

Pearson Group Pension Plan

Recovery Plan

Status

This recovery plan has been prepared by the Trustee of the Pearson Group Pension Plan ("the Plan") to satisfy the requirements of Section 226 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary. This plan has been discussed and agreed with the Principal Company, Pearson Services Limited ("the Company") on behalf of all the participating employers in the Plan.

The actuarial valuation of the Plan as at 1 January 2015 revealed a funding shortfall (technical provisions minus value of assets) of £27 million. The recovery plan also takes into account the additional shortfall arising as a result of:

- 1 the future service contributions paid in 2015 being less than the amount required to fund the additional accrual of benefits until 31 December 2015
- 2 the assets received as a result of the merger of the TQ Pension Scheme and the Plan being less than the amount required to fund the benefits transferred in; and
- 3 the additional liability that may arise as a result of possible augmentations to align pension increase dates for all members at 1 January.

Steps to be taken to ensure that the statutory funding objective¹ is met

To eliminate this aggregate shortfall of assets, the Trustee and the Company have agreed that additional contributions will be paid to the Plan by the participating employers as follows:

| | |
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| From 1 January 2012 to 31 December 2015: | £40.8 million per annum payable in monthly instalments |
| By 31 August 2015: | £2.62 million |
| 1 May 2015: | £12.645 million |
| On each of 1 January, 31 March, 30 June and 30 September 2015 (inclusive): | £75,000 |

¹ The statutory funding objective is defined in section 222 of the Pensions Act 2004. Every scheme must have sufficient and appropriate assets to cover its technical provisions.

Period in which the statutory funding objective should be met

The funding shortfall is expected to be eliminated in 10 months from the effective date of the valuation, which is by 31 October 2015. These expectations are based on the following assumptions:

- technical provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 17 July 2015;
- financial and demographic experience being in line with the assumptions set out in the Statement of Funding Principles dated 17 July 2015;
- a bulk transfer of the asset and liabilities of the TQ Pension Scheme to the Plan takes place on 30 April 2015 which, allowing for the payment from the Company to the Plan of £12.645 million on 1 May 2015 set out above in addition to the receipt of the assets of the transferring scheme, increases the deficit by £0.6 million at 30 April 2015;
- possible benefit enhancements to members to align pension increase dates at 1 January which are not included in the technical provisions, that may increase the deficit by £1 million as at 1 January 2015.
- returns on the Plan's assets being 0.15% pa in excess of the discount rates used to calculate the technical provisions; and
- contributions paid in accordance with the Schedule of Contributions dated 22 July 2015.

Agreed on behalf of the Trustee:

Name: JAMES JON

Signed: 

Date: 22 July 2015

Agreed on behalf of Pearson Services Limited:

Name: ROBIN FREESTONE

Signed: 

Date: 22 July 2015