

Your 2021 Annual Report

Building for tomorrow, today





📍 Durdle Door, Dorset, United Kingdom

Welcome

I am delighted to present the 2021 annual report.

This report provides a summary of the Plan's finances and investments. However, if you would like to read the full report, it can be found on our website at www.pearson-pensions.com/library/#governance-financial-reports. In this section, you can also find copies of the Chairman's Statement, Statement of Investment Principles and the Implementation Statement. These documents detail how the Plan is governed and how the Trustee manages the investments of the Plan.

The term of office of one of the three member-nominated trustee directors ended in February 2021. The election process took place during the last quarter of 2020 and we received a number of high calibre nominations. After a rigorous selection process, I am pleased to announce that Nim Maradas has been re-appointed for a further five year term and Jonathan Hill has been selected as a reserve candidate. We also welcome Will Nash to the Trustee Board as a company nominated trustee director. Will is replacing Peter Hughes, who is leaving Pearson. More details about the Trustee Board can be found on page 6.

The Investment Committee has undertaken an investment strategy review for our defined contribution (DC) arrangement. They recommended several changes which have been approved by the Trustee.

As the impact of COVID-19 continues to be felt across the UK, I want to reassure members that looking after your pension benefits is the Trustee's top priority. I am pleased to report that

for the pensions team it has been very much business as usual. The team continues to work from home although we hope to have access to a London office later in 2021. Service levels have been maintained and the team's operations have been evolved to meet the changing needs of members. In addition, the pensions team has been accelerating the development of the Plan's online service. The secure member website is being launched to our defined benefit (DB) deferred members and we are planning to launch a new Aviva online area and smartphone app later this year for members of the DC and additional voluntary contributions (AVCs) Sections.

It is really important that we hold the most up to date personal details for all of our members and it has never been easier to stay in touch. You can find more details on page 8.

As the Plan is currently undergoing its three-year valuation by the Plan's actuary, there is no summary funding statement in this year's Annual Report. Initial results indicate that the Plan has maintained its strong funding position. We will share full details with members when they are available, which is likely to be in early 2022.

Your views are important so please let the pensions team know what we can do to improve our services to you. Their contact details can be found on page 8.

James Joll

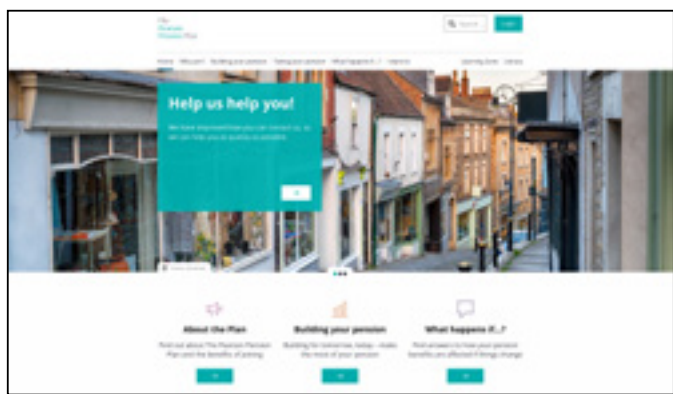
Chairman, Pearson Pension Trustee Limited

At your fingertips

Since the start of the pandemic we have accelerated our digital strategy so that you can contact us as easily as possible. The article below outlines what has been achieved and also the new development for our defined contribution (DC) members.

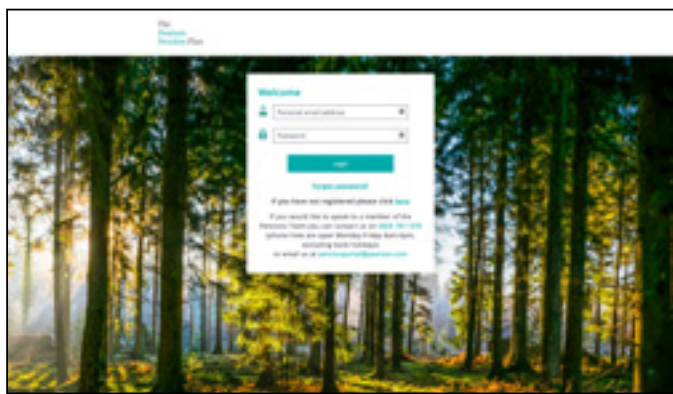
Do not worry; you can still contact us by phone or post and we will continue to issue our key communications in print and online.

PLAN WEBSITE



Last year we launched our new and improved website which provides lots of helpful information in a format that we hope you will find easy to use and understand – from changing your personal details to handy hints and tips. Now you will find lots of information to help you make the key decisions and help you to maximise your finances. There are checklists, budget planners and calculators designed to help you before, during and after retirement.

SECURE MEMBER WEBSITE



If you are a Plan pensioner you can access our secure member website at www.pearson-pensions-portal.com. This provides you with access to your personal information, including your payslips and P60s, plus you can easily update all your personal details such as your email address or telephone number. If you have not yet registered, we would encourage you to do so. If you have mislaid your activation code, you can contact us (see page 8 for details).

In the last few months we have started to launch our secure member site for our defined benefit (DB) deferred members. If you are a DB deferred member and have not already received an invitation to register yet, you will do over the coming months.

If you are not sure which section you are in go to <https://www.pearson-pensions.com/find-out-which-section-you-are-in/>. You will need your National Insurance number.

Once you have registered, you will have access to your personal information, which you can easily update, such as your email address and telephone number. Do not forget to complete your Expression of Wish form so that the Trustee is aware of your beneficiaries.

COMING SOON

For DC members there will be a new way to take control of your pension pot via your smartphone. MyWorkplace is the new online area and smartphone app from Aviva that will be available later in the year. The app will make it quick, easy, and convenient to see a current value of your pension pot and make any changes to your savings or personal details.

If you prefer, you can also choose to access MyWorkplace via the web including the links on the Plan website.

When you log on to your MyWorkplace account you will be able to:

- Get an up to date valuation of your pension pot as easily as checking an online bank account
- Monitor how your pension pot is performing using the Aviva tools
- Choose and switch the funds or investment approach your pension pot is invested in
- Access educational content and tools to help you plan the financial future you want

All those who are members of the Money Purchase 2003 (MP03) and Auto Enrolment (AE) Sections, or those who have additional voluntary contributions (AVCs) with Aviva will be contacted later in the year with detailed instructions on how to access MyWorkplace.



ALWAYS LEARNING!

We have an ongoing programme of webinar for our active members. They are designed to help you understand what you need to do to maximise your finances regardless of whether you have just joined Pearson, or you are looking forward to retirement. Simply go to the Pensions UK NEO page and click on your age group to see the content of the webinar in detail and book your place. This is your chance to get the answers to personal finance questions you always wanted to ask.

There is a lot of useful information for Plan members in the learning zone. Go to <https://neo.pearson.com/groups/pensions-uk> to find out more.

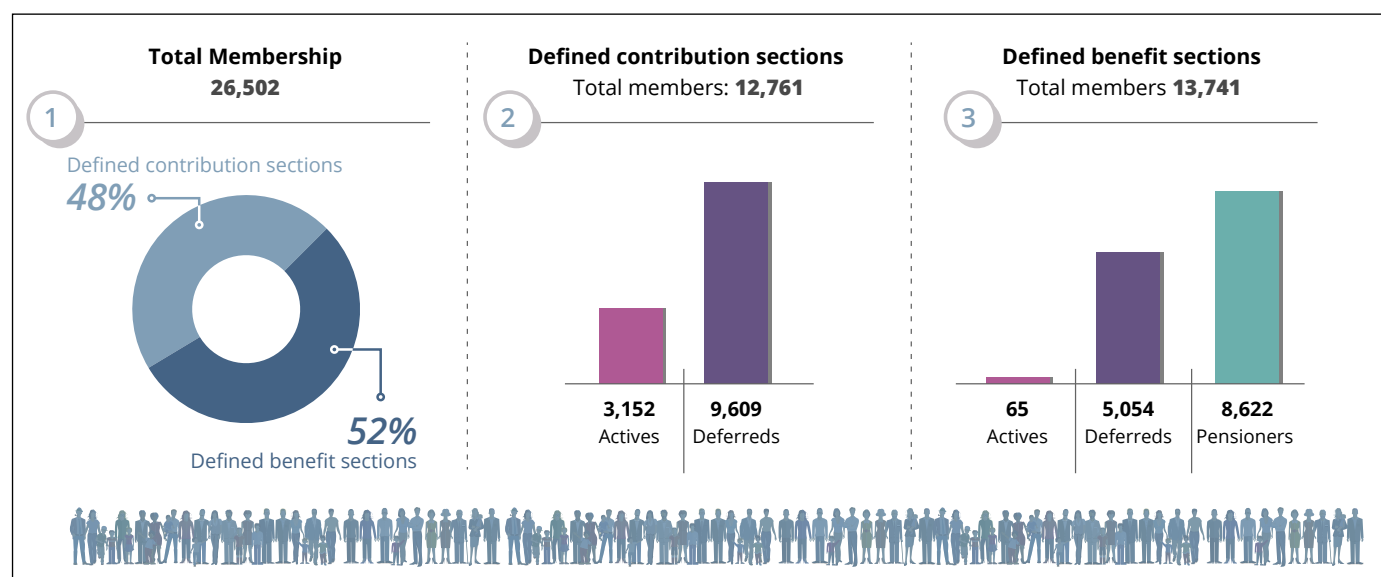
The Plan's finances

THE HIGHLIGHTS FROM THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	(£m)
Value of the Plan's assets on 31 December 2019	4,130.9
Money coming in	plus +
Company contributions	14.1
Member contributions	7.8
Transfers in	0.5
Investment and other income	107.1
Total income	129.5
Money going out	minus -
Pensions paid	105.3
Payments to and on account of leavers	35.7
Other payments	0.3
Investment management expenses	1.4
Administration expenses	6.3
Total expenditure	149.0
	plus +
Change in market value of investments	281.3
	equals =
Value of the Plan's assets on 31 December 2020	4,392.7

MEMBERSHIP

On 31 December 2020 there were **26,502** Plan members. The number of members in the defined benefit and defined contribution sections are shown in the charts below:



The Plan's Report and Financial Statements for the year ended 31 December 2020 have been audited by Crowe U.K. LLP, which has confirmed that they show a true and fair view of the Plan's financial transactions over the period.

Investments

DEFINED BENEFIT SECTIONS

Due to the improved funding position we have been able to derisk the Plan's investment strategy substantially in recent years. On 31 December 2020, the assets of the Plan's defined benefit sections were spread across the following investment types:

	Allocation %*
Bulk annuities purchased with Aviva and L&G	49.0
Return seeking assets	4.0
Property	0.5
Private equity	0.5
Infrastructure	3.0
Liability matching assets	47.0
Liability driven investment (mainly government bonds)	31.0
Infrastructure funds	6.0
Property	5.0
Cash	0.5
Corporate bonds	4.5
TOTAL	100

* Rounded to nearest 0.5%

DEFINED CONTRIBUTION SECTIONS

The Trustee monitors the performance of the funds provided by Aviva, with the assistance of Lane Clark & Peacock LLP, its Investment Consultant. The Investment Committee investigates any significant departures from benchmarks with fund managers. Details of fund performance at 31 December 2020 are set out in the table below:

Funds	1-year return performance			5-year return performance		
	Fund %	Benchmark %	Difference %	Fund %	Benchmark %	Difference %
Passive funds						
BlackRock over 15 year corporate bond Index fund	14.6	14.8	-0.2	10.1	10.2	-0.1
BlackRock world ex UK equity index fund	14.5	14.3	0.2	15.0	14.8	0.2
BlackRock UK equity index fund	-9.9	-9.8	-0.1	5.0	5.1	-0.1
BlackRock over 15 Year gilt Index fund	13.6	13.9	-0.3	9.2	9.4	-0.2
Blended global equity fund	5.0	4.5	0.5	-	-	-
Blended index linked gilt fund	6.3	6.5	-0.2	5.1	5.3	-0.2
Active funds						
Blended multi-asset fund	8.5	4.2	4.3	5.1	4.3	0.8
Threadneedle pensions property fund	-2.1	-1.1	-1.0	3.4	3.9	-0.5
Jupiter ecology fund	21.4	90.3	-68.9	12.7	28.6	-15.9
MFS Meridian global equity fund	10.1	15.3	-5.2	13.9	16.9	-3.0
BlackRock Institutional sterling liquidity fund	0.1	0.2	-0.1	0.1	0.4	-0.3

Source: Aviva

Performance is shown net of fees. 5 year performance is annualised.

The Blended global equity fund was only launched on 8 March 2018 so longer-term performance is not available.

The Jupiter Ecology fund's focus on sustainable investing means that the fund performance will diverge from the performance of the broader equity market as the fund invests in a smaller subset of constituents of the benchmark. We have benchmarked the fund performance against the FTSE Environmental Technology Index.

Looking after the Plan

There are nine trustee directors on the Trustee Board – six 'A' directors and three 'B' directors. They are responsible for managing the Plan in line with the documents that govern it and with the law. The Company appoints three 'A' directors and members nominate the other three. The 'B' directors cannot be Pearson employees or executive directors and they themselves appoint and remove 'B' directors, who have special voting rights and can wind up the Plan if they unanimously decide it is in the best interests of all members and beneficiaries of the Plan.

TRUSTEE BOARD

'B' directors

- James Joll – *Chairman*
- John Plender
- Lynn Ruddick

'A' directors

COMPANY NOMINATED

- Peter Hughes – *resigned 19 May 2021*
- Michael Kearton
- Joanne Russell
- Will Nash – *appointed 19 May 2021*

MEMBER NOMINATED

- Lou Jones
- Nim Maradas – *reappointed 23 February 2021*
- Nigel Rendell

Company Secretary

- Stephen Beaven – *Pensions Director*



📍 Banstead, Surrey, England, UK

OTHER COMMITTEES

Investment Committee

- James Joll – *Chairman*
- Kevin Pakenham – *until 19 July 2020*
- John Plender
- Lynn Ruddick
- Joanne Russell

Property Trustee

- James Joll – *Chairman*
- Mark Collins
- John Plender
- Micheal Kearton

Audit and Risk Committee

- Ian Armfield – *Chairman*
- Lou Jones
- Michael Kearton
- Helena Peacock

Death Benefits Committee

- Nigel Rendell – *Chairman*
- Stephen Beaven
- Nim Maradas – *reappointed 23 February 2021*

Remuneration Committee

- Peter Hughes – *resigned 19 May 2021*
- James Joll
- Michael Kearton
- Joanne Russell
- Will Nash – *appointed 19 May 2021*

Rules Committee

- James Joll – *Chairman*
- Nigel Rendell
- Peter Hughes – *resigned 19 May 2021*
- Will Nash – *appointed 19 May 2021*

Internal Dispute Resolution Process Committee

- James Joll – *Chairman*
- Nigel Rendell
- Nim Maradas – *reappointed 23 February 2021*

ADVISERS TO THE TRUSTEE

Auditors

- Crowe U.K. LLP

Actuary

- S Leake – *appointed 1 January 2020*

Actuarial Services

- XPS Pensions Group plc – *appointed 1 January 2020*

Investment Consultants

- Lane Clark & Peacock LLP
- Aon Hewitt Limited (Infrastructure & Property funds only)

Bankers

- Royal Bank of Scotland plc

Legal Advisers

- Linklaters LLP



📍 St. Ives, Cornwall, England, UK

THE PENSIONS TEAM

The Trustee delegates its day to day administration duties to a dedicated pensions team, headed by Stephen Beaven, Pensions Director.

Do not become a victim of a pension scam

Pension scams are still on the rise and getting more sophisticated. It is more important than ever to be aware of scammers trying to con you – and not just about your pension.

To help you spot the signs and protect yourself from a scam, the Financial Conduct Authority (**FCA**) and The Pensions Regulator (**TPR**) suggest following four simple steps.

1. REJECT UNEXPECTED OFFERS

If you are contacted out of the blue about a pension opportunity, chances are it is a scam. Pension cold calling is illegal, and you should be very wary. An offer of a free pension review, from a firm you have not dealt with before, is possibly a scam.

2. CHECK WHO YOU ARE DEALING WITH

Go to www.fca.org.uk/scamsmart and check the **FCA's** register to make sure anyone offering you advice is authorised. If they are, check they are permitted to give pension advice by calling the **FCA** Consumer Helpline on **0800 111 6768**.

If you do not use an **FCA** authorised firm, you will not be covered by the Financial Ombudsman services, or the Financial Services Compensation Scheme (**FSCS**), if things go wrong.

And remember – whatever is on offer – if it sounds too good to be true it probably is.

Go to www.pearson-pensions.com/learning-zone for more information.

3. DO NOT BE RUSHED OR PRESSURED

Take your time to make all the checks you need — do not be rushed into making a hasty decision. Making sure you do some checks and research could save you thousands of pounds.

4. GET IMPARTIAL INFORMATION OR ADVICE

We recommend that you should seriously consider seeking financial advice before changing your pension arrangements. In some cases, for example if you are wanting to transfer more than £30,000 from a defined benefit scheme, you must obtain this advice by law.

If you do opt for an adviser, be sure to use one that is regulated by the **FCA** and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Please note: **TPR** recently announced that savers looking to transfer from a defined benefit to a defined contribution arrangement in the current climate will be warned it is unlikely to be in their best long-term interests.



NEED MORE HELP:

The Pensions Advisory Service (www.pensionsadvisoryservice.org.uk/) provides free independent and impartial information and guidance.

Pension Wise (www.pensionwise.gov.uk) – if you are over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

Book a virtual 1:1 with the pensions team. Simply go to www.pearson-pensions.com/book-a-meeting/

IF YOU SUSPECT A SCAM, REPORT IT TO:

The **FCA** by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at www.fca.org.uk

Action Fraud on **0300 123 2040** or at www.actionfraud.police.uk

If you are in the middle of a transfer, contact your provider immediately and then get in touch with The Pensions Advisory Service (**TPAS**) at www.pensionsadvisoryservice.org.uk/

HELP US TO HELP YOU

The pensions team is here to help you with any queries you may have about your pension. So that we can keep you up to date to any developments regarding the Plan and the wider pensions arena it is important that you keep your personal details up to date.





The best way to contact us is online:

It is quick and straightforward. Just go to: www.pearson-pensions.com/contact-us

On our website you can also:

- **send** us documents securely
- **notify** us of a change in personal details
- **change** your selected retirement date
- **change** your contributions
- **request** a retirement or transfer quote
- **ask** us a question

Alternatively:

	You can email us at pensions.helpline@pearson.com
	You can call our helpline (Freephone) on 0800 7811378 . We are open 8am to 6pm Monday to Friday (except Bank Holidays)
	You can write to us at: The Pearson Pension Plan, PO Box 9519, Sherborne, DT9 9EN
	Book a virtual meeting You can book a meeting with one of the pensions team to discuss any questions you may have regarding the Plan and/or your benefits. Simply go to www.pearson-pensions.com/book-a-meeting/



INVESTING FOR THE FUTURE

The Investment Committee regularly undertakes reviews of the Plan's investment strategy. It has recently undertaken a detailed review of the Plan's defined contribution investment funds administered by Aviva. Having completed the review and considering the advice of the Plan's investment consultants the following changes are being implemented:

- In the lifecycle strategies the Blackrock Over 15 Year Corporate Bond Index Fund will be replaced by the BlackRock Sterling Short Duration Credit Fund. Both funds will also be available as a self select option.
- A new Environmental Social Governance (ESG) fund – the BMO Responsible Global Equity Fund – is being added as a self select option.
- The default arrangement for members' AVC pots will now be the Drawdown Lifecycle rather than the Cash Lifecycle. This will apply to all new members and any existing members whose MP03 or AE pot is targeting Drawdown.
- Within the Annuity Lifecycle strategy, the Blended Index Linked Gilt Fund is to be replaced with the Annuity Targeting Fund

These changes are due to take place in October and a communications explaining the changes in more detail will be issued nearer the time.

PENSION SAVINGS

PENSION TAX ALLOWANCES

The amount of pension savings that you can build up tax-free is dependent on both the Annual Allowance and the Lifetime Allowance.

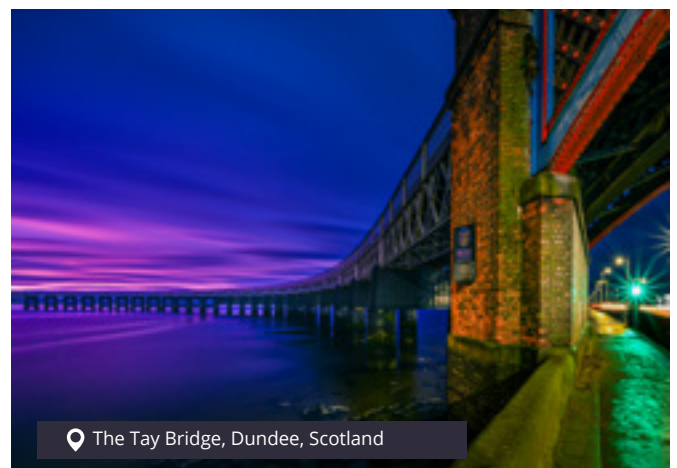
ANNUAL ALLOWANCE


This is the maximum amount you can build up over a year. For members in a defined contribution arrangement it is made up of contributions by you, Pearson and anyone else on your behalf. The Annual Allowance for 2021/22 tax year is £40,000. However, if you are earning over £240,000, the Annual Allowance reduces by £1 for every £2 you earn over £240,000 to a minimum of £4,000. If you go over the Annual Allowance you will have to pay tax on the excess. If your tax charge exceeds £2,000 in any tax year, you can ask the Plan to pay the tax charge on your behalf (called 'scheme pays') and your benefits in the Plan are reduced accordingly. We will be writing to those members who may be affected over the summer detailing the options available to them. You can find out more about the Annual Allowance at www.gov.uk/tax-on-your-private-pension/annual-allowance.

LIFETIME ALLOWANCE

The Lifetime Allowance is the total amount you can have in all your pension arrangements (excluding the state pension) without incurring an additional tax charge. You are assessed against the Lifetime Allowance when you take your benefits. The allowance has been frozen at £1,073,000 for the remainder of this Parliament. If your pension savings are higher than this the you will have to pay tax on the excess, currently 25% if used to provide a taxable income or 55% if taken as a lump sum. You can find out more about the Lifetime Allowance at: <https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance>.

If you are concerned how you may be affected by the allowances we strongly recommend that you speak to an independent financial adviser. You can find an independent financial adviser in your area at either directory. moneyadvice.service.org.uk/en or www.unbiased.co.uk.



 The Tay Bridge, Dundee, Scotland

IMPORTANT NOTE:

This communication is issued by the Trustee of the Plan. Your contributions, benefits and options under the Plan are provided on the terms and conditions set out in the Plan Rules, as from time to time amended, and the governing legislation. This Trustee Report reflects the Trustees understanding of the applicable tax rates and legislation at the time of issue. Any differences between this communication and the Rules, and the Rules as amended from time to time, and governing legislation, will apply.