THE PEARSON PENSION PLAN

CHAIRMAN'S DEFINED CONTRIBUTION GOVERNANCE STATEMENT

1. Introduction

The Plan is required to produce a yearly statement to describe how governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the default arrangements and other funds members can select or have assets in, such as "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- the net investment returns for each investment option members were able to select during the Plan year;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement has been prepared in accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and covers the period 1 January 2023 to 31 December 2023.

2. The default investment arrangements

The Plan has the Auto Enrolment ("AE") section, which is used as a Qualifying Scheme for auto-enrolment, and the Money Purchase 2003 ("MP03") section, which is not. Together these are the Defined Contribution ("DC") sections of the Plan ("DC Sections"). Members who do not opt in to or are not eligible for the MP03 section are auto-enrolled into the AE section. Members of both sections are given the same investment choices and have the same default investment strategies.

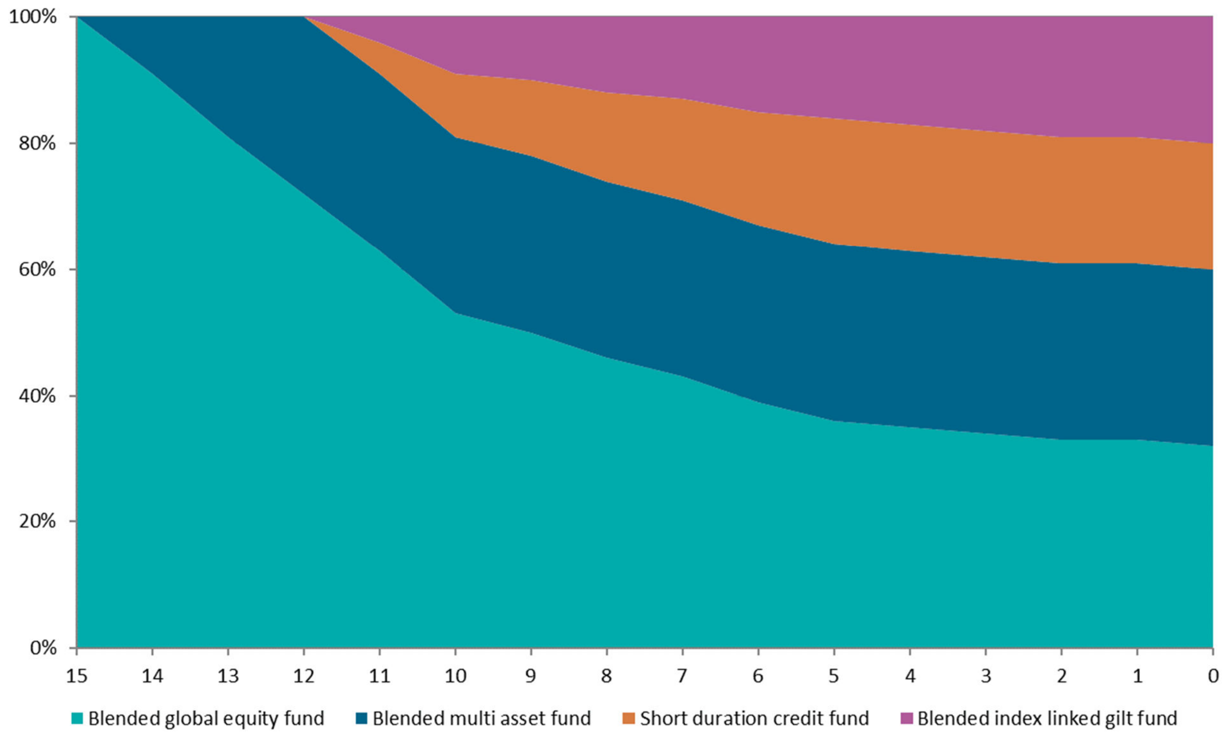
Some members of the DC Sections of the Plan make their own investment choices from the range of investment options made available by the Trustee, but those who do not make an explicit choice regarding the investment of their funds are placed automatically into a default arrangement. After taking advice, the Trustee decided to make the default arrangement a lifecycle strategy, which means that members' assets are automatically moved between different investment funds within the default lifecycle arrangement as they approach their target retirement date.

There are three separate default lifecycle strategies: the 'Drawdown lifecycle', the 'Cash lifecycle' and the 'Annuity lifecycle'. Details of how member contributions are invested into the different default lifecycle strategies are set out below.

Where an explicit choice has not been made by the member, contributions are invested into the 'Drawdown lifecycle'. The Drawdown lifecycle is also the default arrangement for members who make Additional Voluntary Contributions ("AVCs"). This applies to all existing members that have assets invested in the MP03 and AE sections that are targeting drawdown and also new members. This does not apply, however, to AVC benefits where the member has no assets already invested in the Drawdown lifecycle through the MP03 or AE sections, or is a defined benefit ("DB") member with AVC benefits, but no assets in these aforementioned DC sections.

The Trustee is required to calculate the percentage of the Plan assets within the default arrangements allocated to key asset classes. In line with DWP's guidance, this asset allocation is shown for different ages as at the Plan year end.

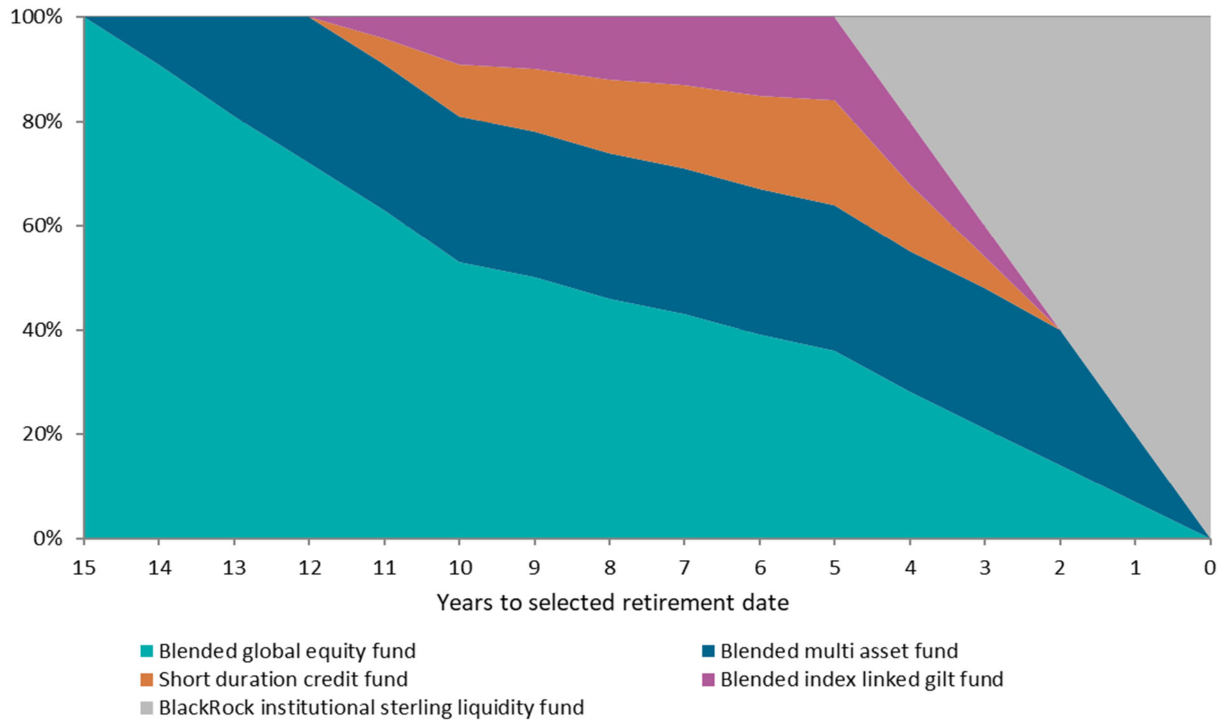
The asset allocations in the years leading up to retirement for the Drawdown lifecycle are shown below:



Drawdown lifecycle				
Asset class	**Allocation 25 y/o %**	**Allocation 45 y/o %**	**Allocation 55 y/o %**	**Allocation at retirement %**
Cash	0.0	0.0	4.2	4.3
Corporate bonds (UK and overseas)	0.0	0.0	19.1	22.7
UK government bonds	0.0	0.0	17.0	24.0
Overseas government bonds	0.0	0.0	1.5	1.5
Listed equities	100.0	100.0	53.4	42.4
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	0.0	0.0	0.9	0.9
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	4.0	4.3

Totals may not sum due to rounding.

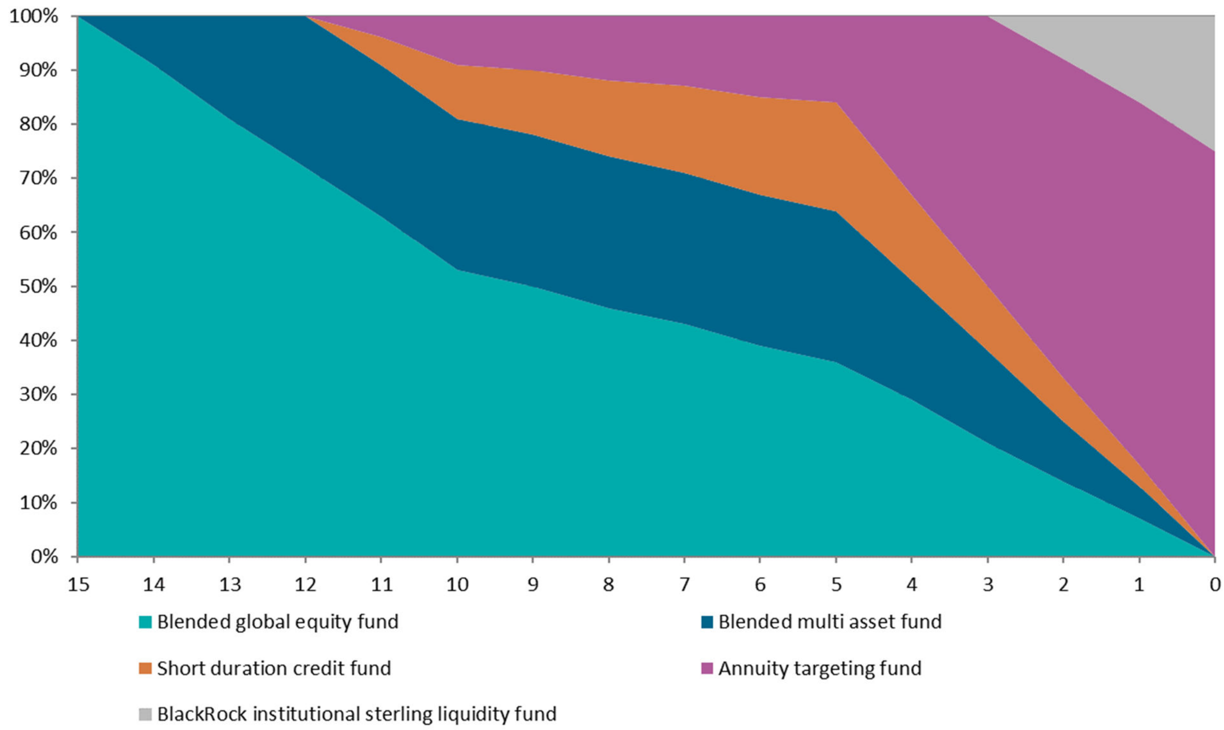
The Cash lifecycle is the default lifecycle option for existing members with AVC benefits within the Plan who do not have assets invested in the Drawdown lifecycle, or are DB members with AVC benefits who do not have assets invested in the MP03 or AE sections of the Plan. The strategy is also open for members to select if they wish to. The asset allocations in the years leading up to retirement for the Cash lifecycle are shown below:



Cash lifecycle				
Asset class	**Allocation 25 y/o %**	**Allocation 45 y/o %**	**Allocation 55 y/o %**	**Allocation at retirement %**
Cash	0.0	0.0	4.2	99.3
Corporate bonds (UK and overseas)	0.0	0.0	19.1	0.0
UK government bonds	0.0	0.0	17.0	0.7
Overseas government bonds	0.0	0.0	1.5	0.0
Listed equities	100.0	100.0	53.4	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	0.0	0.0	0.9	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	4.0	0.0

Totals may not sum due to rounding.

The Plan also has a legacy default lifecycle arrangement, the 'Annuity lifecycle', into which the assets of a number of members close to retirement were transferred into as part of the last investment strategy review. The strategy is also open for members to select if they wish to. The asset allocations in the years leading up to retirement for the Annuity lifecycle are shown below:



Annuity lifecycle				
Asset class	**Allocation 25 y/o %**	**Allocation 45 y/o %**	**Allocation 55 y/o %**	**Allocation at retirement %**
Cash	0.0	0.0	4.2	24.8
Corporate bonds (UK and overseas)	0.0	0.0	19.1	0.0
UK government bonds	0.0	0.0	17.0	75.2
Overseas government bonds	0.0	0.0	1.5	0.0
Listed equities	100.0	100.0	53.4	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	0.0	0.0	0.9	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	4.0	0.0

Totals may not sum due to rounding.

The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the default lifecycle arrangements.

Details of the objectives and the Trustee's policies regarding the default arrangements are in a document called the 'Statement of Investment Principles' ("SIP"), which can be found on pages 82 to 92.

The objective of the default lifecycle arrangement, as stated in the SIP, is as follows:

"The objective of the Drawdown Lifecycle is to generate returns above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to investments that more closely match the intentions of members."

The objectives of all of the default lifecycle arrangements, including the cash default arrangement and the annuity default arrangements, as stated in the SIP, are as follows:

"The aim and objective of all the default Lifecycle strategies is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equity and diversified growth funds and then to gradually diversify their investments in the years approaching retirement. The asset allocation throughout the default Lifecycles and the phasing of the gradual switching of investments aim to take into account members' greater capacity for risk early on and reduced capacity for risk closer to retirement. Each option is designed to reflect the Trustee's belief that most members in that strategy will take their benefits in the specified form."

In the initial growth phase, the above lifecycle options (including the legacy default and the Annuity Lifecycle) are invested to target a return significantly above inflation. In the 15 years before retirement, they then switch gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members wishing to access drawdown (in the case of the Drawdown Lifecycle), take their pot as cash (the Cash Lifecycle) or purchase an annuity at retirement (Annuity Lifecycle).

The default lifecycle arrangements are described on page 18, and each of the asset allocation tables can be found at https://www.pearson-pensions.com/library/#booklets.

The Trustee considers these approaches to be in the best interest of relevant members. The default lifecycle arrangements meet the requirements for social, environmental, and governance considerations set out in the SIP.

The BlackRock sterling liquidity fund is also considered to be a default investment strategy due to the redirection of member contributions between May 2020 and October 2020 without explicit consent during the temporary suspension of dealing of the Columbia Threadneedle (formerly Threadneedle) Pensions property fund. The aims and objectives of the strategy are to maximise current income consistent with the preservation of capital and liquidity through the maintenance of a portfolio of high-quality short-term "money market" instruments and to achieve an investment return that is in line with its benchmark. The BlackRock sterling liquidity fund is invested in 99% Cash and 1% UK Government bonds. This allocation remains consistent regardless of members' age or time to retirement.

On a quarterly basis, the performance of the funds after charges (which can be found on pages 17 and 18) comprising the default arrangements are reviewed by the Investment Committee. Throughout the year ended 31 December 2023, investment returns for passive funds have generally tracked their respective benchmarks and have performed in accordance with their stated objectives as set out in the SIP. The performance of the active funds within the lifecycle arrangements has been more varied, which is expected as the benchmark is less likely to be an exact match for the assets held within the fund given the use of active management. Where performance is not in line with benchmarks or objectives, the Investment Committee has investigated the deviation with the Plan's investment consultants and investment managers in order to establish if any further action is necessary. The reviews that took place during the year concluded that the default lifecycle arrangements were performing broadly as expected. All members in the three default strategies experienced positive returns during the year to 31 December 2023.

The default lifecycle arrangements and self-select funds are formally reviewed to assess their ongoing suitability, including the default lifecycle arrangement's investment strategy at least every three years or immediately following any significant change in investment policy or the Plan's membership profile. The default lifecycle and self-select fund range were formally reviewed during the period covered by this Statement. The review took place over the course of several meetings commencing on 22 March 2023. The performance and strategy of the default arrangements were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the default arrangements as stated in the SIP, and to check that they continue to be suitable and appropriate given the Plan's risk profiles and membership. Following this review, the Trustee agreed a number of enhancements to the Plan's investment options.

Within the Drawdown lifecycle, the Trustee agreed to replace the Blended index linked gilt fund with the Annuity targeting fund to provide a better match for members who take the In-Plan Pension at retirement. Within the Annuity targeting fund itself, the Trustee decided to increase the allocation to longer-dated index-linked gilts, to ensure the fund continues to provide a suitable hedge for members. To reduce volatility, the Trustee also agreed to add a cash allocation to the Drawdown lifecycle starting from three years to retirement, to hold a 10% allocation to cash at retirement.

Within the self-select range, the Trustee agreed to add a Shariah-compliant equity fund to cater to members who wish to invest in line with Islamic beliefs.

These changes are expected to be implemented in 2024.

The Trustee has also reviewed the membership demographics of the Plan and has considered options to enhance the default strategy by improving environmental, social, and governance ("ESG") integration by incorporating a low carbon equity allocation to the Blended Global Equity fund. The Trustee has agreed in principle with this approach, but discussions on the implementation of the low carbon equity allocation are still underway.

As part of the triennial strategy review, the Trustee also reviewed the Blended multi-asset fund. The Trustee decided to continue to monitor the performance of the underlying managers, particularly Baillie Gifford, to ensure they are performing in line with their long-term targets.

The Trustee concluded in this review that it was comfortable that all default and self-select options remain appropriate subject to the changes agreed being implemented.

The next full triennial review of the investment arrangements is due to take place in March 2026, or immediately following any significant change in investment policy or the Plan's member profile.

3. Core financial transactions

The Trustee has a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members) relating to the DC Sections are processed promptly and accurately.

The Trustee delegates responsibility for this to the pensions team and the Plan's DC provider, Aviva. The agreement the Trustee has in place with Aviva incorporates specific service level agreements ("SLAs") which include targets for the accurate and timely processing of core financial transactions. The Trustee monitors the performance against these SLAs via quarterly reports.

Aviva's SLA performance over the year to 31 December 2023 was in line with or above the agreed target of 95% (97.5%, 98.3%, 97.9% and 95.1% from Q1 to Q4 2023, respectively).

The pensions team and Aviva have set up various controls to ensure the accuracy of processing core financial transactions, for example:

- a reconciliation to ensure all contributions were processed using monthly Aviva reporting data;
- a quarterly reconciliation of the Plan's membership transactions to Aviva records; and
- an annual reconciliation of membership using data supplied by Aviva against membership held on the pension administration database.

The Trustee has received assurance from Aviva via management reporting and oral assurance that they have adequate internal controls, including review procedures, and inbuilt automated controls within their systems, to ensure that core financial transactions relating to the Plan were processed promptly and accurately during the year. Any issues identified by the Trustee as part of its review processes (set out below) would be raised with the administrators immediately, and steps would be taken to resolve the issues.

The processes the Trustee has in place for monitoring of core financial transactions are as follows:

- Review of quarterly SLA reporting from Aviva, covering reporting on each type of transaction for the number of cases processed, and how many days each has taken;
- Review of quarterly management reporting against agreed SLAs from management, detailing what activities have taken place, and what, if any, exceptions have occurred; and
- The Trustee has appointed the Audit and Risk Committee to review the Breaches Register half yearly, where any statutory or legal breaches would be reported.

Based on its review process, the Trustee is satisfied that over the period covered by this statement:

- Both the Plan and the DC provider were operating appropriate procedures, checks and controls, and operating within the agreed SLAs;
- There have been no material administration errors in relation to processing core financial transactions; and
- Core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

4. Member-borne charges and transaction costs

Regulations also require the Trustee to make an assessment of ongoing charges borne by members of the DC Sections and the extent to which those charges and costs represent good value for members.

These are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges include administration costs, since these are met by the members.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this Statement, the transaction costs shown are those incurred when the Plan's investment managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Aviva (the Plan's provider), and by the Plan's legacy AVC providers. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated, it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (i.e., we would not expect transaction costs to be negative over the long term).

4.1 Default arrangements

The default arrangement for the Plan is the **Drawdown lifecycle** arrangement. For the period covered by this Statement, annualised charges and transaction costs are set out in the following table:

Years to selected retirement date (SRD)	TER	Transaction costs
15 or more	0.26%	0.01%
10	0.37%	0.12%
5	0.35%	0.14%
At retirement	0.35%	0.14%

For the period covered by this Statement, annualised charges and transaction costs for the **Cash lifecycle** arrangement are set out in the following table:

Years to SRD	TER	Transaction costs
15 or more	0.26%	0.01%
10	0.37%	0.12%
5	0.35%	0.14%
At retirement	0.14%	0.02%

The **Annuity lifecycle** arrangement is a legacy default lifecycle arrangement and an alternative option for members. For the period covered by this Statement, annualised charges and transaction costs are set out in the following table:

Years to SRD	TER	Transaction costs
15 or more	0.26%	0.01%
10	0.37%	0.12%
5	0.35%	0.13%
At retirement	0.17%	0.03%s

The TER of the **BlackRock sterling liquidity fund**, which is also considered a default arrangement, is 0.14%, with transaction costs over the period covered by this statement at 0.02%.

The TERs for all of these arrangements are much lower than the maximum allowed of 0.75% and the Trustee is satisfied that it has negotiated good terms for members taking account of the expected growth in the size of the DC Sections.

4.2 Self-select options

In addition, there is a range of twelve separate funds which may be chosen by members as an alternative to the default lifecycle arrangements. These funds allow members to take a more tailored approach to managing their own pension investments. The Jupiter ecology fund was closed to new members on 27 October 2021; however, members with an existing investment were allowed to remain invested. The Annuity targeting fund is a blended fund used as part of the Annuity lifecycle; however, this fund is not available for members to self-select on a standalone basis.

TERs for each fund for 2023 are shown below, but current charges can also be found on the Plan's website at www.pearson-pensions.com/library. The underlying funds used within the main default arrangement, the Drawdown lifecycle, are shown in bold.

Fund Name	TER 2023	Total transaction costs 2023
Blended global equity fund	**0.26%**	**0.01%**
BlackRock UK equity index fund	0.19%	0.04%
BlackRock world ex UK equity index fund	0.19%	0.02%
Jupiter ecology fund	0.92%	0.01%
Columbia Threadneedle Pensions property fund	0.84%	0.05%
Blended index linked gilt fund	**0.18%**	**0.04%**
Annuity targeting fund	0.18%	0.03%
BlackRock over 15 year corporate bond index fund	0.19%	0.14%
BlackRock over 15 year gilt index fund	0.19%	0.02%
BlackRock institutional sterling liquidity fund	0.14%	0.02%
Blended multi-asset fund	**0.70%**	**0.35%**
MFS Meridian global equity fund	0.74%	0.05%
Short duration credit fund	**0.18%**	**0.14%**
Columbia Threadneedle responsible equity fund	0.69%	0.16%

Legacy AVC fund charges and transaction costs

The following funds were available to members as legacy options for AVCs. These options are now closed to future contributions.

Fund Name	TER 2023	Total transaction costs 2023
Prudential – cash accumulation with-profits[1]	1.31%	0.17%
Prudential – deposit fund[1]	0.00%	0.00%
Clerical Medical – with-profits fund	0.50%	0.33%
Clerical Medical – balanced fund	0.50%	0.31%
Clerical Medical – cash fund	0.50%	0.02%
Clerical Medical – far eastern fund	0.50%	0.33%
Clerical Medical – UK equity tracker fund	0.50%	0.06%
Clerical Medical – ethical fund	0.50%	0.05%
Royal London – crest secure fund[2]	1.45%	0.01%
Phoenix Life – managed pension fund[3]	1.03%	0.24%
Phoenix Life – with-profits fund[4]	1.18%	0.04%

[1] Transaction cost shown for the Prudential funds cover the year to 30 June 2023. The TER for the Prudential cash accumulation with-profits fund is taken into account in the declared bonus rate.
[2] Transaction cost shown for the Royal London crest secure fund covers the year to 30 December 2022.
[3] TER and transaction cost for the Phoenix Life managed pension fund are for the year ending 31 December 2021. Phoenix has not provided 2023 and 2022 data at the time of writing.

Whilst TER and transaction cost data for the majority of the AVC funds available to members have now been obtained, the Trustee will continue to work with its advisers to source the most up to date transaction costs information for the Phoenix Life funds as this information was not received during the Plan year. The Trustee's advisers will continue to liaise with the AVC providers to attempt to obtain this information by requesting this information on a regular basis with the aim of including it in next year's statement.

4.3 Illustration of charges and transaction costs

The illustrations show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. Statutory guidance from The Pensions Regulator has been taken into account in the preparation of these illustrations. Under each default lifecycle arrangement or investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing these scenarios, it is possible to identify how much the charges over the years will affect the pension value.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return, but after deducting member borne charges (i.e., the TER) and an allowance for transaction costs.

The transaction cost figures used in the illustration are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past five years as this should be more indicative of longer-term costs compared to only using figures over the Plan year.

The illustration is shown for the Drawdown lifecycle, since this is the arrangement with the most members invested in it, the two alternative default lifecycles (the Cash lifecycle and the Annuity lifecycle), the BlackRock Sterling Liquidity Fund (which is considered a default option) and two funds from the Plan's self-select fund range. The two self-select funds shown in the illustration are:

- the fund with highest annual member borne costs (TER plus Plan Year transaction costs) – this is the Blended multi-asset ; and
- the fund with lowest annual member borne costs – this is the BlackRock sterling liquidity fund.

Illustration of effect of costs and charges for typical funds within the Plan

Projected pension pot in today's money

Years invested	Default option (Drawdown lifecycle)		AVC default option (Cash lifecycle)		Legacy default option (Annuity lifecycle)	
	Before costs £	After costs £	Before costs £	After costs £	Before costs £	After costs £
1	£3,800	£3,800	£3,800	£3,800	£3,800	£3,800
3	£8,300	£8,200	£8,300	£8,200	£8,300	£8,200
5	£12,900	£12,800	£12,900	£12,800	£12,900	£12,800
10	£25,700	£25,300	£25,700	£25,300	£25,700	£25,300
15	£40,000	£39,100	£40,000	£39,100	£40,000	£39,100
20	£56,300	£54,600	£56,300	£54,600	£56,300	£54,600
25	£74,700	£71,900	£74,700	£71,900	£74,700	£71,900
30	£94,700	£89,600	£94,700	£89,700	£94,800	£89,700
35	£113,100	£105,100	£113,100	£105,200	£113,500	£105,600
40	£131,000	£119,700	£122,500	£112,800	£124,700	£115,000

Projected pension pot in today's money

Years invested	Default option (BlackRock sterling liquidity fund)		Blended multi-asset fund	
	Before costs £	After costs £	Before costs £	After costs £
1	£3,700	£3,700	£3,800	£3,800
3	£7,700	£7,700	£8,300	£8,100
5	£11,500	£11,500	£12,900	£12,600
10	£20,700	£20,500	£25,700	£24,200
15	£29,100	£28,800	£40,000	£36,800
20	£37,000	£36,400	£56,300	£50,300
25	£44,300	£43,400	£74,700	£64,800
30	£51,000	£49,900	£95,600	£80,400
35	£57,300	£55,800	£119,100	£97,200
40	£63,100	£61,300	£145,800	£115,200

Notes:

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each strategy/fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £1,700. This is the approximate median pot size for active contributing members aged 25 years and younger in the MP03 and AE sections (as these members can be expected to have around 40 years to retirement)
- The projection is for 40 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.
- The starting salary is assumed to be £23,000. This is the approximate median salary for active members aged 25 or younger.
- Total contributions (employee plus employer) are assumed to be 9% of salary per year. This is the median total contributions for active members aged 25 or younger.

The projected annual returns used are as follows:

- Drawdown lifecycle: 2.5% above inflation for the initial years, gradually reducing to a return of 1.2% above inflation at the ending point of the lifecycle.
- Cash lifecycle: 2.5% above inflation for the initial years, gradually reducing to a return of 1.5% below inflation at the ending point of the lifecycle.
- Annuity lifecycle: 2.5% above inflation for the initial years, gradually reducing to a return of 0.8% below inflation at the ending point of the lifecycle.
- BlackRock Sterling Liquidity Fund (which is considered a default, and has the lowest member-borne costs): 1.5% below inflation.
- Blended multi-asset fund (which has the highest member-borne costs): 2.5% above inflation • No allowance for active management outperformance has been made.

Whilst these costs are important, they should not be looked at in isolation, but should be viewed within the context of the performance of the fund or funds chosen as these costs are, ultimately, reflected in the performance of the fund.

5. Investment return

This section states the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members can select or could select during the year, and in which assets relating to members were invested during the Plan year. The Trustee has taken account of the relevant statutory guidance in preparing this section.

For the arrangements where returns vary with age, such as for the default strategies, returns are shown over the year for a member aged 25, 45, 55 and 60 at the start of the period the returns are shown over.

Drawdown lifecycle net returns over period to year end 31 December 2023

Age of the member at the start of the period	1 year (%)	5 year (%)
25	9.8	10.3
45	9.8	9.3
55	6.7	5.6
60	6.4	5.3

Cash lifecycle net returns over period to year end 31 December 2023

Age of the member at the start of the period	1 year (%)	5 year (% pa)
25	9.8	10.3
45	9.8	9.3
55	6.7	5.9
60	4.7	1.8

Annuity lifecycle net returns over period to year end 31 December 2023

Age of the member at the start of the period	1 year (%)	5 year (% pa)
25	9.8	10.3
45	9.8	9.3
55	6.7	4.1
60	3.8	0.3

Note: The underlying investments of the three lifecycles were changed in October 2021 following a triennial strategy review: the BlackRock over 15 year corporate bond index fund was replaced with the Short duration credit fund within the three lifecycles and the Blended index linked gilt fund was replaced with the Annuity targeting fund within the Annuity lifecycle. The 5-year calculations above assume that members were invested in the previous funds, before the changes were made, for the whole of 2021.

Self-select fund net returns over period to year end 31 December 2023

Fund name	1 year (%)	5 year (% pa)
Blended global equity fund	9.8	10.3
BlackRock UK equity index fund	6.5	6.0
BlackRock world ex UK equity index fund	18.4	13.2
Jupiter ecology fund	11.9	12.5
Columbia Threadneedle pensions property fund	0.2	1.6
Blended index linked gilt fund	2.7	(1.1)
BlackRock over 15 year corporate bond index fund	10.4	(1.8)
BlackRock over 15 year gilt index fund	1.5	(6.7)
BlackRock institutional sterling liquidity fund[1]	4.5	1.2
Blended multi-asset fund	3.5	3.4
MFS Meridian global equity fund	8.4	10.3
Short duration credit fund[2]	8.2	-
Columbia Threadneedle responsible equity fund	0.2	11.9

[1] The BlackRock sterling liquidity fund is also considered to be a default investment option.

[2] The Short duration credit fund was launched on 12 September 2019, so five-year performance is not yet available.

Legacy AVC fund net returns over period to year end 31 December 2023

Fund name	1 year (%)	5 year (% pa)
Prudential – cash accumulation with-profits	4.5	4.9
Prudential – deposit fund	4.6	1.4
Clerical Medical – with-profits fund	-	-
Clerical Medical – balanced fund	7.4	-
Clerical Medical – cash fund	3.8	-
Clerical Medical – far eastern fund	4.8	-
Clerical Medical – UK equity tracker fund	7.7	-
Clerical Medical – ethical fund	14.7	-
Royal London – crest secure fund	-	-
Phoenix Life – managed pension fund	-	-
Phoenix Life – with-profits fund	-	-

At the time of writing, net returns for the Clerical Medical with-profits fund, Royal London and Phoenix Life funds had not been received. Most providers were also not able to provide five-year returns. The Trustee will continue to work with its advisers to source net returns for the remaining AVC funds, with the aim of including the information in the next Statement.

6. Value for members assessment

The Trustee has assessed the extent to which member borne charges and transaction costs detailed above represent good value for money to members.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was 20 June 2024. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of funds available to members.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

The Trustee assesses the performance of the Plan's investment funds (after all charges) in the context of their investment objectives on a quarterly basis. The returns on the investment funds members can choose during the period covered by this Statement have broadly been consistent with their stated investment objectives. However, the Trustee notes that many of the Plan's active funds underperformed their respective targets over the Plan year. Higher interest rates during the year have made it more challenging for the Plan's diversified growth funds (underlying the Blended multi-asset fund) to achieve their cash-based targets, while the strong performance of global equities have made it difficult for active equity funds to outperform. The Trustee will continue to monitor the performance of the Plan's funds to determine if any further action is needed for underperforming funds. Where the Trustee has any concerns that a fund is not providing returns in line with its objective, a review is carried out to assess whether any change is required, noting however, that short term performance is not used as criteria for the Trustee to change an investment option.

In carrying out the assessment, the Trustee also considers the other benefits members receive from the Plan, which include (amongst other aspects):

- The design of the default arrangements and how these reflect the interests of members.
- The range of investment options and strategies.
- The efficiency of administration processes, the quality of communications, support services and Plan governance, including the benefit of an in-house pensions team, solely focused on the Plan.
- Access to retirement planning tools through the Aviva member site.
- Access to factsheets and guidance provided on the Plan website.
- Additional ill health and death benefits for Plan members.
- Access to live interactive seminars covering relevant pension and financial related topics.

The Trustee has taken advice from its investment advisers, who have analysed the Plan against their benchmark, which is based on pension schemes of a similar size from the client portfolio of our investment adviser. The results of the Trustee's assessment, on a scale from 'very good' to 'poor' are as follows:

- **Charges – Very good** – Members bear the cost of administration charges, but fees are reasonably competitive.

- **Administration – Good** – The administration services provided by Aviva are of a good standard. The Trustee is considering increasing its engagement with the administrator to continue to improve the speed of service and reduce member complaints further.

- **Governance – Very good** – The Trustee and pensions team are very committed to the Plan, demonstrated by the dedicated level of resources and commitment to training. The Trustee and the pensions team should continue to review the Plan's governance to assess compliance with the new Pension Regulator's General Code of Practice.

- **Communications – Very good** – The Trustee and the administrator issue timely and relevant information to members. Members receive bespoke targeted communications at certain key stages and as they approach retirement. Members also have access to tools and modelling via Aviva's MyWorkplace and the Plan's website.

- **Default investment strategy – Very good** – The strategies broadly achieved their objectives over the year. The triennial review of the investment arrangements was completed during the Plan year and changes agreed following this review will be implemented in 2024 to ensure strategies remain suitable for members.

- **Investment range – Very good** – The self-select fund range provides access to most asset classes, some specialist options and alternative lifestyle strategies. Changes from the strategy review such as introducing a Shariah fund will further improve the range available.
- **Post-retirement services – Good** – Support and guidance offered to members are reasonable. A new information hub is due be launched on the website in 2024.
- **Plan design – Good** – The Plan's design and contribution structure are reasonable and encourage members to take advantage of the extra matching contributions.

Having considered the various aspects of the Plan, the Trustee is comfortable that the Plan is offering good value to members for costs and charges they incur and will continue to monitor this.

In addition to value provided by the Plan to members, members also benefit from employer contributions, which in the case of the MP03 Section, provides £2 of contributions by the employer for every £1 contributed by the employee, up to the employer contributing a maximum of 16% of the employee's pensionable salary, depending on age. Contributions provided by the employer for the AE section of the Plan are in line with legislation.

7. Trustee knowledge and understanding

The Plan's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension, and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

As set out on page 16 of the Trustee's Report, a review of the governance of the Plan, including arrangements with respect to Defined Contribution members, their contributions and benefits, is undertaken by the Trustee through its board and committees.

The Trustee's priority is to provide a strong and stable pension scheme which operates in the interests of its members and to achieve this the Trustee Board and its Committees meet regularly to develop and agree strategy, monitor performance, discuss, and explore issues relevant to the governance and administration of the DC arrangements and make appropriate decisions.

The Plan's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Each Trustee Director must:

- be conversant with the trust deed and rules of the Plan, the Plan's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally,
- have, to the degree that is appropriate for the purposes of enabling the individual to exercise properly their functions as a trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension, and trust law. The CEO of Pearson Pension Trustee Services Limited aims to identify training needs on any topics that become relevant, as well as the Trustee Directors themselves raising any training needs informally in meetings and other communications, and more formally via the annual Trustee evaluation questionnaire. Any Trustee Knowledge & Understanding ("TKU") requirements are shared with the Chairman each year and incorporated into the Trustee Action Plan. In addition, the Trustee Directors also receive various legal updates from the Plan's lawyers. Some of the Trustee Directors have also undertaken individual training across a range of topics which has been recorded within TKU records held by the CEO of Pearson Pension Trustee Services Limited.

Documents and guidance with Plan specific information, including Plan Rules, are provided via the digital board book system to all Trustee Directors and committee members. All changes to Plan rules are approved by the Trustee. The SIP is available on the website (https://www.pearson-pensions.com/library) and is also regularly discussed in Trustee and committee meetings and reviewed at least annually.

All new trustee directors are asked to complete The Pension Regulator's trustee toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law), and receive detailed briefings from both the CEO of Pearson Pension Trustee Services Limited and key advisers, as well as other Plan staff as required, which are tailored to the individuals' existing knowledge and expertise.

The Trustee believes that the combined knowledge and understanding of the Trustee Directors, the independent members of certain committees and the staff of the Plan, together with external advice where appropriate, enables the Trustee to exercise properly its functions by collectively providing experience of governance, pension fund management, administration, investment, finance, audit, and member representation.

The Chairman's Defined Contribution Governance Statement was approved by the Trustee on 19 July 2024 and signed on its behalf by:

J A B Joll

Chairman