Keeping you up to date with your pension scheme's financial health

August 2019

From time to time the Trustees of the McGraw-Hill (UK) Retirement Benefits Plan (1973) produce a Summary Funding Statement, like this one, to give you an update on the Plan's funding position.

We use independent advisers to help us to monitor the Plan's finances, and this statement summarises the results of the most recently completed actuarial valuation of the Plan as at 30 June 2017 and provides you with a snapshot of the position on 30 June 2019. In March of this year, we provided you with a snapshot of the position on 30 June 2018.

The valuation as at 30 June 2017 revealed a funding shortfall of £85.6m. This amount was calculated using more cautious assumptions than for previous valuations (see page 3). Due largely to contributions of £28.6m being paid by the Company since the 2017 valuation, the shortfall had reduced to £49.7m at 30 June 2019. Further details are given on pages 2 and 3.

On a more personal note, if you are considering making any changes to your own pension arrangements, you should think about taking financial advice.

Rob James

On behalf of the Trustees of the McGraw-Hill (UK) Retirement Benefits Plan (1973)

Further information * ' +

If you have any questions or would like to see a copy of the Plan's financial accounts, rules, investment policy or other documents, please contact our administrators, Lane Clark & Peacock LLP. You can find their contact details on page 5.

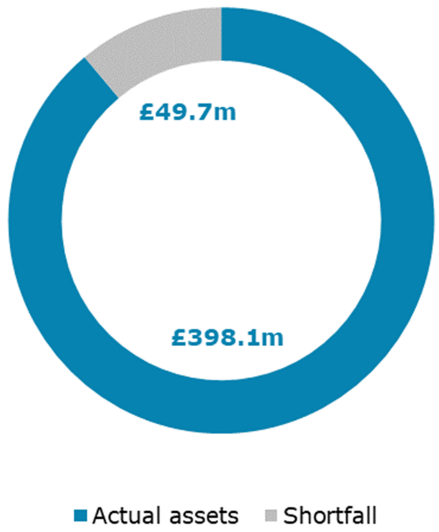
Are your details up to date?

Please let us know if your contact details have changed.

If you would like to change the people you have nominated to receive benefits upon your death, please complete an Expression of Wish form.

A snapshot of the Scheme on 30 June 2019

Target level of assets: **£447.8 million**



At 30 June 2019 the target level of assets was £447.8m, but the actual assets were £49.7m less than this.

The chart shows that the shortfall on 30 June 2019 was £49.7m. This shortfall does not affect the pensions being paid out of the Plan – we have always paid members their full pensions.

In your last Summary Funding Statement, we indicated that the shortfall as at 30 June 2018 was £91.3m. The Plan's financial position has therefore improved by £41.6m over the year. This is mainly due to the contributions paid by the Company and positive investment returns, partially offset by a decrease in Government bond yields (which increases the cost of providing pensions).

We expect the snapshot to change from year to year because the Plan's finances depend on changes in global financial markets and other experience.

Assumptions

The Trustees employ an independent expert to provide regular checks on the Plan's finances. These regular check-ups involve calculating a target level of assets.

The target level of assets is the amount that is expected to be enough to continue to pay out all the pensions that members have already built up in the Plan.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on the Plan's investments, amongst other factors. The assumptions used for the 30 June 2019 snapshot are in line with those used for the 30 June 2017 actuarial valuation.

Assets of the Plan

The assets of the Plan come from contributions paid by the Company, together with investment growth.

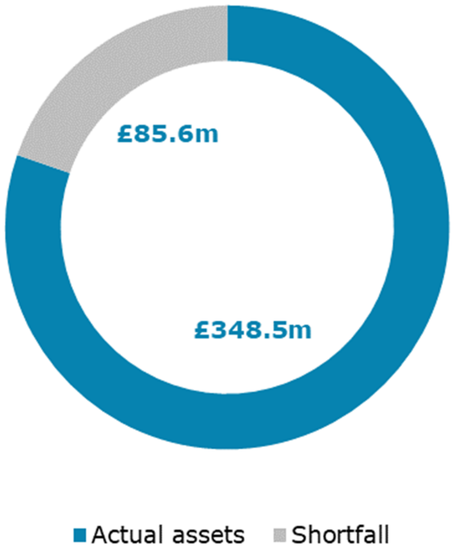
The assets of the Plan are held separately from the Company and the Plan's Trustees are responsible for investing this money, after taking professional advice.

The assets are held in a common fund – they are not held in separate pots for each member.

Pensions are paid to retired members out of this common fund.

Results of the last actuarial valuation at 30 June 2017

Target level of assets: **£434.1 million**



At 30 June 2017 the target level of assets was £434.1m, but the actual assets were £85.6m less than this.

It is important to note that the Trustees adopted a more cautious approach with the assumptions adopted than was previously the case. Had the Trustees used the same assumptions for the 2017 actuarial valuation as were used for the previous valuation, the deficit revealed by the 2017 valuation would have been about £26m.

In order to fill the gap, the Trustees agreed with the Company as part of the actuarial valuation the future contributions to be paid to the Plan. A lump sum contribution of £28.3m was paid in January 2019 and £0.7m pa is being paid over the four years from February 2019. These contributions are expected to clear the deficit by 31 December 2025 if the valuation assumptions are borne out in practice.

The Trustees also agreed a “contingency plan” with the Company as part of the valuation. This provides for additional contributions to be paid in the future, subject to certain conditions being met, if the Plan’s future experience (for example, actual investment returns) is worse than assumed.

Your questions answered

Q: Has the Company taken any money out of the Plan?

Regulations require us to confirm to you whether the Company has taken any money out of the Plan since the date of our last Summary Funding Statement. We can confirm that it has not.

Q: What if the Plan has to wind-up?

Regulations also require us to confirm the position had the Plan would-up as at the last actuarial valuation date. The Trustees have no reason to believe the Plan is likely to wind-up in the foreseeable future.

However, if the worst came to the worst and the sponsoring employers became insolvent, the assets of the Plan at the time would be used to secure benefits by buying insurance policies. The cost of securing benefits in this way is known as the solvency valuation. Insurers are obliged to take a very cautious view of the future and need to make a profit, which means that they require more money to provide the benefits than if the Plan were to continue on an ongoing basis.

The estimated funding level on a solvency basis was 59% as at 30 June 2017, equivalent to a deficit of about £245m.

The above amount would be payable by the Company. If the sponsoring employers became insolvent and they and the parent company were unable to make good the solvency deficit, you may not receive your full Plan benefits.

Q: Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension scheme members with added security should their employer become insolvent and unable to pay the final contribution.

If the Plan were to enter the Pension Protection Fund, the amount members receive may be less than the pension benefits built up for them in the Plan. The Pension Protection Fund rules are complex. The amount they will pay depends on the rules of the scheme, whether a pension is already being paid, a member's age and the type of pension benefit.

More information and guidance about the Pension Protection Fund is available at www.ppf.co.uk or by contacting the Pension Protection Fund, 12 Dingwall Road, Croydon, Surrey, CR0 2NA (tel 0845 600 2541).

Where can I get more information?

If you have any questions or would like to see a copy of the Plan's financial accounts, rules, investment policy or other documents, please contact the Plan's administrators at the address below.

+ The Trustees of the McGraw-Hill (UK) Retirement Benefits Plan (1973)
c/o Lane Clark & Peacock LLP
Franklin House
Church Green Close
Kings Worthy
Winchester
SO23 7TW

Telephone: +44 (0)1962 672956
Email: McGrawHillAdmin@lcp.uk.com

Issued by the Trustees of the McGraw-Hill (UK) Retirement Benefits Plan (1973)

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