



The Pensions Trust

# Annual Review 2010

## Making a difference

*The theme of this year's Annual Review is 'Customer Intimacy'. The images throughout this Review are of individuals from a number of our employer organisations who make a difference to so many lives.*

## Welcome

I am pleased to present this year's Review for The Pensions Trust (the Trust).

The following is a summary of the main points covered in my Statement and the Chief Executive's Review in this year's Annual Report and Financial Statements.

### Investment

Over the past year we have made some major changes to our approach to investment. The overall objective of our strategy, over the long-term, is for the investment portfolio to make a significant positive contribution towards the cost of providing pensions to our members, whilst remaining within an acceptable level of risk. It is pleasing to report that, despite the attention required to implement these changes, the return on most elements of our main investment portfolio has exceeded the short-term target.

### Voice for the Sector

A key strand of our customer intimate approach is to become a voice about pensions for the charitable and voluntary sector, being a thought leader and instigating change for the benefit of our members. During the year we have worked hard to raise our profile and become a contributor to the wider pensions debate; writing articles, speaking at conferences, contributing to Government consultations and actively lobbying for changes in legislation.

### Technology

The Trust has recently achieved the ISO27001 standard for information security following a successful external audit. Internationally recognised as the benchmark for good information security, the standard specifies requirements for organisations to show that they have robust systems to manage and control data security risks.

The transition to eBusiness continues successfully. Contributions data for 73% of members is now submitted via the online system, which allows

employers to reconcile their own data before submission, significantly reducing the error rate and consequently speeding up the processing of contributions.

### Product Development

The suitability of the Unitised Ethical Plan's (UEP) investment strategy has been reviewed following concerns that its smaller-company bias could lead to significant short-term volatility. UEP has been renamed the Ethical Fund and contributions are now invested in a more balanced strategy, including an allocation to bonds, with the aim of reducing volatility, whilst retaining exposure to ethical investments. The review was influenced by the results of a survey of charity workers undertaken by the Trust, which showed that whilst the size of pension pot at retirement is still the most important attribute for pensions, it is closely followed by investment in ethical companies. A new ethical option will also be offered within the Flexible Retirement Plan in 2011.

### Governance and People

We are now starting to see the benefits of the governance review carried out last year. Increased delegation to sub-committees, supported by increased reporting to the main Trustee Board, has resulted in a quicker decision making process and freed up more time at Board meetings to focus on strategic issues.

Lynda Howe, Deputy Chair of the Board, and Bryan Clark, both retired as Directors in February 2011. I would like to thank them both for their unstinting service to the Trust.

Finally, on behalf of the Board I would like to thank and congratulate all the staff of the Trust for their hard work and enthusiasm in making the last year a successful one.

**Sarah Smart**

Chair, Verity Trustees Limited

# Investment Report

## Portfolio Summary

The Trust's total asset allocation is the sum of the asset allocations for each individual scheme. The total portfolio summary is shown in the following table:

	2010 £m	2010 %	2009 %
Global Equity Fund	2,132	49.0	55.4
Fixed Interest Fund	714	16.4	16.0
Long Dated Fixed Interest Fund	1	0.0	0.0
Index-Linked Fund	57	1.3	1.3
Property Fund	249	5.7	5.5
Fund of Hedge Funds	146	3.4	3.2
Money Market Fund	277	6.4	7.5
Passive Global Equity Fund	131	3.0	–
Growth Plan Fund	193	4.4	–
<b>Main Investment Portfolio</b>	<b>3,900</b>	<b>89.6</b>	<b>88.9</b>
Annuity Policies	275	6.3	7.2
SRI Fund	81	1.9	1.8
Unitised Ethical Plan	62	1.4	1.3
Flexible Retirement Plan – Guest Manager Options	4	0.1	0.1
Other Assets and Cash	32	0.7	0.7
<b>Total</b>	<b>4,354</b>	<b>100.0</b>	<b>100.0</b>

## Activities During the Year

The Investment Committee has continued to monitor the performance of both investment funds and investment managers.

- BlueBay Asset Management and King Street Capital were appointed to manage distressed opportunity mandates and Ruffer was appointed to manage an absolute return mandate. These mandates were funded throughout February and March 2010.
- The AXA Rosenberg mandate was terminated during the year, and the assets under management transferred to Legal & General Investment Management Ltd.

Following a full review of the Investment Governance structure, a number of changes were implemented. With this review in mind, the Trust will be reorganising the current fund structures to provide a broader group of assets that share commonality.



*Oladipo Sokoya, Deborah Adams and Gareth Allen work for the British Association for Adoption and Fostering (BAAF), an organisation which works with everyone involved with adoption and fostering across the UK. Ola is a Finance Manager, Deborah is a Receptionist and Gareth is an IT Assistant.*



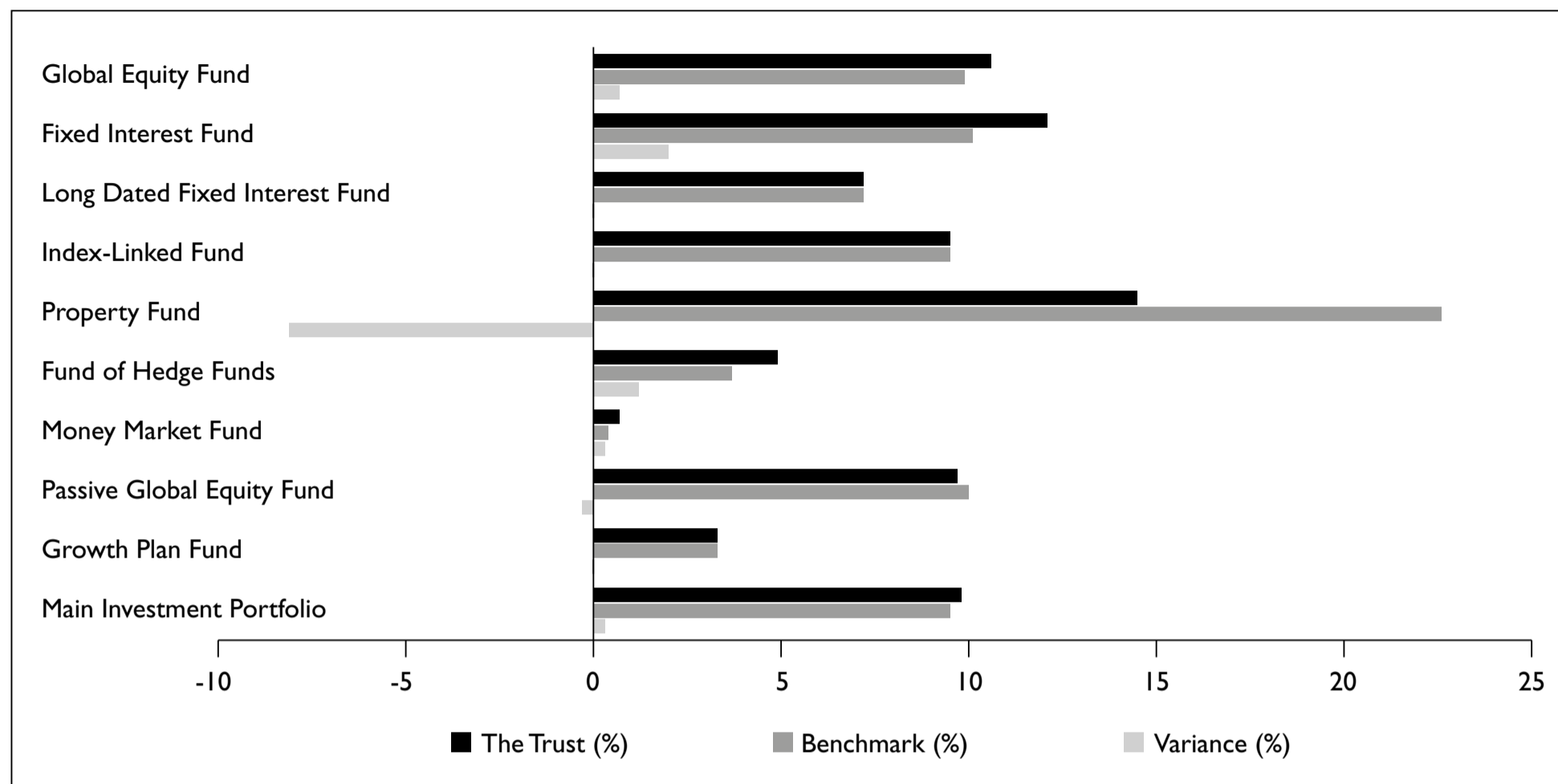
*Janet White, Julie Lodge and Mona Vyas work for BID Services, providing care and support to deaf people. Janet is a Finance Administrator, Julie is a Care Manager and Mona is an Assessor.*



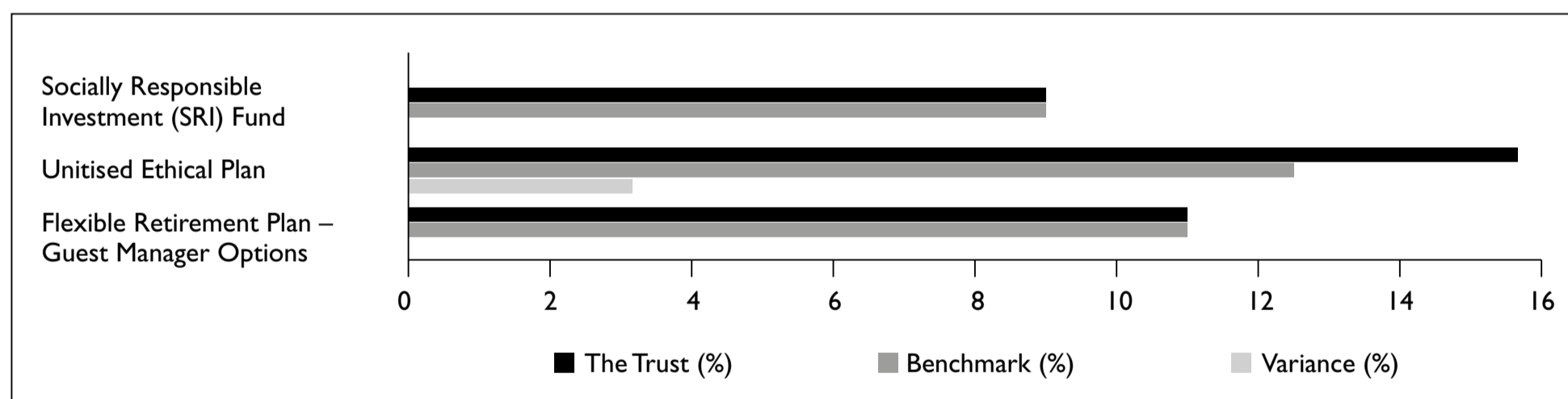
*Jenny Liquorish, Saskia Macdonald and Lisa Phillips work for Crawley Community & Voluntary Service (CCVS) which operates as a major source of support and information for local voluntary and community groups. Jenny is a Senior Personnel and Admin Officer, Saskia is a Deputy Chief Officer and Lisa is an Executive Administrator.*

## Fund Performance – Year to 30 September 2010

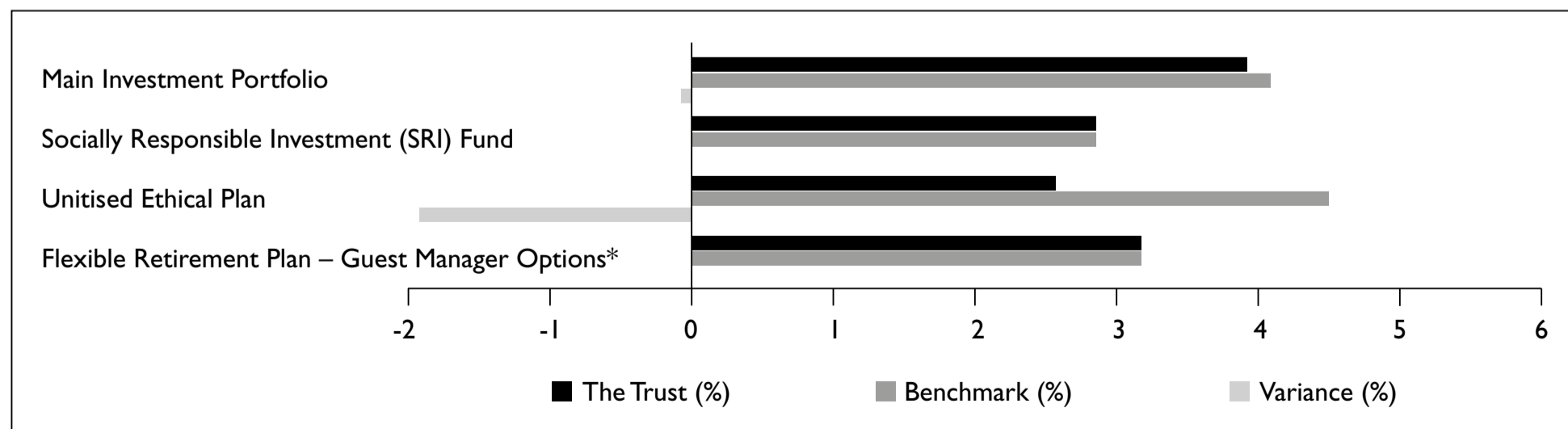
The annualised investment return and relative performance of the funds that comprise the Main Investment Portfolio in the year to 30 September 2010 is summarised in the graph below:



The annualised investment returns and relative performance of the Trust's other investments in the year to 30 September 2010 is summarised in the graph below:



## Fund Performance – Five Years to 30 September 2010



\* The Flexible Retirement Plan commenced on 1 October 2006. Performance shown is for the period from commencement to 30 September 2010.

## Fund Performance – Commentary

Over the course of 2010 markets have continued their recovery with all major asset classes experiencing positive returns over the year to 30 September 2010. As world economies stabilised, surprisingly strong GDP growth figures have been reported in a number of countries, not least the UK. However, as a backdrop to this a number of concerns still remain, with an EU funded bail out of Greece and Ireland and a fresh round of quantitative easing in the US highlighting the fragility around continued growth. In the UK the austerity measures that were announced in the Comprehensive Spending Review highlight the levels of cuts ahead, with the impact that this could have on consumer confidence weighing heavily on the economy.

Equity markets rallied as investor confidence grew, driven by strong performance over a number of sectors. Oil and gas were the laggards over the year, although this is to be expected following the pressure placed on stocks within this sector following the Gulf of Mexico spill. Bond markets also proved strong following the return of liquidity to the market and an increase in investor appetite

for risk which led to a movement out of the relative safety of Government bonds. So far the market has yet to experience the high levels of defaults that had been priced into the market over the previous years, which helped to ease pressure on all but the highest rated bonds. UK property returns were exceptionally strong over the year, albeit this being to some extent a reflection of how far capital values had fallen. European markets proved weaker over the same period although this was more a function of timing, with the European market lagging that of the UK by around a year.

Over the year to 30 September 2010 the Global Equity Fund outperformed its benchmark, with strong performances from the Asia Pacific and Global Tactical Asset Allocation mandates driving this outperformance. Performance of the Trust's global equity mandates over the period was disappointing, despite employing different strategies to pick their constituents. The Trust continues to focus on their longer-term performance, and will take action to remedy any persistent performance issues where necessary.

## Internal Controls

The Trustee is responsible for the Trust's internal controls and for monitoring their effectiveness. Controls can provide only reasonable and not absolute assurance against material maintenance or loss.

The Audit and Compliance Committee meets regularly with the executive management, the

Trust's Head of Policy and Compliance and external auditors to review regulatory, compliance and internal control matters, and to consider the effectiveness of controls.

No material weaknesses were identified and therefore the Board does not believe there are any material losses, contingencies or uncertainties.



*Chuan Lim, Mary Scanlan, Tom Harding, Cecilia Cole and Iyiola Awofidipe work for Hexagon Housing Association which works in partnership with a range of local authorities to meet housing and care needs across South East London. Chuan is an Area Surveyor, Mary is a Senior Customer Service Officer, Tom is a Housing Services Manager, Cecilia is a Customer Service Adviser and Iyiola is a Finance Assistant.*



*Derek Mitchell and Kulwinder Bhumbra work for Includem, a Scottish charity set up ten years ago to support Scotland's most vulnerable teenagers and youngsters. Derek is a Project Worker and Kulwinder is an Assistant HR Officer.*

## At a Glance

- Total membership rose by 3.6% to 145,850.
- Annual contributions receivable rose by 3.1% to £296.3 million.
- Total benefits payable increased by 9.6% to £165.5 million.
- Net assets have increased in value to just under £4.4 billion.

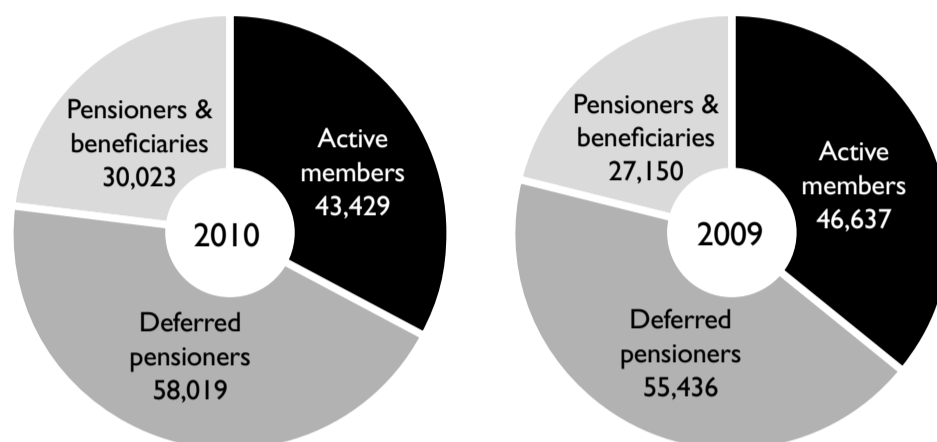
## Membership Review

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 4,351 participating employers (2009: 4,304). The changes in membership over the year are shown below:

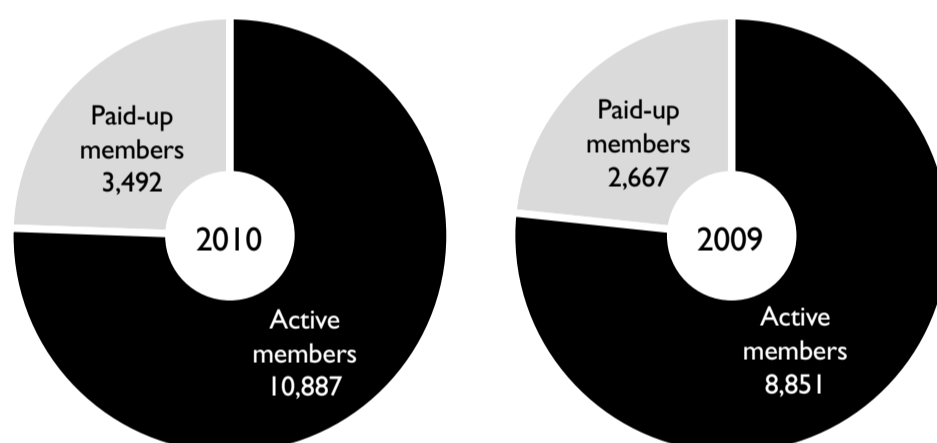
## The Fund 2010

	£m
<b>Fund at beginning of the year</b>	<b>3,898.40</b>
<b>Money paid in</b>	
Members' contributions	
Normal	90.6
AVCs	4.3
Employers' contributions	201.4
Transfers in	14.8
Investment income	97.2
<b>Total</b>	<b>408.3</b>
<b>Money paid out</b>	
Pensions	93.6
Retirement lump sums	47.2
Death benefit lump sums	6.2
Transfers out & refunds	18.5
Investment management expenses	16.0
Administration expenses incl. PPF levy	13.4
<b>Total</b>	<b>194.9</b>
Increase in market value of investments	262.3
<b>Fund at the end of the year</b>	<b>4,374.1</b>

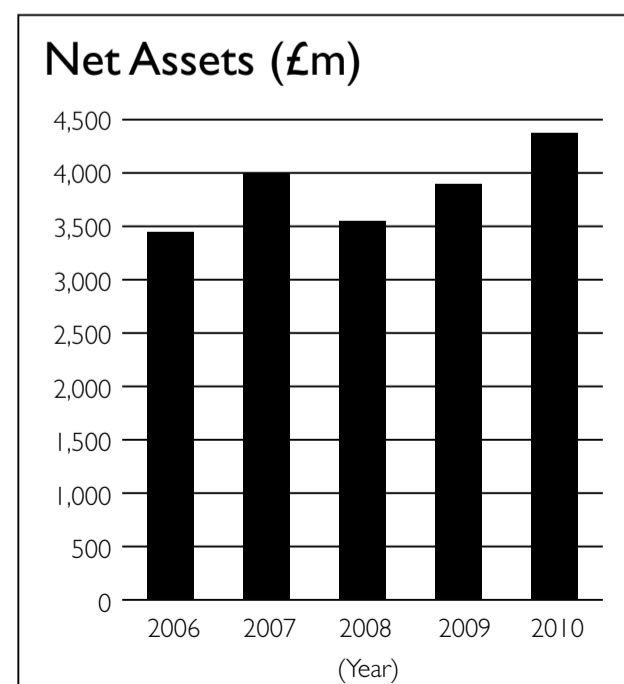
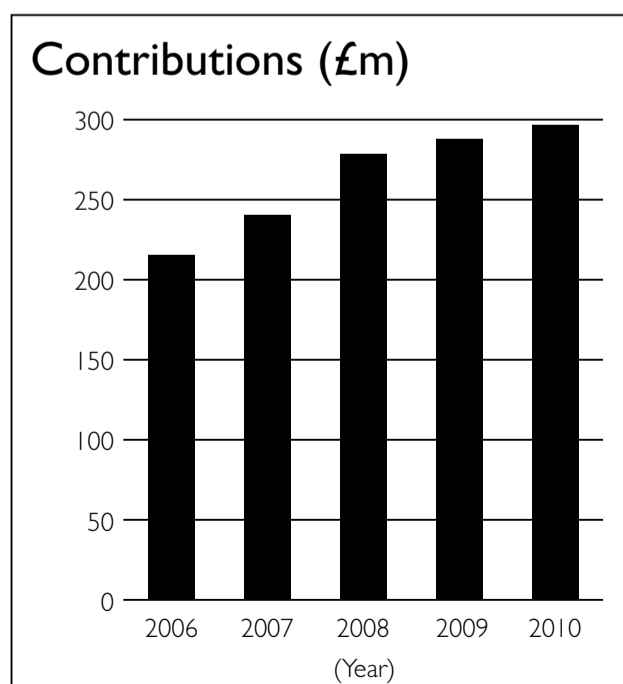
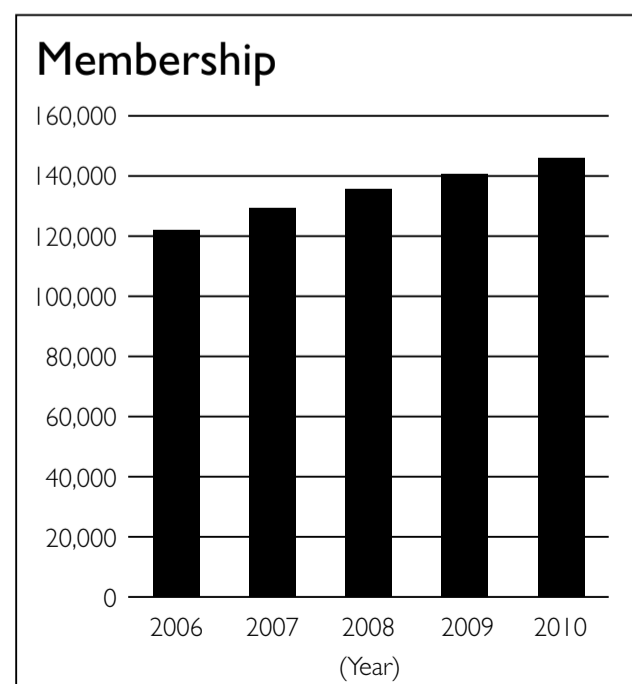
## Defined Benefit



## Defined Contribution



## Five Year Summary



## Directors of Verity Trustees Limited at 30 September 2010

### Employer Nominated Directors

Stephen Duckworth  
Lynda Howe  
Douglas Keir  
Keith Nunn  
Frances Richardson  
Bob Vandersluis

### Member Nominated Directors

Bryan Clark  
Mary Doddridge  
Catherine Howarth  
Joe Robertson  
Clare Smith  
Peter Weiner

### Co-opted Directors

Mike Boag  
Sarah Smart

## Executive Management of the Trust at 30 September 2010

David Adkins, Chief Investment Officer  
Email: david.adkins@thepensiontrust.org.uk  
Tel: 0207 956 2968

Logan Anderson, Head of Customer Relations  
Email: logan.anderson@thepensiontrust.org.uk  
Tel: 0113 394 2515

Philip Bradish, Head of Pensions Operations  
Email: philip.bradish@thepensiontrust.org.uk  
Tel: 0113 394 2682

Stephen Nichols, Chief Executive  
Email: stephen.nichols@thepensiontrust.org.uk  
Tel: 0113 394 2514

Karen Parry, Head of Policy and Compliance  
Email: karen.parry@thepensiontrust.org.uk  
Tel: 0113 394 2711

Mike Scrowston, Head of Finance  
Email: mike.scrowston@thepensiontrust.org.uk  
Tel: 0113 394 2640

Andrew Walsh, Head of Resources  
Email: andrew.walsh@thepensiontrust.org.uk  
Tel: 0113 394 2520

### Further Information

A full version of the Annual Report is available 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 office.

**Email:** enquiries@thepensiontrust.org.uk

**Website:** www.thepensiontrust.org.uk

### Keep Us Informed

Please let us know if you change your address or wish to update your details. You should also ensure that your nominations, who you would like any benefits paying to in the event of your death, are kept up-to-date. A Nomination Form is available on request or can be downloaded from our website.

If you would prefer to receive your copy of the Annual Review via email, please email your name, member number, postcode and email address to sar@thepensiontrust.org.uk

Occupational Pension Scheme Registration Number 10170418.

The leading multi-employer occupational pension fund for employees of charities and voluntary organisations.



The Pensions Trust

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