

Q. Does this apply to me?

- A. You will only receive a letter or email about this if you are a defined benefit (DB) member of The Pearson Pension Plan (the Plan). **There is no action for you to take.** This announcement is provided for information only.

Q. I am a member of the Money Purchase 2003 (MP03) Section, does this affect me?

- A. No, as you are a defined contribution (DC) member of the Plan, your pension benefits are dependent on the value of your Pension Pot which is separately invested in an individual investment account for you.

As a member of the MP03 Section, you also have additional ill-health and death in service benefits which mean that you, or your dependants, may become a pensioner member of the Plan. Therefore, it is important for you to know that the Plan has a strong funding position and the buy-ins will provide additional security in these unfortunate circumstances.

Q. I am a member of the Auto Enrolment (AE) Section, does this affect me?

- A. No, as you are a defined contribution (DC) member of the Plan, your pension benefits are dependent on the value of your Pension Pot which is separately invested in an individual investment account for you.

Q. Why is the Trustee taking this step?

- A. The Plan's strong funding position has allowed the Trustee to follow an ongoing strategy of reducing risk by aligning investments more closely with the pension benefits we will need to pay to members now and in future years. This buy-in policy, together with the two that were purchased in 2017, protect the Plan against the risk that we will have to pay pensions to members for longer than currently expected. After this transaction c.50% of the Plan's liabilities are now insured.

Q. What is a buy-in?

- A. A buy-in is an insurance policy which the trustees of a pension scheme can purchase to cover a proportion of the scheme liabilities. The buy-in policy provides income equal to the pensions payable in respect of these liabilities. The trustees hold the policy as an asset and remain responsible for paying the pensions.



Awarded for the
Plan's Money Purchase
2003 section



Questions and answers

Q. How did the Trustee make this decision?

- A. The buy-in agreements in 2017 were established as “Umbrella Contracts” which allowed for future buy-in transactions to be executed using similar terms so that the Trustee could move quickly to take advantage of attractive insurance contract pricing, as was the case in this instance.

Q. What does this mean for my benefits in the Plan?

- A. The amount of any benefits payable to you or your dependants from the Plan is not affected by the insurance policies. Any benefits for you or your dependants will continue to be paid directly from the Plan and your annual pension will continue to be reviewed in accordance with the pension increase rules of your section of the Plan.

Q. Does this mean Pearson is no longer supporting the Plan?

- A. No. Pearson’s obligations to the Plan continue as before.

Q. Are all members being treated equally?

- A. Yes. The insurance policies are investments that reduce the overall funding risk of the Plan and improve the financial security for all DB members.

Q. How are the insurance companies regulated?

- A. Legal & General is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Q. Does the Trustee plan to purchase further buy-in policies?

- A. Further buy-ins may be considered as part of the Trustee’s strategy to further reduce risk over time and further protect the security of benefits. The Trustee will take such steps if it believes it is in members’ interests to do so based on professional advice and taking account of market conditions and insurance pricing at the time.

The Trustee has now insured the vast majority of pensioner liabilities (c.95%). However, as more members retire, and become pensioners, there will be opportunities to consider further buy-ins.