

# **Harmsworth Pension Scheme**

## **Summary funding statement - June 2008**

As a member entitled to benefits from the Harmsworth Pension Scheme ('the Scheme') we, the Trustee Directors of the Scheme, are writing to provide you with a summary of its financial position. This statement contains details of the results of the 2007 actuarial valuation of the Scheme, and refers to the position after taking full account of the merger into the Scheme of the Mail Newspapers Pension Scheme.

### **How the Scheme operates**

The participating employers (collectively 'DMGT'), and those members currently employed by one of those employers, pay contributions to the Scheme so that it can pay pensions to members when they retire. These contributions are invested in a common fund; separate funds are not held for each individual.

We invest the contributions paid into the Scheme in a variety of assets. Over the last year we have been reviewing our investment strategy. As a result of this review our long-term policy is to invest 65% of the assets in shares and other similar investments, 25% in bonds, and 10% in property.

We have recently concluded detailed discussions with DMGT to agree a long-term scheme specific funding policy (set out in our Statement of Funding Principles) with the objective of having enough money in the Scheme to pay pensions now and in the future. We are pleased that during these discussions DMGT expressed its continued support for the Scheme. This is important to the success of the Scheme given that DMGT contributes the bulk of the money needed to pay benefits. Further, the funding level can vary over time, and if the position worsens DMGT will generally be required to pay more money into the Scheme.

### **Scheme merger**

As you know, on 30 November 2007 DMGT's other major pension scheme, the Mail Newspapers Pension Scheme, was merged with the Scheme. At this date, all of the assets and liabilities of the Mail Newspapers Pension Scheme were transferred across to the Scheme. The reasons for this merger were to follow the corporate strategy of bringing the national and regional newspaper businesses closer together, and to create a pension structure that is easier and more cost effective to manage. The merger has not changed the way in which we calculate your benefits, or the level of contributions you pay.

### **Scheme health checks**

We monitor the financial position of the Scheme and obtain regular actuarial valuations – or financial health checks. The valuation process involves comparing the value of investments held by the Scheme with the amount that the Scheme Actuary estimates is needed to pay for benefits built up to date. We choose assumptions for our comparison regarding unknown future events, such as how long people will live and the returns that might be achieved in future on investments. Using this information, we come to an agreement with DMGT on the level of contributions to be paid into the Scheme in future.

An actuarial valuation of the Scheme took place at 31 March 2007, 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 2007 actuarial funding valuation**

An actuarial valuation of both the Scheme and the Mail Newspapers Pension Scheme was carried out at 31 March 2007. As the two schemes were merged together shortly after this date, we have considered the results of the two scheme valuations in aggregate during our discussions with DMGT.

The valuation showed that on an ongoing basis the (combined) Scheme's assets were 99% of the estimated value of its liabilities (benefit costs). This means that the Scheme's assets were £13.8 million less than the estimated cost of the benefits. This is called a "shortfall" or "deficit". You should be aware that this is a snapshot of the position at one particular point in time, considering the Scheme as an ongoing scheme with continuing support from DMGT.

The corresponding deficit of the (combined) Schemes at the last valuation, at 31 March 2004, was £22.1 million, with a funding level of 98%. The small improvement in the funding position was due mainly to the assets of the Scheme generating higher than expected investment returns, pensionable pay increases being slightly lower than expected and additional contributions paid by DMGT into the Scheme. This was, however, offset to a large extent by a fall in long-term interest rates, and an expectation that members of the Scheme will live longer in retirement. These factors mean that we expect that it will be more expensive to pay for pensions in future.

The ongoing financial position of the Scheme depends to a large extent on the investment return received on the assets. We need to be prudent in deciding what that return is likely to be; however, DMGT has asked us to assume a slightly higher return when working out the level of company contributions. We have agreed to this because DMGT is prepared to offer us a bank guarantee that we can call on if the investment return turns out to be less than this level.

After discussing the results of the valuation and taking into account this bank guarantee, we have agreed with DMGT that they will continue to pay contributions to the Scheme at the rate of 18% of members' pensionable pay. Based on the assumptions used for the actuarial valuation, it is expected that with contributions at this level the small deficit at 31 March 2007 will be eliminated by November 2015.

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

### **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 Scheme 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 Scheme.**

If the Scheme winds up at some point in the future, you might not get the full amount of pension you have built up even if the Scheme is fully funded on an ongoing basis. However, whilst the Scheme carries on, even though the funding may be temporarily below target, we will continue to pay benefits in full.

For example, if the (combined) Scheme had been wound up on 31 March 2007 then the additional assets required to meet all members' benefits in full were estimated to be around £667 million. On this basis the Scheme was around 69% funded.

The above calculation assumes that we would secure all benefits 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 schemes 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 Scheme was to wind up, DMGT would be required to pay enough into the Scheme to enable members' benefits 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 Scheme and pay compensation to members, although this compensation is likely to be less than the benefits provided for under the Scheme Rules.

*Inclusion of this information does not imply that DMGT is thinking of winding up the Scheme. It would only be a concern if DMGT were unable to financially support the Scheme in future. As part of the 2007 actuarial valuation, and before reaching agreement on the long-term funding policy, we carried out a careful assessment of the financial strength of DMGT and put in place arrangements for this to be regularly monitored.*

For further information on the Pension Protection Fund see the website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or write to the Pension Protection Fund, Knollys House, 17 Addiscombe Road, Croydon, Surrey, CRO 6SR.