

DMGT AVC Plan

Summary funding statement – September 2011

As a member entitled to a pension from the DMGT AVC Plan ('the scheme') we, the trustee directors of the scheme, are writing to provide you with our regular annual update of its financial position.

How the scheme works

Before the scheme 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 scheme. 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 this fund (in other words the scheme's assets) in accordance with an investment policy and asset allocation benchmark incorporated in a Statement of Investment Principles (SIP) which we review annually. The current benchmark allocates 40% of assets to growth-seeking investments such as company shares and property with the remaining 60% allocated to income-generating investments such as government and corporate bonds.

We have agreed a long-term, scheme-specific funding policy with DMGT with the objective of having enough money in the scheme to pay benefits now and in the future. As part of the discussions with DMGT it was acknowledged that DMGT originally set up the scheme 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 scheme 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 potential additional financial liabilities that were never anticipated.

Scheme health checks

We monitor the financial position and obtain regular valuations of the scheme with the assistance of the scheme actuary. The actuary calculates the amount needed to pay future benefits, compares this with the assets currently held and works out the level of contributions required and any potential for bonuses (i.e. increases to pensions) now and in the future. His calculations are based on prudent assumptions regarding future events, such as how long people are expected to live and the returns that are expected on the scheme's investments.

In accordance with legislation, full, detailed valuations are carried out every three years, the most recent one being as at 31 March 2008. We use the results of these valuations, or health checks, to monitor the scheme's progress against the agreed funding policy.

Results of the 2008 actuarial funding valuation

The latest full valuation of the scheme, as at 31 March 2008, was completed within the statutory period on an 'ongoing basis' that assumes DMGT continues to sponsor the scheme.

The valuation showed that the scheme'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 was a snapshot of the position at one particular point in time.

This valuation indicated that the long-term expectation for future bonuses was extremely low.

Funding update at 31 March 2010

We have obtained an update of the scheme's financial position at 31 March 2010. There will be no corresponding update at 31 March 2011 since a full valuation is being carried out at this date, and we will report the results of this full valuation as soon as we are in a position to do so.

The results of this update are shown in the table below, which also includes comparison figures against the last full valuation which was carried out as at 31 March 2008 and the funding update at 31 March 2009.

Date	Shortfall (millions)	Funding level	Comment
31/03/2010	£4.8	92%	Funding update
31/03/2009	£12.1	80%	Funding update
31/03/2008	£0.0	100%	Full valuation

The improvement in the funding position over the year to 31 March 2010 was due mainly to a recovery in the market value of assets.

Current financial markets

Since a low point for stock markets in March 2009, there have been gains which are reflected in the valuation as at 31 March 2010. Nevertheless, uncertainties remain about the strength of the economic recovery and the outlook for inflation.

Although it will depend on the results of the next full valuation due in 2011, the shortfall revealed by the 31 March 2010 funding update suggests that there may be the need for some financial support from DMGT once the 2011 valuation has been completed.

Meanwhile, we will continue to closely monitor the financial health of the scheme and the ability of DMGT to provide future financial support, should it soon be required to do so.

Payments to the employer

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

Pensions Regulator

We confirm that the Pensions Regulator has not needed to give any directions in relation to the scheme.

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.

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 though the scheme is fully funded on an ongoing basis. However, whilst the scheme carries on we will continue to pay pensions in full.

For example, if the scheme had been wound up on 31 March 2008 (the latest date at which this was estimated) 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 scheme 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 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.

For further information on the Pension Protection Fund see the website at www.pensionprotectionfund.org.uk or write to:

Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon, Surrey
CRO 6SR.