



Pearl Group Staff Pension Scheme

The **Trustee's Report** to members  
for the year ended **30 June 2009**

# Welcome

Welcome to your latest summary of the Pearl Group Staff Pension Scheme Report and Accounts – this issue covers the period 1 July 2008 to 30 June 2009. As always, we hope you find this report informative. If you have any queries regarding your pension, please call the administration team on 01733 393020 or email [pearl@firstactuarial.co.uk](mailto:pearl@firstactuarial.co.uk). Alternatively, you can visit the Scheme website at [www.pearlstaffpensionscheme.co.uk](http://www.pearlstaffpensionscheme.co.uk)

As well as the usual information, such as the Scheme's financial summary and the investment report, we have included some information on the replacement funding agreement which was approved in late 2009.

The recent investment by Liberty (see 'Message from the Company', page 3) has ultimately strengthened the Company's financial position, which, in turn, reflects positively on the Company's ability to support the Scheme in the long term.

The name of the Company was changed from Pearl Group Limited to Pearl Group Holdings (No. 2) Limited on 16 September 2009. Although it has been renamed it is the same company that continues to be the principal sponsoring company for the Scheme and which is referred to throughout this report as 'the Company'.

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## Scheme news

### Changes to the Scheme

There has been no change to the structure of the Scheme during the year under review. P.A.T. (Pensions) Limited remain the Scheme Trustee, and there are seven directors of the Trustee, three of whom are member nominated. The Trustee Board continues to control the appointment of new Trustees.

# Scheme news *continued*

## **Changes to the Trustee Directors**

As mentioned in the 2008 report, Alan Roffey-Jones replaced David Baker on 14 November 2008, and Ashok Gupta was replaced by The Law Debenture Pension Trust Corporation plc on 30 December 2008.

A further change has taken place on 15 July 2009 with Kevin Hume being replaced by Tracey Reedman-Taylor as a result of the Member Nominated Director election process earlier in the year. Member Nominated Directors are elected every six years, and the next round of elections is due no later than December 2013.

## **Amended Funding Agreement**

We wrote to members in September 2009 to advise of the replacement funding agreement under negotiation between the Trustee and the Company. More information on this subject can be found on page 7.

## **Company's transfer value exercise**

Between September 2008 and December 2008 the Company ran a trial of an initiative to give a selection of deferred members the opportunity to consider a transfer of their benefits to an alternative vehicle and offered them free

independent financial advice. The Trustee was kept fully informed of this trial, which at present is on hold.

## **Message from the Company**

2009 was an eventful year for Pearl. September saw a major boost for Pearl Group as Liberty Acquisition Holdings (International) Company ("Liberty International"), a Cayman Island registered company, purchased a majority share in the Company, injecting £450 million of fresh capital into the business. The investment by Liberty International, a Euronext listed company, has necessitated the creation of a Corporate Head Office which is based in Jersey, where the group is now tax-resident. On completion of the transaction, on 3 September 2009, Liberty International changed its name to Pearl Group. During November Pearl Group achieved a secondary listing on the London Stock Exchange and is intending to seek a primary listing later this year.

The ongoing office consolidation programme continues with some staff having relocated to Wythall from Peterborough and a major recruitment programme running to ensure the Company is equipped to manage the business following the final closure of the Peterborough office in the first half of 2011.

# The financial development of the Scheme

## Fund Account for the year ended 30 June 2009

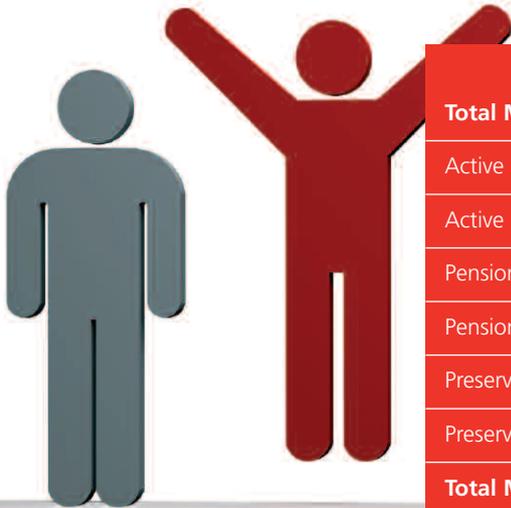
Value of Fund at 1 July 2008: £1,842,554,000.

	2008-2009 Final Salary benefits £'000	2008-2009 Money Purchase benefits £'000	2008-2009 Total £'000	18 months to June 2008 Total £'000
<b>Income for the period</b>				
Contributions	3,387	244	3,631	20,175
Investment income	66,673	-	66,673	77,574
Other income	829	-	829	2,169
	<b>70,889</b>	<b>244</b>	<b>71,133</b>	<b>99,918</b>
<b>Expenditure for the period</b>				
Benefits payable	(71,797)	(196)	(71,993)	(102,401)
Payments to, and on behalf of, leavers	(29,662)	(2,190)	(31,852)	(11,292)
Administrative expenses	(898)	-	(898)	(3,258)
Investment management expenses	(1,839)	-	(1,839)	(2,111)
	<b>(104,196)</b>	<b>(2,386)</b>	<b>(106,582)</b>	<b>(119,062)</b>
<b>Returns on investments</b>				
Income less expenditure	(33,307)	(2,142)	(35,449)	(19,144)
Change in market value of investments	(277,806)	(3,430)	(281,236)	21,555
<b>Net increase/(decrease) in the Fund during the period</b>	<b>(311,113)</b>	<b>(5,572)</b>	<b>(316,685)</b>	<b>2,411</b>

Value of Fund at 30 June 2009: £1,525,869,000.

# Membership

The table below shows the movement of Scheme members during the period 1 July 2008 to 30 June 2009.



	Final Salary	Money Purchase	Total
<b>Total Membership 1 July 2008</b>	<b>22,543</b>	<b>1,913</b>	<b>24,456</b>
Active members 1 July 2008	50	208	258
Active members 30 June 2009	47	258	305
Pensioner members 1 July 2008	9,266	62	9,328
Pensioner members 30 June 2009	9,363	68	9,431
Preserved pensions 1 July 2008	13,227	1,643	14,870
Preserved pensions 30 June 2009	12,284	1,624	13,908
<b>Total Membership 30 June 2009</b>	<b>21,694</b>	<b>1,950</b>	<b>23,644</b>

The employer contribution rate during the period for each section of the membership was:

- 48.8% of pensionable salary for Final Salary section members
- 12.4% of pensionable salary for Money Purchase section members
- 19.1% of pensionable salary for the Hybrid members

## Pension increases

The Pearl Group Staff Pension Scheme operates a system of guaranteed pension increases. In accordance with Scheme Rules, pensions in payment received an increase of 4.1% in April 2008 but no increase in April 2009.

# Managing your investments

## Money Purchase section

Members of the Money Purchase section can choose to invest in five Henderson Funds, three Legal & General Funds as well as the Standard Life Managed Fund. If no investment choice is made, the member's credits are invested in the default fund – from November 2008 this is the Legal & General World Equity Index Fund (previously the default was the Henderson Enhanced Balanced Fund). Members may also choose to invest AVCs in the Henderson Global Technology and the Henderson Industries of the Future funds.

Fund	12-month performance to 30 June 2009	
	Fund	Benchmark
Henderson Enhanced Balanced Fund	-10.37%	-9.86%
Henderson Global (50:50) Enhanced Equity Fund	-17.23%	-16.59%
Henderson Global Bond Fund	21.12%	25.68%
Henderson Index-Linked Bond Fund	2.01%	-0.59%
Henderson Cash Fund (previously Henderson Enhanced Sterling Liquidity Fund)	4.91%	3.95%
Standard Life Managed Fund	-13.60%	-13.00%
Legal & General Global Equity (Passive) Fund	-18.10%	-18.50%
Legal & General World Equity Index Fund	-13.40%	-13.60%
Legal & General Over 15 yr Gilts Index Fund	-2.50%	-2.40%
Henderson Global Technology Fund	1.47%	-5.38%
Henderson Industries of the Future Fund	-10.87%	-14.21%

**Notes:** **1.** Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations. **2.** Detailed fund performance fact sheets are available on the website at [www.pearlstaffpensionscheme.co.uk](http://www.pearlstaffpensionscheme.co.uk)

# Final Salary section

You may recall that we wrote to you in September last year regarding the funding agreement which was previously in place to eliminate the deficit which had been calculated during the 2006 valuation.

The Company had originally agreed a funding agreement which intended, over time, to remove the shortfall between its liabilities (how much money the Scheme needs to be able to pay out) and its assets. However, as a result of the recent global economic difficulties, the Company was regrettably unable to make the payment due as at 30 June 2009 without this having a serious detrimental effect on their business and therefore their ongoing support of the Scheme.

Further to this development, the Trustee concentrated its efforts on resolving the issues and sought an alternative arrangement to protect the Scheme's interests and continue to improve its funding. Negotiations with the Company followed, supported by the Scheme's professional advisers, and a replacement agreement was approved; this arrangement was considered to be in the best interests of all members and the longer-term security of the Scheme.

In October 2009, following the approval of the replacement agreement and of the investment from Liberty, the Company made a payment of £50 million to the Scheme. This will be followed by yearly payments of £25 million, for the next ten years. In addition, the Scheme has received £10 million from the escrow account which was set up previously. Further to these contributions, measures have been implemented to further protect the Scheme; the Company has granted security to the Trustee over some of the companies in its group, as well as making provisions to link potential improvements in Company cashflow to Scheme funding, so that the Scheme can share in the Company's success. There have also been moves to aid the Trustee's knowledge and understanding of the Company's financial position at any given time, through extensive information which the Company will provide for the purposes of monitoring.

It has been agreed that the Company will retain its existing position with regards to the administration and non-investment expenses of the Scheme, which it will continue to meet until at least 30 June 2027.

# Summary Funding Statement – Final Salary sections only

## Summary of the last Scheme funding valuation as at 30 June 2006

The actuary is currently conducting a valuation of the Scheme as at 30 June 2009, the results of which will be communicated to members later in the year. A full valuation is carried out every three years, and the most recent completed figures as at 30 June 2006 gave us the following information:

Assets	£1,716 million
Amount needed to provide benefits	£2,099 million
Shortfall	£383 million
Funding level	82%

Further to this valuation, we have assessed the Scheme's funding on an annual basis to enable us to stay informed of the Scheme's progress during the interval between full valuations. As at 30 June 2007, the actuary's updated figures showed that the Scheme's funding level stood at 84%. This was updated again at 30 June 2008, at which point the funding level had decreased to 75%.

## Change in funding position since the previous statement

The funding level of the Scheme had worsened since the last valuation. The main reason for this decrease was the reduction in index-linked gilt yields, which move frequently, and which are used to measure the liabilities. The liabilities had increased by

more than the assets, so the gap between how much money the Scheme had and how much it needed to pay benefits had widened.

It is important to remember that these figures are given as a snapshot of the Scheme's position at a particular date and the valuation for 2009 is currently in progress. You should also keep in mind that pensions should be considered a long-term investment.

## Payment to the Company

There has not been any payment to the Company out of Scheme funds since the last statement was issued.

## How the Scheme operates

### How your pension is paid

The assets of the Scheme are held in a common fund which is used to pay pensions and other benefits to Scheme members as they fall due. The Company pays contributions into this fund as required. The money to pay for the Final Salary benefits is held in a common fund. It is not held in separate funds for each individual (as is the case for Money Purchase section members).

## How is the amount the Scheme needs worked out?

The Trustee has a funding plan (the Statement of Funding Principles) agreed with the Company, which aims to make sure there is enough money in the Scheme to pay for pensions now and in the future. The amount of money that the Company pays into the Scheme may go up or down following regular funding checks by our actuary.

## The importance of the Company's support

The success of the Scheme relies on the support of the Company continuing, because:

- the Company will be paying the future expenses of running the Scheme on an annual basis
- the funding level can fluctuate, and when there is a funding shortfall, the Company will usually need to put in more money
- if the target funding level should turn out not to be enough, the Company will need to put in more money.

## What would happen if the Scheme started to wind up?

If the Scheme had started winding up, the assets available as at 30 June 2008 would have been sufficient to secure approximately 69% of benefits for members of the Final Salary sections.

**Inclusion of this information does not imply that the Company is thinking of winding-up the Scheme.**

Whilst the Scheme remains ongoing, even though funding is temporarily below target, benefits will continue to be paid in full. If the Scheme winds up, you might not get the full amount of pension you have built up. If the Scheme were to start to wind up, the Company is required to pay enough into the Scheme to enable members' benefits to be completely secured with an insurance company. It may be, however, that the Company would not be able to pay this full amount. If the Company became insolvent, the Pension Protection Fund are likely to take over the Scheme and pay compensation to members.

Further information and guidance is available on the Pension Protection Fund's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk), or you can write to the Pension Protection Fund at:

Knollys House  
17 Addiscombe Road  
Croydon  
Surrey CR0 6SR

**Important:** If you are thinking of transferring your Final Salary benefits, or opting out of the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

## Why does the funding plan not call for full solvency now?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit, and administration costs also have to be taken into account when securing benefits in this way. In contrast, our funding plan assumes that the Company will continue in business and support the Scheme.

## What is the Scheme invested in?

The Trustee's policy is to invest in a broad range of assets. The following table provides details of the asset allocation as at 30 June 2009:

	Current (prices as at 30.6.09)	
	£m	%
Equity	119.5	7.9
Gilts	489.3	32.5
Hedge Funds	251.3	16.7
Cash	205.5	13.7
Property	120.3	8.0
Credit	467.9	31.1
Other	3.2	0.2
ALM	(7.7)	(0.5)
Asset Backing	(144.3)	(9.6)
<b>Total</b>	<b>1,505.0</b>	<b>100.00</b>

## Additional documents available on request

**The Statement of Funding Principles**, which sets out the Scheme's Funding Plan.

**The Recovery Plan**, which explains how the funding shortfall is being made up.

**The Statement of Investment Principles**, which explains how the Trustee invests the money paid into the Scheme.

**The Statement of Contributions**, which shows how much money is being paid into the Scheme.

**The Annual Report and Accounts of the Pearl Group Staff Pension Scheme**, which shows the Scheme's income and expenditure in the year to 30 June 2009.

**The full Report on the Actuarial Valuation** following the actuary's check of the Scheme's financial situation as at 30 June 2006.

**An Annual Benefit Statement** – if you are an active member of the Scheme (and have not received a benefit statement in the previous 12 months), you can ask for a statement that provides an illustration of your likely pension.

# Trustee and Advisers to the Scheme

## **Trustee**

P.A.T. (Pensions) Limited

## **Trustee Directors:**

### **Chairman**

K Jones, BSc, FIA, MBA

*Deferred member*

### **Employer Nominated Directors**

G S Felston, BSc, FCII, MBA,

*Head of Diligenta Transformation,*

*Pearl Group Holdings (No.2) Limited*

A Roffey-Jones, BSc, MA, IPD

*Pearl Group Holdings (No.2) Limited*

*(appointed 14 November 2008)*

*Group HR Director, Pearl Group*

*Holdings (No.2) Limited*

### **Member Nominated Directors**

K Hume, BSc, ACA

*Head of Internal Audit*

*Pearl Group Holdings (No. 2) Ltd*

*(resigned 25 June 2009)*

M J Mauchline, FCII

*Pensioner Member*

C A Munro, BSc, FIA

*Pensioner Member*

T J Reedman-Taylor

*Head of Operational Governance,*

*Pearl Group Holdings (No.2) Ltd*

*(appointed 15 July 2009)*

### **Independent Director**

Appointed 30 December 2008

*The Law Debenture Pension Trust*

*Corporation plc, normally represented*

*by S Balmont, BA (Econ), FCA*

### **Secretary**

C L Wilson, BSc, APMI

*First Actuarial LLP*

### **Sponsoring Employer**

Pearl Group Holdings (No.2) Limited

The Pearl Centre, Lynch Wood

Peterborough PE2 6FY

### **Actuary**

Watson Wyatt Ltd, Watson House

London Road, Reigate,

Surrey RH2 9PQ

*N Wearing, FIA is the Scheme*

*Actuary appointed for the purposes*

*of the Pensions Act 1995.*

## **Joint Legal Advisers**

Reed Smith Richards Butler LLP

Kirkpatrick & Lockhart Preston

Gates Ellis LLP

A Mather (until 1 September 2008)

I D A Johnson (from 1 September 2008)

## **Investment Managers**

### **Final Salary sections**

Axial Investment Management Limited

### **Money Purchase sections**

Henderson Fund Management PLC

(trading as Henderson Global Investors)

Standard Life Investments Limited

Legal and General Assurance

(Pensions Management) Ltd.

## **Investment Advisers**

Hewitt Associates Limited

## **Auditors**

PricewaterhouseCoopers LLP

## **Custodians**

State Street Bank and Trust Company

## **Bankers**

HSBC Bank PLC



First Actuarial LLP  
38 Tyndall Court  
Commerce Road  
Lynch Wood  
Peterborough  
PE2 6LR

## Your contacts

If members have any queries concerning their benefits, they should contact the Scheme Administrators at:

First Actuarial LLP, Pearl Group Staff Pension Scheme  
38 Tyndall Court, Commerce Road, Lynch Wood  
Peterborough, PE2 6LR

Telephone: 01733 393020

Fax: 01733 393049

Email: [pearl@firstactuarial.co.uk](mailto:pearl@firstactuarial.co.uk)

Website: [www.pearlstaffpensionscheme.co.uk](http://www.pearlstaffpensionscheme.co.uk)