DMGT AVC Plan

Summary funding statement – May 2009

As a member entitled to a pension from the DMGT AVC Plan ('the Plan') we, the Trustee Directors of the Plan, are writing to provide you with an update of its financial position, as disclosed by the results of the 2008 actuarial valuation of the Plan.

How the Plan operates

Before the Plan closed to new investment on 31 March 2006 you paid contributions to the with-profits fund, which was one of the investment options in the Plan. In return, we granted you an amount of pension payable from age 62. Your contributions were invested in a common fund; separate funds are not held for each individual.

We invest the contributions paid to the Plan in a variety of assets. Our current long-term investment strategy is to invest 42.5% of the assets in company shares or similar investments, 50% in bonds and 7.5% in property.

We have recently concluded discussions with DMGT to agree a long-term scheme-specific funding policy with the objective of having enough money in the Plan to pay pensions now and in the future.

As part of these discussions it was acknowledged that DMGT set up the Plan as a way of enabling employees to top up their retirement benefits on a 'defined contribution' basis, but following a High Court legal judgement (in connection with another pension scheme) the Plan has been reclassified as a 'defined benefit' scheme, i.e. just like the Harmsworth Pension Scheme. This has profound implications for DMGT, who are faced with additional financial liabilities that were never anticipated.

Plan health checks

We monitor the financial position of the Plan and obtain regular actuarial valuations – or financial 'health checks'. This process involves comparing the value of the investments held by the Plan with the amount we estimate is needed to pay the benefits built up to date. We choose assumptions for our comparison regarding future unknown events, such as how long people are living and the returns that might be achieved in future on investments. Using this information, we consider the potential for increases to pensions now and in the future.

Our objective is to have enough money in the Plan to pay pensions now and in the future. An actuarial valuation of the Plan took place as at 31 March 2008, based on the agreed long-term funding policy referred to above. The key results of this valuation, and the agreed actions, are summarised below.

Results of the 2008 actuarial funding valuation

An actuarial valuation of the Plan was carried out at 31 March 2008. The valuation showed that on an 'ongoing basis' the Plan's assets were equal to the estimated value of its liabilities (future benefit payments). There was therefore no 'shortfall' or 'deficit'. You should be aware that this is a snapshot of the position at one particular point in time, considering the Plan as an ongoing scheme with continuing support from DMGT.

Please turn over

This valuation indicated that the value of the investments was expected to be sufficient to pay the pensions granted to that date, on the basis of our assumed future investment return. However, the long-term expectation for future increases to pensions (i.e. bonuses) was extremely low. In any event, we are taking the view that the future security of your benefits should be given the highest priority.

The corresponding position at the last valuation, 31 March 2005, was also a funding level of 100% (i.e. assets equal to the value of liabilities). Whilst the investment performance of the Plan's assets over the period to 31 March 2008 was better than expected, this was offset by an expectation that it would be more expensive to provide pensions in future because of increasing life expectancy and reductions in long-term interest rates.

Payments to the employer

We confirm that no payments have been made from the Plan to DMGT in the past 12 months.

Current financial markets

Since 31 March 2008 markets have been in turmoil and the economy has struggled. The breadth and scale of these issues is not just domestic, but international as well.

You will be understandably concerned as to how these exceptional developments might affect your pension. Clearly, if investment returns fall below expectations, the Plan's financial position will be worsened and depending on the results of the 2011 actuarial valuation, this may lead to the need for contributions from DMGT. As the Plan was originally intended to provide a facility for members to top up their pension by way of paying extra contributions themselves, the company, understandably, wishes to avoid being placed in such a situation. We are therefore working closely with DMGT to minimise the risk of this occurring.

If you are retired and receiving a pension from the Plan, the current level of your pension is not affected by the Plan's financial position.

We are continuing to monitor the financial position of the Plan during these difficult times, and are in regular discussion with DMGT to ensure its continued support for the Plan.

Further information

If you have any questions, or would like more information, please contact us at the following address:

Northcliffe Trustees Ltd
c/o DMGT Pensions
10 Bedford Street
Covent Garden
London
WC2E 9HE

Northcliffe Trustees Ltd

The Pensions Regulator requires all pension schemes to make the following statements in addition to the information provided above.

Pension Protection Fund

The following paragraphs outline what might happen if the Plan is wound up or closed down and the benefits secured with an insurance company instead. Do not be alarmed by the references to winding up. We are legally obliged to provide you with this information and there are no plans to wind up the Plan.

If the Plan winds up at some point in the future, you might not get the full amount of pension you have built up even though the Plan is fully funded on an ongoing basis. However, whilst the Plan carries on we will continue to pay pensions in full.

As an example, if the Plan had been wound up on 31 March 2008 then the additional assets required to meet all members' pensions in full were estimated to be around £16 million – on this 'winding up basis' the Plan was around 79% funded.

The above calculation assumes that all benefits would be secured with an insurance company, and insurance companies are obliged to take a very cautious view of the future, and need to make a profit. For these reasons it is common practice for pension plans such as yours to target a lower level of funding on an ongoing basis as there is no need to make a profit.

If the Plan were to wind up, DMGT would be required to pay enough into the Plan to enable members' pensions to be completely secured with an insurance company. It may be, however, that DMGT would not be able to pay this full amount. If DMGT became insolvent, the Pension Protection Fund might be able to take over the Plan and pay some compensation to members.

Inclusion of this information does not imply that DMGT is thinking of winding up the Plan. It would only be a concern if DMGT were unable to financially support the Plan in the future. We regularly monitor DMGT and rest assured, that as part of the discussions surrounding the long-term funding policy referred to earlier, we carefully assessed the financial strength of DMGT, and continue to do so going forwards.

For further information on the Pension Protection Fund see the website at **www.pensionprotectionfund.org.uk** or write to the Pension Protection Fund, Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.