

THE ORACLE UK PENSION PLAN

Statement of Funding Principles

Status

This Statement of Funding Principles has been prepared by the Trustees of the Oracle UK Pension Plan (the Plan) to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary appointed by the Trustees.

This document has been agreed by the sponsoring employer, Oracle Corporation UK Limited (the Employer) and is to be taken into account in the actuarial valuation as at the effective date of 31 May 2016 and subsequent actuarial valuations.

Policy for ensuring that the Statutory Funding Objective is met

Under the Pensions Act 2004 the Trustees must set a funding policy after negotiating with the Employer which complies with the "Statutory Funding Objective" – to have "sufficient and appropriate assets" to cover the Plan's "technical provisions". The Trustees have interpreted this requirement to mean that the Plan should have a sufficient level of assets to have a reasonable chance that, in the normal course of events, the assets would cover the continuing payment of benefits already in payment as well as the commitments to pay deferred pensioners' pension rights earned so far.

This will be achieved by agreeing with the Employer appropriate contributions to make good any shortfall in the Plan's assets compared to the amount required to cover the technical provisions over a suitable period.

In determining the level of contributions required for the Plan, assumptions about the future experience of the Plan will be made. Further details of the contribution arrangement and assumptions made are given below.

Funding objectives in addition to the Statutory Funding Objective

The Trustees currently have no other funding objectives.

Employer contributions

Future service

The Pensions Underpin ceased accruing with effect from 31 May 2004 and future accrual of benefits, including provision of death benefits, ceased with effect from 31 December 2010. There are therefore no contributions in respect of future service.

Expenses

Levies to the Pension Protection Fund (PPF), other levies collected by the Pensions Regulator and administrative expenses of the Plan will be paid directly by the Employer.

Payments to escrow

The Employer and Trustees have agreed as part of the 2016 actuarial valuation that the Employer will make payments into an escrow arrangement in respect of recovery plan contributions. The level of these contributions is set out in the "Funding Deed in relation to the Escrow Arrangement" dated 28 May 2015 (the Funding Deed).

Note that payments due to the escrow can be reduced by the amount of any contributions that have been paid to the Plan directly by the Employer since the date of this Statement, excluding those in respect of augmentations or made under the indemnity provisions in the Plan rules.

Arrangements for other parties to make payments to the Plan

An agreement has been put in place whereby the US parent company Oracle Corporation, incorporated in Delaware, underwrites certain contributions payable to the Plan (the Guarantee).

Should the PPF guidance in relation to contingent assets, of the PPF's standard form agreements, change in any year such as manner than it would render the Guarantee not compliant for the purposes of levy reduction, the Trustees and the Employer will amend the Guarantee in order to ensure continuing compliance, provided that this is consistent with their legal obligations and is practicable.

Contributions to the Section 1 Underpin Reserve account

The Section 1 Underpin Reserve (the Underpin Reserve) is made up of the following:

- a. Pensioner Reserve Fund (PRF): The PRF is an investment fund used to back the liabilities for Pensioners. It is intended that the value of the PRF, plus any amount in the Underpin Reserve bank account, is equal in value to the liabilities for Pensioners assessed using the Cash Equivalent Transfer Value (CETV) assumptions in place as at the assessment date.
- b. Trustee Reserve Account (TRA): The TRA is an investment fund used to fund the difference in value between a member's Notional Account and the value of the member's Pensions Underpin at the time the Pensions Underpin is applied. This may be as a result of the member retiring with a pension from the Plan, transferring out or passing away.
- c. The Underpin Reserve bank account and net current assets (NCA)

An annual check as at 31 May of each year will be carried out to ensure that the Underpin Reserve account is expected to be able to provide the benefits of current pensioners in future and to meet demands as a result of transfers out and retirements over the following three years. In the Funding Deed and in this Statement, this amount is classed as a "Required Amount".

As at 31 May of each year a calculation will be made of the following amount:

1. The value of all pensions in payment as at the assessment date. This will be calculated using the CETV assumptions in force as at the assessment date. Different assumptions may be used for this calculation if the Trustees and Employer agree.

PLUS

2. The expected shortfall as at the assessment date on the Underpin Reserve due to retirement at or after Normal Retirement Age (NRA) during the next 3 years. This will be based on members expected to reach NRA in the following 3 years and members already over NRA at the assessment date, using CETV assumptions in force as at the assessment date. For these purposes all members over NRA will be assumed to retire immediately. Different assumptions may be used for this calculation if the Trustees and Employer agree.

PLUS

3. Expected demands due to early retirements and transfers out in the next 3 years. For the purposes of this test, the demands due to early retirements and transfers out over the following 3 years will be assumed to be equal in value to the demands due to transfers out in the 3 years prior to the assessment date.

PLUS

4. Any additional demands on the Underpin Reserve in the next 3 years. This will be calculated as the total of any expected additional demands on the Underpin Reserve over the following 3 years, which the Trustees have agreed with the Employer as at the assessment date.

LESS

5. Expected returns on the TRA in the 3 years following the assessment date. The assumed rate of return for this calculation will be set equal to the pre-retirement asset return that is in line with the CETV assumptions as at the assessment date. Different assumptions may be used for this calculation if the Trustees and Employer agree.

LESS

6. The value of the Underpin Reserve as at the assessment date.

LESS

7. The present value of any Required Amount due under any previous Underpin Reserve annual checks. This will be calculated as the present value of any Required Amount due under any previous Underpin Reserve annual checks which has not been paid into the Plan prior to the assessment date.

The resulting amount will be amortised over the following 3 years payable in advance, using the post retirement discount rate that is in line with the CETV assumptions as at the assessment date. Each annual instalment is referred to in this statement and in the Funding Deed as a "Required Amount Instalment" and will be paid in accordance with the terms of the Funding Deed.

The Required Amount calculation will be set to a minimum of zero, in which case no funding is required to the Underpin Reserve.

The Required Amount will be calculated by the Scheme Actuary and the Employer will be notified of the amount payable if any. From the date of notification the Employer's actuary will have 20 business days to review the amount.

If by the end of 20 business days the Employer's actuary has agreed the amount payable, the amount payable will be due to be paid to the Plan no later than 40 business days after the end of the 20 business day period.

If at the end of 20 business days the Employer's actuary has not agreed the Required Amount payable, the lower of the Trustees' calculation of the Required Amount Instalment payable in the first year and the Employer's calculation of the amount payable in the first year will be due 40 business days after the end of the 20 business day period. The final amount payable in the first year in relation to the first Required Amount Instalment will then be agreed between the Trustees and the Employer, with any final payment due 40 business days after agreement has been reached. Payments of the Required Amount Instalments in subsequent years will be due on the anniversary of the date agreement has been reached and will be payable regardless of the results of subsequent annual checks, unless a new Schedule of Contributions is agreed in the meantime.

In the event of non or partial payment at the end of the above time periods, the Guarantee can be called upon for the payment outstanding, and not the maximum amount of the Guarantee. The Trustees will first exhaust other avenues before calling on the Guarantee.

General principles underpinning the funding agreement

UK property and UK covenant

The Employer will notify the Trustees if any steps to be taken with regard to UK property which, in the Employer's opinion, could have a material effect on the UK covenant.

The Employer will notify the Trustees of any plans that could, in the Employer's opinion, materially affect other aspects of the UK Covenant.

Investment strategy

When reviewing the investment strategy of the Plan, the Trustees will fully consult with the Employer and will consider any representations that the Employer wishes to make whilst formulating the Plan's investment policy, taking due regard of their statutory duties, Rules of the Plan and the interest of Plan members.

Period within which and manner in which a failure to meet the Statutory Funding Objective is rectified

If the assets of the Plan are less than the technical provisions at the effective date of any actuarial valuation, a "Recovery Plan" will be put in place, which requires additional contributions from the Employer. These additional contributions will pay off the shortfall over an appropriate period, taking into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer or Oracle Corporation incorporated in Delaware;
- the Trustees' assessment of the Employer covenant; and
- any contingent security offered by the Employer or Oracle Corporation incorporated in Delaware.

The assumptions to be used in the shortfall elimination calculations will be as agreed between the Trustees and the Employer, with the aim that in normal circumstances any shortfall will be eliminated by expected additional asset returns above the discount rate without the need for deficit contributions from the Employer.

The 2016 actuarial valuation revealed a significant deficit which cannot be eliminated through additional asset returns alone. The Trustees and the Employer have agreed that the Employer will make payments into an escrow arrangement. At the end of the recovery plan, a payment from the escrow arrangement to the Plan may be required to make good any deficit, subject to a maximum of the escrow assets at that time. The Funding Deed sets out the terms of this arrangement.

Surplus refund to the Employer

Under Rule 28 of the Trust Deed and Rules, the Trustees may make a payment to the Employer provided that:

- the Plan is wound up
- member's benefits have been secured in full with an insurance company or transferred to another scheme
- the Trustees have considered augmenting benefits under clause 13

Policy on discretionary increases and funding strategy

The Rules of the Plan allow for the Trustees to provide increased or additional benefits at the request of the Employer. Any such augmentation is conditional on the Employer paying any additional contribution that the Trustees, having regard to actuarial advice, require.

The Trustees make no allowance for discretionary increases in setting the contribution requirement, because any discretionary benefits that may be granted will be paid for separately at the time.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation will, in normal circumstances, be carried out every three years or when the Trustees determine that significant events have occurred such that the existing Schedule of Contributions is no longer appropriate, having sought the advice of the Scheme Actuary and consulted the Employer.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the Schedule of Contributions in a way satisfactory to the Trustees on the advice of the Scheme Actuary.

An actuarial report on developments affecting the Plan's technical provisions and funding level will be obtained annually between actuarial valuations. If such an update reveals a surplus, payments to the escrow arrangement may cease.

Method and assumptions used in calculating the "technical provisions"

The actuarial method to be used in the calculation of the technical provisions is the "Projected Unit Method".

The methodology used to determine the net liability in respect of the Pensions Underpin for each member is:

1. Project Core Contributions from the valuation date to NRA, allowing for the pre-retirement expected return on assets. The projection takes account of the incidence of assumed deaths from the Plan.
2. Project the value of the Pensions Underpin to NRA using the assumptions below. The projection takes account of future salary increases, the incidence of assumed deaths and withdrawals from the Plan.
3. Calculate the amount by which 2. exceeds 1., or set to zero if 2. does not exceed 1.
4. Discount 3. back to the valuation date, using the pre-retirement discount rate for calculating the liabilities.

The net liability (i.e. shortfall, if any, of assets compared with value of liabilities) in respect of that member is 4.

The principal assumptions to be used in the calculation of the technical provisions are as follows. Note that the assumptions used for the annual check at 31 May of each year to ensure that the Underpin Reserve is expected to be able to meet demands on it over the following three years will be as set out in the "Contributions to the Section 1 Underpin Reserve" section and may differ to those used to calculate the technical provisions and any shortfall contributions.

At the valuation date the assumptions were set using a term of approximately 20 years.

Inflation

The RPI inflation assumption is set having regard to the difference between the market yields on long-dated fixed-interest and index-linked gilts (of appropriate term) at the valuation date.

The CPI inflation assumption is set relative to RPI inflation less 1.0% p.a.

Pension increases

Assumptions for future pension increases which are linked to inflation will be set to the relevant price inflation measure, subject to any caps and collars that may apply using an appropriate statistical model.

Salary increases

The salary increase assumption is set to RPI with an addition of 1.0% pa.

Discount rate

The discount rate will normally be determined by the Trustees taking into account professional advice, taking into account relevant market indicators at the valuation date, the long-term strategic asset allocation, the liability profile of the Plan, and the perceived strength of the Employer covenant.

The return on Government bonds, at an appropriate term, will be taken as a suitable market index yield.

As a proportion of the Fund's assets are invested in assets which would be expected to outperform UK Government bonds over the long term, an allowance is made for this in the discount rate, based on the perceived strength of the Employer Covenant. However, if the Trustees have material concerns over the strength of the Employer Covenant, the discount rate may need to be determined looking solely at the yield available on gilts and other low risk asset classes.

At the valuation date an additional allowance of 0.9% pa was added to the expected return on gilts after retirement, and an additional allowance of 2.0% pa was added to the expected return on gilts before retirement.

Retirement

Members will be assumed to retire at their Normal Retirement Date.

Withdrawals

An allowance is made for in-service deferred members to withdraw from service. This assumption varies by age and is expected to change in future as the Plan matures.

Member options

No allowance will be made for members to exchange pension for a lump sum at retirement. The Trustees take advice from the Scheme Actuary as to the terms available for members to exchange pension for a lump sum cash and would generally expect these terms to be favourable to the Plan.

Mortality

The rates of mortality assumed will reflect information published by the Continuous Mortality Investigation of the Actuarial Profession deemed most relevant to the membership of the Plan, including an appropriate allowance for expected future improvements in longevity.

This assumption may be adjusted on the advice of the Scheme Actuary or in the light of evidence relating to the actual mortality experience of the Plan, the industry in which the members work, or the distribution of pension payment amounts.

Dependant details

Assumptions regarding the proportion of members with a dependant at death, and the age difference between the member and the dependant, will be set taking into account professional advice and the experience of the Plan. At the valuation date it was assumed that 80% of males and 70% of females are married at retirement or earlier death, and that husbands are three years older than wives.

Assumptions as at 31 May 2016

The assumptions used to calculate the technical provisions as at 31 May 2016 are as follows:

Pre-retirement discount rate	4.30% pa										
Post-retirement discount rate	3.20% pa										
Retail Prices Index inflation (RPI)	3.25% pa										
Consumer Prices Index inflation (CPI)	2.25% pa										
Salary increases	4.25% pa										
Pension increases (CPI max 5%)	2.20% pa										
Mortality tables	104% (males) / 93% (females) of S2NA "Light" tables*										
Mortality projections	CMI 2015 projections with a long-term rate of improvement of 1.5% pa										
Age difference between member and dependant	3 years										
Proportion married at retirement	80% (males) / 70% (females)										
Allowance for early retirement	No allowance										
Allowance for withdrawals	<table><thead><tr><th>Age</th><th>Withdrawal rate</th></tr></thead><tbody><tr><td>Up to age 30</td><td>20% pa</td></tr><tr><td>Age 31-40</td><td>10% pa</td></tr><tr><td>Age 41-50</td><td>8% pa</td></tr><tr><td>Age 51 and over</td><td>10% pa</td></tr></tbody></table>	Age	Withdrawal rate	Up to age 30	20% pa	Age 31-40	10% pa	Age 41-50	8% pa	Age 51 and over	10% pa
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Up to age 30	20% pa										
Age 31-40	10% pa										
Age 41-50	8% pa										
Age 51 and over	10% pa										
Allowance for cash commutation	No allowance										

* Light tables only for males

Directions by the Pensions Regulator as to the funding of the Plan

No directions under section 231(2) of the Pensions Act 2004 have been made by the Pensions Regulator as to the funding of the Plan.

Basis of cash equivalent transfer values

Members of the Plan are entitled to transfer the value of their Plan benefits to another pension arrangement. If this option is chosen a "cash equivalent transfer value" (CETV) is payable.

The Trustees have agreed that CETVs will normally be calculated so as to represent their best estimate of the cost of providing the benefits in the Plan. As such the assumptions used will be similar to those used for the calculation of the technical provisions, but without any margins for prudence included. As the financial assumptions are market-related, they will normally be updated on a monthly basis for the purpose of calculating CETVs.


Every three years following completion of an actuarial valuation, the Trustees will consider whether to obtain advice from the Scheme Actuary on the financial position of the Plan and its ability to pay full CETVs. The Trustees may decide, depending on the outcome of such advice, to reduce transfer values to the full amount permitted under legislation.

The Trustees will notify the Employer of any changes to the CETV basis as agreed from time to time, enabling the Employer and its advisers to identify if this is likely to lead to materially larger CETVs than the technical provisions.

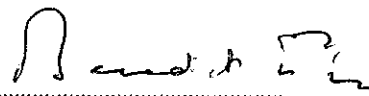
Dates of review of this Statement

This Statement of Funding Principles will be reviewed by the Trustees and the Employer no later than 15 months after the effective date of each actuarial valuation, due every three years.

This Statement has been agreed by the Trustees and the Employer


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Signed on behalf of the Trustees of the Oracle UK Pension Plan


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Signed on behalf of Oracle Corporation UK Limited

Date of Statement: 25th July 2017
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