

Your 2022 Annual Report

Building for tomorrow, today



Welcome

I am delighted to present the 2022 annual report.



This report provides a summary of the Plan's finances and investments. However, if you would like to read a full valuation report, it can be found online – simply scan the QR code to go to the Plan website. There 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.

We have recently received an update from the Plan's Actuary on our funding position as at 1 January 2022 and I am pleased to report that it continues to improve. You can find more details on page 3.

As a result of an investment strategy review of our defined contribution (DC) arrangement, undertaken by the Investment Committee, several changes were made in the year to investments available to members. Full details are available in the Chairman's Statement which can be found on our website (scan QR code opposite).

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 11.

Your views are important to us 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 11.

James Joll

Chairman, Pearson Pension Trustee Limited



WEBSITE

www.pearson-pensions.com/library



📍 Southwest, England

Summary funding statement 2022

The Trustee is responsible for ensuring that the Plan has enough money to pay pensions as they fall due. To work out how much is needed prudent assumptions are made about future variables, such as investment returns and life expectancy. All defined benefit pension schemes are required to undertake a full actuarial valuation at least every three years and carry out interim assessments in the years between valuations.

The most recent full valuation was carried out as at 1 January 2021. The Plan Actuary has carried out an interim assessment of the Plan as at 1 January 2022. This used an approach that is consistent with that adopted for the 2021 valuation, allowing for changes in market conditions and in the Plan's membership. It provided a financial health check for the Plan but does not represent a full valuation.

We are pleased to announce that as at 1 January 2022, the Plan was 106% funded. This compares to 104% as at 1 January 2021.

The main reason for the change in the funding level was due to changes in financial conditions which have decreased the value placed on the liabilities.

As a result of the funding position as at 1 January 2021, the Trustee and Pearson agreed that no further deficit contributions are required from the Company at least until the next full actuarial valuation (expected in 2024).

Under some specific circumstances, such as if the Company supporting a pension scheme goes out of business, the pension scheme may be terminated (known as 'winding up'). In this scenario, the Trustee needs to be sure there would be enough money to transfer the Plan to an insurance company. On that basis, the assets as at 1 January 2021 would only cover around 94% of the cost of transferring to an insurance company so there is still more work to do.

Under pensions legislation we are also required to let you know that there have been no payments to Pearson from the Plan since the previous Summary Funding Statement was issued earlier this year.

In addition, we can confirm that the Pensions Regulator has not used its powers in relation to the Plan to modify the future benefits, provided direction regarding the calculation of the Plan's liabilities or imposed a Schedule of Contributions.

Should you wish to know more details about the Plan's funding, the full report of the 1 January 2021 valuation and the Plan's actuarial report of the funding position as at 1 January 2022 are both available in the Library on the Plan's website.



Trafalgar Square, London

The Plan's finances

We have summarised below the financial movements in the year ended 31 December 2021

	(£m)
Value of the Plan's assets on 31 December 2020	4,392.7
Money coming in	
Company contributions	15.2
Member contributions	7.7
Transfers in	0.7
Investment and other income	106.7
Total income	130.3
Money going out	
Pensions paid	(99.1)
Payments to and on account of leavers	(23.6)
Other payments	(0.3)
Investment management expenses	(1.6)
Administration expenses	(6.2)
Total expenditure	(130.8)
Change in market value of investments	(43.9)
Value of the Plan's assets on 31 December 2021	4,348.3

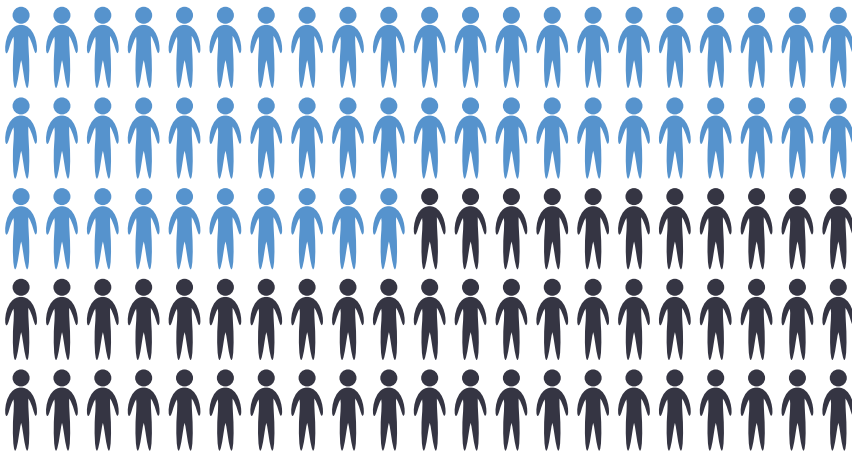
The Plan's
finances at a
glance



Membership

On 31 December 2021 there were **26,524** Plan members.

Total Membership



49%

Total: 13,103
Defined contribution sections

51%

Total: 13,421
Defined benefit sections

Defined contribution sections



Defined Benefit sections



The Plan's Report and Financial Statements for the year ended 31 December 2021 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 the Trustee has been able to manage the Plan's assets in a way that protects its ability to pay pensions as and when they are due, by making them less vulnerable to changes in market conditions. On 31 December 2021, the assets of the Plan's defined benefit sections were spread across the following investment types:

	Allocation %	
	2021	2020
Return seeking assets	4.0	4.0
Property	0.4	0.4
Private equity	0.5	0.6
Infrastructure	3.1	3.0
Liability matching assets	49.2	47.4
Liability driven investment (mainly government bonds)	31.8	31.0
Bonds	5.6	5.0
Infrastructure	5.7	5.8
Property	5.4	4.7
Cash	0.7	0.9
Policies with insurance companies	46.8	48.6
TOTAL	100.00	100.00



📍 Ely Cathedral, Cambridgeshire

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 2021 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	(6.1)	(5.8)	(0.3)	5.1	5.2	(0.1)
BlackRock world ex UK equity index fund	22.6	22.7	0.1	13.7	13.6	0.1
BlackRock UK equity index fund	18.0	18.2	(0.2)	5.3	5.4	(0.1)
BlackRock over 15 Year gilt Index fund	(7.3)	(7.3)	0.0	4.0	4.1	(0.2)
Blended global equity fund*	19.4	18.9	0.5	N/A	N/A	N/A
Blended index linked gilt fund	4.5	4.7	(0.2)	3.1	3.2	(0.1)
Annuity targeting fund	3.7	3.9	(0.2)	3.1	3.3	(0.2)
Active funds						
Blended multi-asset fund**	7.6	5.7	1.9	6.0	4.6	1.4
Threadneedle pensions property fund	21.4	19.1	2.3	6.9	7.0	(0.1)
Jupiter ecology fund	19.6	13.1	6.5	12.4	25.2	(12.8)
MFS Meridian global equity fund	18.6	25.9	(7.3)	12.1	15.9	(3.8)
BlackRock Institutional sterling liquidity fund	0.0	(0.1)	0.1	0.3	0.2	0.1
BMO responsible global equity fund*	20.0	23.5	(3.5)	N/A	N/A	N/A
Short duration credit fund*	0.3	1.6	(1.3)	N/A	N/A	N/A

Source: Aviva, underlying managers. Returns are shown net of annual management charge ("AMC"). 5 year performance is annualised.

* Due to the date that this fund was launched, longer-term performance is not available.

** This fund is shown relative to their performance targets rather than their respective benchmarks. The performance and target of the Blended multi-asset fund reflect the changes to the underlying asset allocation implemented on 30 June 2020.

Further information on the performance of these funds is contained in the Report and Financial Statements, which can be found in the Library section of our website.

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*

Other Committees

Investment Committee

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

Property Trustee

- James Joll – *Chairman*
- Mark Collins
- John Plender
- Michael Kearton
- Patrick Crawford – *appointed 1 December 2021*

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

Actuarial Services

- XPS Pensions Group plc

Investment Consultants

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

Bankers

- Royal Bank of Scotland plc

Legal Advisers

- Linklaters LLP

The pensions team

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

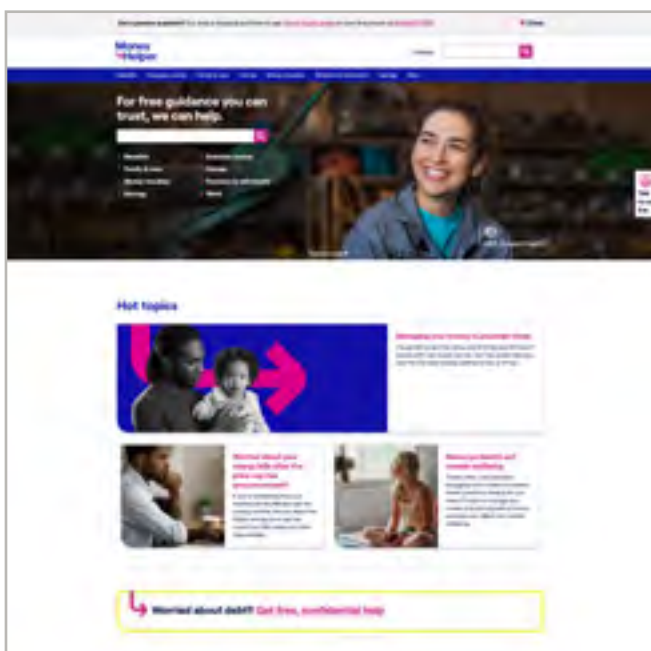
Wasdale, Lake District, Cumbria

Could you be a trustee?

The term of office of two of the member-nominated trustee directors ends in February 2023.

This means that we will be inviting nominations for the member-nominated trustee director role, although the current post-holders may stand for re-selection. Member-nominated directors are provided with the training they need and have a key role in ensuring the smooth running of the Plan. Duties will include attendance at regular Trustee Board meetings, of which there are at least four per year (up to 4 hours in duration with preparation required beforehand) and any other committees that the individual is appointed to.

Further details will be sent out later in the year, setting out the process and explaining how you can put your name forward for this rewarding part-time role.



Who is MoneyHelper?

MoneyHelper is a government service that has linked money and pensions guidance to make it easier to find the right help and information for you. The topics covered on the site include everyday money, homes, benefits and work as well as pensions and retirement. This new organisation brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.

You can read more about all the services they offer on their website at: www.moneyhelper.org.uk

Guidance for DC members

From 1 June 2022, if you are over the age of 50 and have a Defined Contributions (DC) pension pot, which could be in the Money Purchase 2003 Section, the Auto Enrolment Section or an Additional Voluntary Contribution (AVC), the Trustee is required to check that you have received guidance from Pension Wise before you take retirement benefits or transfer out of the Plan. Pension Wise is a government service that offers free, impartial pensions guidance.

We will provide you with all the information on how to access the guidance or opt out when we send your quotation and it is important that you act promptly to avoid any delay in paying your benefits.

Please note that a Pension Wise appointment only provides 'guidance' on the options available. It does not recommend specific pension providers or funds, nor recommend how much money to withdraw when. You still have to make those decisions yourself – or pay an independent financial adviser to help.



Do you know how to spot a scam?

Pension scams are still very common, and they are getting very sophisticated so it is important that you know how to spot a scam. You can find lots of useful hints and tips as well as the steps you can take to protect your savings on our website at:

www.pearson-pensions.com/learning-zone/dont-get-scammed.



Keeping in touch

The Trustee has a responsibility to hold current contact details for all the members of the Plan. This is also important for you as it means that we can keep you updated with information about your pension and any recent pension news.

It is quick and easy to update your personal details using our simple online forms, just go to:

www.pearson-pensions.com/I-want-to



The pensions team is here to help you with any queries you may have about your pension.

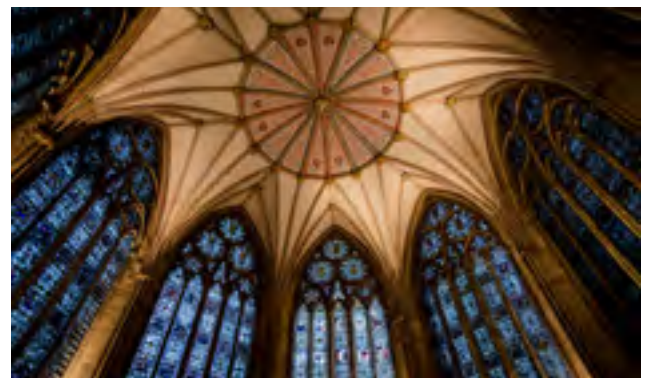
	<p>You can contact us securely through our website at www.pearson-pensions.com/contact-us/</p> <p>You can also contact the Trustee directly, by using the contact us form on the website.</p>
	<p>You can email us at pensions.help@pearson.com</p>
	<p>You can call our helpline (Freephone) on 0800 7811378. We are open 8am to 6pm Monday to Friday (except Bank Holidays)</p>
	<p>You can write to us at: The Pearson Pension Plan, PO Box 9519, Sherborne, DT9 9EN</p>
	<p>Book a virtual meeting</p> <p>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/</p>



York, Yorkshire

Thinking of retiring early?

There has been a change to pension legislation. With effect from 2028 the earliest age you can apply to take your pension will increase from 55 to 57.



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 Annual Report reflects the Trustees understanding of the applicable tax rates and legislation at the time of issue. If there are any differences between this communication and the Rules, the Rules, as amended from time to time, and governing legislation will apply.





CONTACT US



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