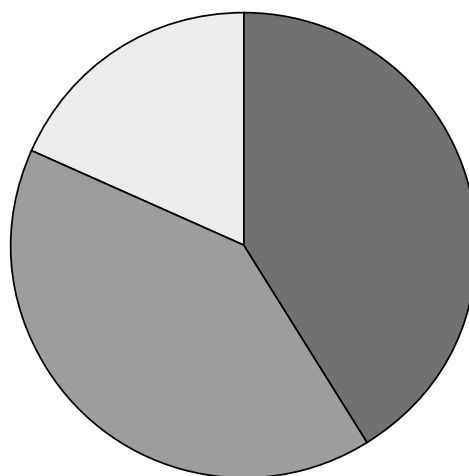
The members and participating employers of The Pensions Trust cover the full range of the charitable, voluntary and not-for-profit sectors. As at the year end, there were 4,220 participating employers.

The changes in membership over the year are shown in the table and charts below:

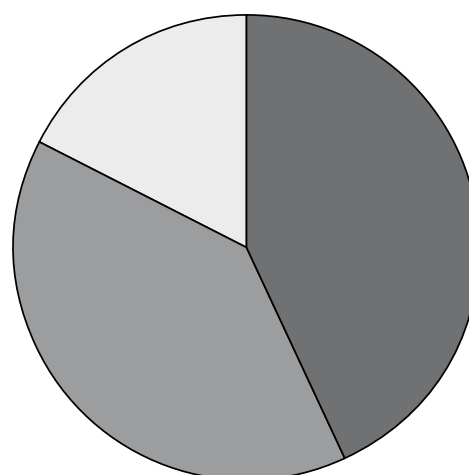
	2008	2007
Active members		
Defined Benefit	50,781	51,781
Defined Contribution	5,265	4,071
Deferred pensioners		
Defined Benefit	52,750	49,101
Defined Contribution	2,191	2,010
Pensioners and beneficiaries		
Defined Benefit	24,718	22,300
Defined Contribution	0	0
Total	135,705	129,263
Defined Benefit	95%	95%
Defined Contribution	5%	5%
	100%	100%

Total Membership

2008



2007



- Active
- Deferred
- Pensioners and beneficiaries

Investment Report

Fund performance – year to 30 September 2008

The Trust's scheme specific approach to investment strategy requires the allocation of the Trust's investment portfolio into the separate funds. The annualised investment return and relative performance of the funds that comprise the Main Investment Portfolio in the year to 30 September 2008 is summarised in the table below:

	The Pensions Trust %	Benchmark %	Variance %
Global Equity Fund	(22.7)	(21.3)	(1.4)
Fixed Interest Fund	0.1	1.9	(1.8)
Long Dated Fixed Interest Fund	5.0	5.0	0.0
Index-Linked Fund	10.2	10.1	0.1
Property Fund	(11.4)	(18.1)	6.7
Money Market Fund	6.1	5.5	0.6
Fund of Hedge Funds*	(7.6)	2.4	(10.0)
Main Investment Portfolio	(15.1)	(14.6)	(0.5)

	The Pensions Trust %	Benchmark %	Variance %
SRI Fund	(17.2)	(17.2)	0.0
Unitised Ethical Fund	(26.7)	(22.3)	(4.4)
Flexible Retirement Plan – Guest Manager Options	(7.8)	(7.8)	0.0

*The Fund of Hedge Funds commenced on 1 July 2008. Performance shown is for the period from commencement to 30 September 2008.

The annualised investment returns and relative performance of the Trust's other investments in the year to 30 September 2008 is summarised as follows:

The benchmark shown above for the Flexible Retirement Plan – Guest Manager Options is the weighted average return of the benchmarks of all of these options. The variance between this and the actual return indicates the aggregate relative performance of the Guest Manager.

Fund performance – five years to 30 September 2008

The Trust's annualised investment performance for the five years to 30 September 2008 is summarised in the table below:

	The Pensions Trust % p.a.	Benchmark % p.a.	Variance % p.a.
Main Investment Portfolio	7.0	7.1	(0.1)
SRI Fund	4.6	4.6	0.0
Unitised Ethical Fund	6.3	7.8	(1.5)
Flexible Retirement Plan – Guest Manager Options*	(0.1)	(0.1)	0.0

*The Flexible Retirement Plan commenced on 1 November 2006. Performance shown is for the period from commencement to 30 September 2008.

Fund performance – commentary

There can be no way to describe the performance of the Main Investment Portfolio in 2008 other than as disappointing. At the absolute level the negative return of 15.1% largely reflected the general fall in world markets. At the relative level, our own portfolio fell short of its benchmark by 0.5% (50 basis points) in 2008 and this led to the five-year performance being below benchmark for the first time since 2000.

We do not believe that the performance of individual managers can be fairly judged over the short-term, particularly during such a turbulent period. We remain committed to achieving the better than benchmark returns that have been our experience of active management over the longer-term, but we accept that recent experience will make the achievement of our outperformance objective of 1.3% (130 basis points) per year over rolling five-year periods more challenging. The Fixed Interest Fund was just in positive territory but was also well below its benchmark.

The Investment Committee is concerned at the performance of our active managers in both these funds, all of whom are being closely monitored, and placed “on watch” where there are particular concerns.

In such turbulent times we have focussed on ensuring that our assets are properly secure and our exposure to troubled financial institutions minimised. As at the date of this report there is no evidence that the Trust has suffered any loss as a result of recent market turmoil, other than that occasioned by falls in market valuations. We suspended our securities lending programme in September 2007 and this remains suspended. Our focus on minimising risk continues.

Investment Management

The day-to-day management of the Trust's investments is delegated to professional external investment managers as detailed below:

Allocation by investment manager (as at 30 September)

	£m	2008 %	2007 %
AXA Rosenberg Investment Management	339	9.6	9.3
Barclays Global Investors	0	0.0	12.0
Capital International	0	0.0	10.8
Lazard Asset Management	233	6.6	6.4
Legal & General Investment Management	568	16.1	19.0
Marathon Asset Management	159	4.5	0.0
RCM (UK)	231	6.6	0.0
State Street Global Advisors	453	12.8	14.9
TT International	123	3.5	0.0
Mesirow Advanced Strategies	120	3.4	0.0
Aviva Investors	281	8.0	5.7
Royal London Asset Management	183	5.2	5.6
Standard Life Investments	291	8.3	8.9
CB Richard Ellis Investors	205	5.8	5.5
F&C Asset Management	41	1.2	1.2
Others (excl. annuities)	28	0.8	0.7
Annuity Policies Paternoster	257	7.3	0.0
Annuity Policies Other	11	0.3	0.0
Total	3,523	100.0	100.0

Activities During the Year

The Investment Committee has carried out a comprehensive review of the structure, manager composition and manager performance of the Global Equity Fund over the last two years. Following this review:

- The equity mandates of Capital International and Barclays Global Investors were terminated early in the year. RCM (UK), TT International and Marathon Asset Management were appointed in their place.
- As reported last year, the Committee had decided to implement a Global Tactical Asset Allocation mandate within the Global Equity Fund. Following advice received from the investment consultant, the Committee decided to appoint Barclays Global Investors to run this mandate, but no sums had been invested by 30 September 2008.
- A Fund of Hedge Funds has been made available during the year. This fund is managed by Mesirov Advanced Strategies. As at 30 September 2008 only the Social Housing Pension Scheme had invested in this fund.

The Investment Committee was concerned to minimise the costs of making significant changes. Legal and General Investment Management and State Street Global Advisors were engaged to manage all the transitions, the costs of which were in total less than 0.1% of the value of the Global Equity Fund.

Anita Roddick

Anita Roddick came up with her idea for The Body Shop in 1976. Initially, she had to make do with what she could get – the original shop was between two funeral parlours – and the notion of recycling bottles came about simply because they didn't have enough bottles. This then led to an equally responsible stance on product sourcing, with Roddick's insistence that no animals be involved in testing and that packaging was less important than content. The fact that the products were ethically sound as well as smelling great and having a funky name meant that the idea caught the imagination of a growing group of customers, and translated across cultures, across geographical barriers and social structures. It wasn't a sophisticated idea, but it was timely, practical and resourceful. The rest is retail history.

Directors of Verity Trustees Limited at 30 September 2008

Employer Nominated Directors

John Alleston – Retired, former Administration Director,
The Guinness Trust

Stephen Duckworth – Retired, former Finance Policy Director,
National Housing Federation

Lynda Howe – Retired, former IT and Finance Director,
York Housing Association

Douglas Keir – Retired, Actuary

Richard Marshall – Retired, former Finance Director,
The Nuffield Foundation

Keith Nunn – Retired, Chairman of the RL Glasspool Charity Trust

Barry Smith – Management Accountant, Yorkshire Housing

Clive Unitt – Finance Director, Sadeh Lok Housing Group

Those serving on the sub-committees of the Board at 30 September 2008
were:

Investment Committee

Stephen Duckworth (Chair)

Keith Nunn

Bryan Clark

Douglas Keir

Richard Marshall

Clive Unitt

Audit and Compliance Committee

Clive Unitt (Chair)

Lynda Howe

Philip Edwards

Joe Robertson

Barry Smith

Also serving on the Investment
Committee:

Michael Deakin – co-opted

Chris Lewin – co-opted

Member Nominated Directors

Bryan Clark – Retired, former Bursar, Rossall School

Philip Edwards – Retired, former Pensions Manager

Allan Herring – Retired, former Manager,
New Milton Quaker Housing Association

Catherine Howarth – Executive Director, Fair Pensions

Kevin McNerney – Pupil Barrister

Joe Robertson – Retired, former Director of OPRA

Clare Smith – Director of Human Resources,
Leonard Cheshire Disability Group

Peter Weiner – former Pensions Manager

Remuneration and Appointments Committee

John Alleston (Chair)

Clive Unitt

Allan Herring

Clare Smith

Appeals and Discretions Committee

Clive Unitt (Chair)

Allan Herring

Kevin McNerney

Joe Robertson

Peter Weiner

Executive Management of the Trust

Andrew Walsh

Head of Resources

Email: andrew.walsh@thepensionstrust.org.uk

Tel: 0113 394 2520

Karen Parry

Head of Policy and Compliance

Email: karen.parry@thepensionstrust.org.uk

Tel: 0113 394 2711

Logan Anderson

Head of Customer Relations

Email: logan.anderson@thepensionstrust.org.uk

Tel: 0113 394 2515

Mark Rogerson

Head of Finance

Email: mark.rogerson@thepensionstrust.org.uk

Tel: 0113 394 2630

Philip Bradish

Head of Business Improvement

Email: philip.bradish@thepensionstrust.org.uk

Tel: 0113 394 2682

Stephen Nichols

Chief Executive

Email: stephen.nichols@thepensionstrust.org.uk

Tel: 0113 394 2514

Employee statistics

	2008	2007
Average number of employees at The Pensions Trust	152	162

Further Information

This Annual Review is an important part of the Trust's accountability. A full version of the Annual Report and Financial Statements is available on request or may be accessed on our website. Staff will be pleased to assist with any request for information about the Trust, its schemes and services. All enquiries about any scheme and about any individual's entitlement or amount of benefit should be made direct to the Trust's offices.

Keep in touch

Remember, if you change your address or wish to update your member details please let the Customer Services Team know.

You should also ensure your nominations, advising who you would like any benefits to be paid in the event of your death, are kept up-to-date.

If you wish to amend your nominations a form is available on request or can be downloaded from our website www.thepensionstrust.org.uk

The Pensions Trust's contact details can be located on the back page of this Review.

Ernest Shackleton - The five companions

Shackleton's rescue mission was a feat of endurance and navigation. On 24th April 1916, he and five companions set out in an open boat from Elephant Island to seek help in South Georgia. It took them 17 days to sail across the most stormy stretch of ocean in the world. Three of them then had to trek across unmapped mountains, glaciers and snowfields to the whaling station on the other side of the island which they reached on 20th May. The remaining men were rescued from Elephant Island in August 1916, not a single member of the expedition died.

Occupational Pension Scheme Registration
Number 10170418. The leading multi-employer
occupational pension fund for employees of
charities and voluntary organisations.



The Pensions Trust

Verity House, 6 Canal Wharf, Leeds LS11 5BQ

Tel: 0113 234 5500 Fax: 0113 234 5599

www.thepensiontrust.org.uk

email: enquiries@thepensiontrust.org.uk

Pension Scheme
Administrator of
the Year

