The Pearson Pension Plan

Actuarial Report as at 1 January 2026

24 June 2026

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Throughout this report:

‘Plan’ refers to The Pearson Pension Plan

‘Trustee’ refers to the Directors of Pearson Pension Trustee Limited

‘Employer’ refers to Pearson Services Limited

‘2024 valuation’ refers to the actuarial valuation of the Plan as at 1 January 2024

01 Introduction

01.01 Background and purpose

This report provides information on the development of the technical provisions of the Pearson Pension Plan over the period since the actuarial valuation as at 1 January 2024 in line with the requirements of Section 224 of the Pensions Act 2004. As such, this report constitutes an 'actuarial report'.

This report provides an update of the funding position of the Plan as at 1 January 2026 and is the second update report following the 1 January 2024 actuarial valuation.

This report provides a comparison of how the value of the Plan's assets compares to the value of its accrued liabilities (otherwise known as its "technical provisions"), using the scheme funding assumptions and so the information provided only relates to an assessment of the statutory funding objective.

Legislation requires the Trustee to make this report available to Pearson Services Limited and other participating companies within seven days of receiving it.

This report, and the work undertaken to produce it, is compliant with Technical Actuarial Standard ("TAS") 100 and TAS 300, set by the Financial Reporting Council. No other TASs apply. The report has been written on the basis that decisions (other than simply deciding not to bring forward the effective date of the next valuation) will not be based on its contents. Appropriate advice should be obtained before any follow up actions are taken.

02 Approach adopted

02.01 Asset data

We have obtained the market valuation of the Plan's assets from the Trustee's draft report and accounts for the year ended 31 December 2025. These show total asset valuations of:

- Defined Benefit Sections: £2,196m
- Defined Contribution Sections, including Additional Voluntary Contributions ("AVCs"): £859m

The Defined Benefit Sections asset figure comprises insured annuity policies valued at £902m and other non-insured assets standing at £1,294m. The value of the insured annuities used in this report is not taken from the draft report and accounts but instead calculated to be identical to the related liability. The assumptions used to value the insured asset and liability are set out in Section 02.03.

In this report we have used the valuation of the illiquid assets from the draft report and accounts without adjustment.

These values are unaudited and there may be differences between the figures in the draft accounts and the final published accounts which could affect the results shown in this report.

Approach adopted

02.02 Member data and calculation methodology

For this update we have performed full liability calculations as at 1 January 2026.

For the Defined Benefit Sections' non-insured members, the calculations are based on membership data at 1 January 2024 as received for the actuarial valuation as at 1 January 2024. We have then made an approximate global allowance for membership movements since 1 January 2024 by adjusting the liabilities for cash flow information from the Plan's accounts.

For the Defined Benefit Sections' insured members, the calculations are based on membership data at 31 December 2025. Please see Robert Evans' report "Valuation of the insured annuity policies as at 31 December 2025" for a summary of this data.

My calculation of the liabilities allows for actual pension increases experienced by members to 1 January 2026, as well as any known inflation which has yet to crystallise into members' benefits. In addition to the pension increase required under the Plan's rules, discretionary increases as at 1 April 2024 and 1 January 2025 were awarded to some members of the Plan. An approximate allowance of £13m has been added to the liabilities in respect of these discretionary awards.

The membership data does not include GMP equalisation and so it is necessary to add an allowance for this to the calculated liabilities. To estimate the impact of GMP equalisation, I have obtained the individual benefit amounts allowing for GMP equalisation exercise and used these to scale the corresponding member-by-member pre-equalised liabilities. I have estimated the approximate impact of GMP equalisation on liabilities for current members is £11m (including backpay since paid out of the Plan's liabilities and captured via the approximate global allowance for membership movements). I have then also added an allowance for GMP equalisation of historic cases of £2m, as set out in the Statement of Funding Principles.

The draft report and accounts show that around £13.5m of funds from the Defined Contribution Sections have been transferred to the Defined Benefits Section since 1 January 2024 to internally annuitise funds on retirement. As a proxy for the pension obligation now payable from the Defined Benefit Section, I have therefore added this amount as a corresponding liability to the Defined Benefits Sections liabilities in the 'Expenses & reserves' item.

The Trustee should note that the results of these calculations may differ from the actual position disclosed if we were to carry out more detailed calculations based on full membership data at 1 January 2026. However, we consider the approach adopted to be adequate for the purposes of assessing the progression of the Plan's funding level since the previous formal actuarial valuation.

Benefits in relation to Defined Contribution Sections members, including those with the Reference Scheme Test ("RST") underpin, have been valued using membership data and fund values as at 1 January 2026. These details have been supplied by the Pensions team.

02.03 Actuarial assumptions

The statement of funding principles dated 18 March 2025 ("2024 SFP") sets out how the assumptions to calculate the technical provisions are to be derived.

The main financial assumptions I have used*, based on market conditions as at 1 January 2026, are summarised in the table below (together with the assumptions used as at 1 January 2024 and 1 January 2025):

The net discount rate at 1 January 2026 is higher than at 1 January 2024 resulting in a decrease in the value of the liabilities.

Funding assumptions (p.a.)	1 January 2024	1 January 2025	1 January 2026
Discount rate for non-pensioners*	4.25%	5.23%	5.32%
Discount rate for pensioners*	4.00%	4.98%	5.07%
Future Retail Prices Index ('RPI')*	3.46%	3.51%	3.11%
Future Consumer Prices Index ('CPI')	Pre 2030: RPI inflation less 1.0% pa Post 2030: RPI inflation less 0.0% pa		
General salary escalation*	3.96%	4.01%	3.61%
Expected returns on Money Purchase funds*	6.00%	6.98%	7.07%
Pension increases	Set using the assumed rate of inflation and a Black-Scholes model with inflation volatility of 1.5% per annum for RPI linked increases and 1.0% for CPI linked increases		
Mortality pre- and post-retirement	As detailed in 2024 SFP	2024 SFP except: CMI_2023 with w2020/w2021 of 0%, w2022/w2023 of 30%	2024 SFP except: CMI_2024 with half-life parameter (H) of 0.75
Commutation	18% of pension on terms derived using investment returns of 1.0% above nominal gilts		
Transfer values	7.5% of members assumed to take a transfer value at retirement, equal to 87% of the value of the technical provision liability		
Proportion married	Actual marital data where available, else consistent with 87%(M)/73% (F) at retirement		
Expense reserve	£100m		
GMP Equalisation	£19m allowance (current members - £17m) (historic cases - £2m)		£13m allowance (current members - £11m) (historic cases - £2m)

**The actual assumptions used are based on full gilt yield curves and inflation yield curves. The figures quoted in the table above are based on the Bank of England spot yield at the duration of the Plan's liabilities (14 years at 1 January 2024) and are shown for illustrative purposes only.*

No explicit allowance for climate-related risk is made in the assumptions and therefore are not allowed for in the figures in this report.

03 Results

£297m

Surplus at
1 January 2026

03.01 Results of funding update

The technical provisions represent a prudent estimate of the amount needed at the valuation date to meet the projected benefit payments as they fall due. The technical provisions and the resultant funding position as at 1 January 2026 are set out in the following table. The corresponding results from 2024 and 2025 are shown for comparison purposes.

Funding position (£ms)	1 January 2024	1 January 2025	1 January 2026
Plan liabilities in respect of:			
> Defined benefits	2,092	1,808	1,764
> Expenses & reserves	141	141	149
> AVCs and other money purchase benefits	696	770	860
Technical Provisions (L)	2,929	2,719	2,763
Value of Assets (A)	3,184	2,982	3,060
Surplus/(Shortfall) (A – L)	255	263	297
Funding Level (A / L)	109%	110%	111%

111%

Funding level at
1 January 2026

In the table above 'AVCs and other money purchase benefits' includes the sum of the Defined Contribution Sections assets and the RST underpin strain. As at 1 January 2026 these were £859m and £2m* respectively. The 'Expenses & reserves' includes an allowance for expenses, GMP equalisation, death in service lump sum premiums, ill health retirements, spouses' benefits for Money Purchase 2003 members and reserves for internally annuitised Defined Contribution Sections benefits within the Defined Benefit Sections.

The value of insured annuities in the draft Plan accounts at 31 December 2025 is £902m. The insured asset and liability figures in our funding assessment at 1 January 2026 have been updated to use CMI 2024 with a half life parameter of 0.75. This increases the value of the insured annuities to £908m. As the liability for insured benefits is set equal to this figure, there is no item of surplus or deficit relating to the insured benefits.

**Figures quoted above do not sum to those in the table due to rounding.*

03.02 Reconciliation with the results of the previous valuation

£42m

Gain over the period

Since 1 January 2024, the Plan's surplus has increased from £255m to £297m. This increase in surplus is a result of:

- Interest has continued to accrue on the surplus
- Gilt yields ended 2025 higher than they began at the start of 2024 and over the same period expectations of inflation fell. These changes in financial conditions (which underlie the actuarial assumptions used to value the liabilities) have placed a lower value on the liabilities. This was offset by a corresponding fall in the value of the Plan's matching assets.
- The Plan's growth assets performed better than assumed over the year which has caused the surplus to increase.
- Discretionary increases as at 1 April 2024 and 1 January 2025 were awarded to some members of the Plan which caused the surplus to decrease.

A more detailed breakdown of this increase in the surplus since 1 January 2024 is provided below:

	24 months to 1 January 2026 £m
Surplus as at 1 January 2024	**255**
Interest on surplus	20
Discretionary increases awarded at 1 April 2024 and 1 January 2025	(13)
Update to mortality assumptions to use CMI 2024	(1)
Update to the GMP equalisation expense reserve	6
Expenses and insurance premiums paid above reserve	(9)
Increase in surplus due to RST underpin pension reserves	2
DC contributions funded from surplus	(7)
Change in interest rate and inflation assumptions net of asset experience	47
Other small items	(3)
Surplus as at 1 January 2026	**297**

04 Formal reassessment of funding

The next formal actuarial valuation of the Plan is due no later than 1 January 2027 when we will provide further details of how the Plan's funding level has developed.

1 January 2027

Next formal valuation due

Signature

Date
24 June 2026

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