

Your 2023 Annual Report

Building for tomorrow, today





MESSAGE FROM THE CHAIRMAN



Field in Essex

Welcome

I am delighted to present the 2023 Annual Report

This report provides a summary of the Plan's finances and investments. However, if you would like to read the full Report and Financial Statements 2022, it can be found on our website – simply scan the code on page 3. In the Library section of the website, you can also find copies of the Chairman's Statement, Statement of Investment Principles, the Implementation Statement and our Climate change report. 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 2023 and I am pleased to report that it continues to improve. You can find more details on page 3.

The term of office for two of our member nominated trustee directors (MNT) came to an end earlier in the year. The call for nominations resulted in a record number of applicants all of a high standard. Following an in-depth interview process, I am pleased to announce that Lou Jones has been reappointed and George Graham, formerly a financial journalist at the FT and trustee of another

major pension scheme, has also joined the Trustee board. As part of the selection process, Nigel Rendell decided to step down as an MNT; I would like to thank Nigel for his time and dedication as an MNT.

With effect from 1 April 2023, the Trustee has taken full ownership of Pearson Pension Trustee Services Limited, which is the legal entity which employs the pensions team that handles the day to day administration of the Plan on behalf of the Trustee. This decision was taken as both Pearson and the Trustee felt that this was in the best interest of members of the Plan, as it will ensure that the pensions team can focus on ensuring that the Plan continues to be run smoothly both now and in the future.

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 11.

James Joll
Chairman, Pearson Pension Trustee Limited

Summary Funding Statement 2023

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 2023. 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 2023, the Plan was 111% funded. This compares to 106% as at 1 January 2022 and 104% at 1 January 2021.

The main reason for the change in the funding level since 1 January 2022 was due to changes in financial conditions. As a result of the Plan's deliberately matched investment policy our liabilities have reduced more than our assets.

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. The Trustee regularly monitors this position.

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 last 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 2023 are both available in the library on the Plan's website.



St George's Clock, Canterbury, Kent

Over the year the Plan became subject to new regulatory requirements in respect of Climate Change, in particular the TCFD (Taskforce for Climate-related Financial Disclosures) requirements to identify, assess and manage climate change related risks. This report is also available in the Library on the Plan's website and a hard copy is available on request.

Library



<https://www.pearson-pensions.com/library/>

The Plan's finances

We have summarised below the financial movements in the year ended 31 December 2022

(£m)

Value of the Plan's assets on 31 December 2021	4,348.3
Money coming in	
Company contributions	16.4
Member contributions	7.3
Transfers in	0.2
Investment and other income	109.7
Total income	133.6
Money going out	
Benefits paid	(105.8)
Payments to and on account of leavers	(23.8)
Other payments	(0.3)
Investment management expenses	(1.4)
Administration expenses	(7.5)
Total expenditure	(138.8)
Change in market value of investments	(1,088.0)
Value of the Plan's assets on 31 December 2022	3,255.1

The Plan's finances at a glance

Events in 2022, such as high inflation and September's mini budget, caused significant market volatility which affected the assets under both the Defined Benefit (DB) and Defined Contribution (DC) sections of the Plan. The DB sections remain in surplus, as the Plan's liabilities decreased to a similar extent to the assets. As funds in the DC sections* were also affected, we recommend that members in the DC sections review their chosen investment to ensure it still aligns with their retirement goals.

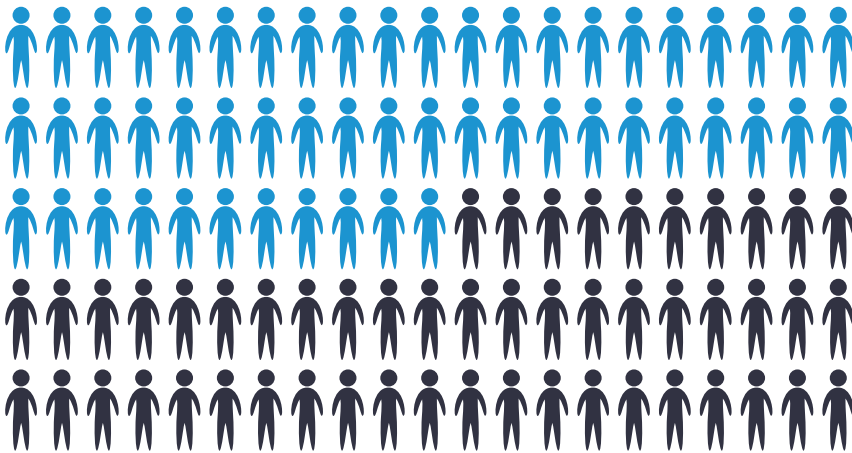


* The DC Sections includes the Money Purchase (MP03) Section, the Auto Enrolment (AE) Section as well as members who pay Additional Voluntary Contributions (AVCs).

Membership

On 31 December 2022 there were **26,490** Plan members.

Total Membership



51%

Total: 13,488
Defined contribution sections

49%

Total: 13,002
Defined benefit sections

Defined contribution sections



Defined Benefit sections



The Plan's Report and Financial Statements for the year ended 31 December 2022 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 2022, the assets of the Plan's defined benefit sections were spread across the following investment types:

	Allocation %	
	2022	2021
Return seeking assets		
Property	0.5	0.4
Private equity	0.5	0.5
Trade Finance	2.0	0.0
Infrastructure	4.2	3.1
Total	7.2	4.0
Liability matching assets		
Liability driven investment (mainly government bonds)	25.0	31.8
Bonds	5.0	5.6
Infrastructure	9.5	5.7
Property	6.5	5.4
Cash	1.1	0.7
Total	47.1	49.2
Policies with insurance companies	45.7	46.8
TOTAL	100.00	100.00



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 2022 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	(34.6)	(34.4)	(0.2)	(4.5)	(4.4)	(0.1)
BlackRock world ex UK equity index fund	(9.4)	(9.4)	0.0	8.8	8.7	0.1
BlackRock UK equity index fund	(0.5)	(0.4)	(0.1)	2.6	2.8	(0.2)
BlackRock over 15 year gilt Index fund	(40.9)	(40.1)	(0.8)	(7.0)	(6.7)	(0.4)
Blended global equity fund*	(1.5)	(1.9)	0.4	N/A	N/A	N/A
Blended index linked gilt fund	(17.0)	(16.9)	(0.1)	(1.6)	(1.4)	(0.2)
Annuity targeting fund	(18.6)	(18.4)	(0.2)	(1.9)	(1.8)	(0.1)
Active funds						
Blended multi-asset fund*	(11.9)	5.8	(17.7)	2.3	4.9	(2.6)
CT Pensions property fund	(10.8)	(9.5)	(1.3)	2.7	2.9	(0.2)
Jupiter ecology fund	(12.6)	(16.0)	3.4	6.7	17.9	(11.2)
MFS Meridian global equity fund*	(8.1)	(4.8)	(3.3)	7.8	11.7	(3.9)
BlackRock Sterling liquidity fund*	1.3	1.4	(0.1)	0.6	0.5	0.1
CT responsible global equity fund	(13.2)	(7.4)	(5.8)	9.6	9.2	0.4
Short duration credit fund*	(6.8)	2.9	(9.7)	N/A	N/A	N/A

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

* You can find more information about the funds and their benchmarks in the full Report and Financial Statements 2022, which can be found in the library section on the Plan website: www.pearson-pensions.com/library

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 – CHAIR

John Plender

Lynn Ruddick

'A' directors

COMPANY NOMINATED

Michael Kearton

Joanne Russell

Will Nash

MEMBER NOMINATED

Lou Jones – REAPPOINTED 22 FEBRUARY 2023

Nim Maradas

Nigel Rendell – RESIGNED 21 FEBRUARY 2023

George Graham –

APPOINTED 22 FEBRUARY 2023

Company Secretary

Stephen Beaven

Other Committees

Investment Committee

James Joll – CHAIR

Mark Collins

John Plender

Michael Kearton

Patrick Crawford

Property Trustee

James Joll – CHAIR

Mark Collins

John Plender

Michael Kearton

Patrick Crawford

Audit and Risk Committee

Ian Armfield – CHAIR

Lou Jones

Michael Kearton

Helena Peacock –

RESIGNED 31 DECEMBER 2022

Will Nash – APPOINTED 14 SEPTEMBER 2022

Death Benefits Committee

Nigel Rendell –

FORMER CHAIR – RESIGNED 21 FEBRUARY 2023

Stephen Beaven

Nim Maradas –

CURRENT CHAIR – APPOINTED 8 MARCH 2023

George Graham –

APPOINTED 22 MARCH 2023

Remuneration Committee

John Plender –

CHAIR APPOINTED 4 MAY 2022

James Joll –

FORMER CHAIR RESIGNED 4 MAY 2022

Michael Kearton – RESIGNED 4 MAY 2022

Joanne Russell – RESIGNED 4 MAY 2022

Will Nash

Nigel Rendell –

APPOINTED 4 MAY 2022 AND RESIGNED

21 FEBRUARY 2023

Lou Jones – APPOINTED 8 MARCH 2023

Rules Committee

James Joll – CHAIR

Nigel Rendell – RESIGNED 21 FEBRUARY 2023

Will Nash

George Graham –

APPOINTED 22 FEBRUARY 2023

Internal Dispute Resolution Process Committee

James Joll – CHAIR

Nigel Rendell –

RESIGNED 21 FEBRUARY 2023

Nim Maradas

George Graham –

APPOINTED 22 FEBRUARY 2023

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 UK Limited (Infrastructure & Property funds only)

Bankers

National Westminster Bank 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, Chief Executive Officer of Pearson Pension Trustee Services Limited.

Directors of Pearson Pension Trustee Services Limited

Lynn Ruddick – CHAIR

Nim Maradas

Will Nash

Stephen Beaven

Amy Thrower

Budget 2023 – what it means for your pension

In the March budget the Government announced three key changes to the tax relief you can get when saving towards your pension.

Annual Allowance

The annual allowance rose from £40,000 to £60,000 in April 2023. This is the maximum amount you can pay into your pension pot before you start paying tax.

You can only receive tax relief on up to 100% of your total income below the annual threshold. So, if your total income is £30,000 a year, that's how much you can pay into your pension each year while still receiving tax relief.

If you are a high earner, the annual allowance reduces, or 'tapers', though the amount you can earn before the taper applies is being increased, from £240,000 to £260,000. For every £2 you earn above the threshold, your annual allowance reduces by £1 until it reaches a minimum of £10,000 (for those with an annual income of £320,000 or more).

The Annual Allowance for the year 2022/23 remains at £40,000 and the Taper threshold remains at £240,000.

Lifetime Allowance

The lifetime allowance, currently £1,073,100, will be abolished entirely from April 2024. The lifetime allowance was the total amount that could be saved into your pensions, without paying a tax charge when your pensions are paid. However, on 6 April 2023, this charge was removed. Now, broadly speaking, the lifetime allowance provides a cap on the maximum amount that can be taken tax-free from your pensions.

Money Purchase annual allowance

If you start to take money from 'defined contribution' pensions, the amount you can pay into a defined contribution pension and still get tax relief may be limited. This limit is known as the money purchase annual allowance (MPAA). If you have triggered the MPAA, then the limit increased from £4,000 to £10,000 a year from 6 April 2023. For more information go to <https://www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/money-purchase-annual-allowance-mpaa>

General Guidance

If you are thinking of withdrawing money from your pension, or just want general guidance, you can contact MoneyHelper, a government-led guidance service, either online or over the phone on **0800 011 3797**.

For those with 'defined benefit', or 'final salary', pensions, the annual allowance is more complicated, as these pensions are designed to give you a guaranteed income for life. If you are not sure how the new allowance will affect you, contact the helpline on **0800 7811378**.



📍 Outside of Bank of England





Capita cyber incident

Capita, who process our pensioner payroll, experienced a cyber incident at the end of March. The Trustee has remained in regular contact with Capita throughout their forensic investigation. We have contacted all pensioners detailing the information that may have been accessed.

The Trustee takes the security of member data very seriously and is working closely with Capita to obtain assurances that there are systems and processes in place to minimise the ongoing risk to members.

We appreciate that this news is concerning, and we are very sorry that this has happened. Most importantly, we want to reassure you that your benefits in the Plan are safe and unaffected by the incident.



Report a death

Losing a loved one is always a difficult time so we have done everything that we can to make dealing with us as simple as possible.

You can notify the team about the death of one of our members using the simple online form on our website. Alternatively, if you prefer to contact us by telephone, you can reach a dedicated member of our team on **0800 781 1378** and then selecting option 5.



We've signed the pledge

The Trustee is committed to protecting the Plan members from fraud and to following the principles of the Pensions Scams Industry Group (PSIG) Code of Good Practice. It has therefore signed up to the Scams Pledge launched by the Pensions Regulator. By signing the Pledge, the Trustee has committed to:

- regularly warn members about pension scams
- to follow specific regulatory procedures when a member requests to transfer their pension out of the Plan
- report concerns about a scam to the authorities and communicate this to the member.

You can read more about the Pledge on the Pensions Regulator's website at <https://www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams>



Be smart, be safe!

Do you know how to spot a scam? You can find lots of useful hints and tips as well as steps you can take to protect your savings on our website at:



<https://www.pearson-pensions.com/learning-zone/dont-get-scammed/>


Staying in touch

The Trustee has a legal responsibility to ensure that pensions, and any associated benefits from the Plan, are paid correctly to members and their dependants. As part of this responsibility, we regularly ask members who are in receipt of a pension to confirm that the personal information we hold is up to date and accurate. It is important that when you receive this request that you respond as quickly as possible as failure to respond may result in your pension payments being suspended if we cannot confirm your details.

If you are in receipt of a pension from the Plan, the easiest way to confirm or update your personal information, including your current address, is to log in to our secure member website and update any details which may have changed. You can access the secure member website by visiting <https://pearson-pensions-portal.com>

All members can also update their personal information by completing the Change of Details form on our website at: www.pearson-pensions.com/change-of-details-form/. Members in the MP03 or AE sections of the Plan can also update their details through Aviva My Workplace at <https://workplace.aviva.co.uk/myworkplace/>

Change of Details form









https://www.pearson-pensions.com/change-of-details-form/

In some instances, the Trustee will use a company called LexisNexis, who specialise in confirming member details for pension schemes and life assurance plans, to help in tracing members of the Plan. For example, if we have received returned communication marked 'gone away' we use LexisNexis' tracing solutions to re-establish contact with you.



Telephone box, Cambridge, England

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

	You can contact us securely through our website at www.pearson-pensions.com/contact-us/
	You can also contact the Trustee directly, by using the contact us form on the website.
	You can email us at pensions.helpline@pearson.com
	You can call our helpline (Freephone) on 0800 7811378 (+44 203 788856 from overseas). We are open 8.30am to 5.30pm 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/



Ilfracombe, North Devon, England

IMPORTANT NOTE:

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 Trustee's 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



Website: www.pearson-pensions.com | Email: pensions.helpline@pearson.com | Helpline: +44 (0) 800 7811378