DMGT PENSIONS

DMGT AVC Plan

Summary funding statement – February 2010

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.

How the Plan operates

Before the Plan closed to new investments 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 26.5% of the assets in company shares (some in the UK but mostly overseas), 6% in hedge funds, 60% in bonds and 7.5% in a portfolio of UK properties.

We have agreed a long-term, scheme-specific funding policy with DMGT with the objective of having enough money in the Plan to pay benefits now and in the future. As part of the discussions with DMGT it was acknowledged that DMGT originally set up the Plan to allow 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. like the Harmsworth Pension Scheme. This has profound implications for DMGT, which is now faced with additional financial liabilities that were never anticipated.

Plan health checks

We monitor the financial position of the Plan and obtain regular 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 prudent assumptions for our comparison regarding future events, such as how long people are expected to live and the returns that might be achieved on future investments. Using this information, we consider the potential for increases to pensions now and in the future.

A valuation of the Plan took place as at 31 March 2008, based on the agreed long-term funding policy mentioned above. The key results of this valuation, and the agreed actions, are summarised overleaf. We also summarise overleaf the results of an approximate review that was carried out at 31 March 2009, in order to monitor the Plan's progress against the agreed funding policy.

Results of the 2008 actuarial funding valuation

A valuation of the Plan was carried out at 31 March 2008. The valuation showed that on an 'ongoing basis' (which assumes DMGT continues to sponsor the Plan) the Plan's assets were equal to the estimated value of its liabilities (or benefit costs). 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.

This valuation indicated that the value of the investments was expected to be sufficient to pay the pensions secured for members 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.

Funding update at 31 March 2009

We have obtained an update of the Plan's financial position at 31 March 2009. It does take some considerable time to collate the information and then assess the position, which is why we are only able to report on it now. This update showed that on an ongoing basis, using the same assumptions as those adopted for the valuation at 31 March 2008, the Plan's assets were 80% of the estimated value of its liabilities (or benefit costs) at 31 March 2009. This means that the Plan's assets were £12.1 million less than the estimated cost of the benefits.

This compares to no shortfall as shown in the formal valuation at 31 March 2008.

The major contributing factor to this worsening in funding position is the negative returns on the Plan's assets over the period (31 March 2009 was close to the low point for global stock markets).

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 the low point for stock markets in early March 2009, there has been a steady improvement, which was maintained to the end of the year. However, there is ongoing uncertainty about the strength of this recovery and the prospects for inflation. You will be understandably concerned as to how these developments might affect your pension.

Although it will depend on the results of the next full valuation due in 2011, the shortfall revealed by the 31 March 2009 funding update suggests that there may be the need for some financial support 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 manage this risk.

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 times, which are difficult for all pension schemes.

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 already provided.

Pension Protection Fund

The Pension Protection Fund was set up to pay compensation to members of defined benefit pension schemes whose pension schemes are wound up without enough assets because their employer has become insolvent.

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 ours to target a lower level of funding on an ongoing basis.

If the Plan were to wind up, DMGT might 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.

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.