

Oracle UK Pension Plan: Actuarial Report as at 31 May 2023



Background

This report is addressed to the Trustee of the Oracle UK Pension Plan (the Plan) and is intended to provide an approximate update on the funding position of the Plan as at 31 May 2023. The last actuarial valuation of the Plan was carried out as at 31 May 2022 and was presented in my Scheme Funding Report dated 25 May 2023. This document should be read alongside that report.

The results have been prepared using the assumptions methodology agreed at the 2022 valuation updated approximately for changes in data and market conditions. I have assumed that the strength of the Employer Covenant is unchanged since the 2022 valuation. Further details of the method and assumptions used are given in Appendix B.

Results

Results (£m)	31 May 2022	31 May 2023
Assets*	346	356
Liabilities	598	418
Surplus/(Deficit)	(252)	(62)
Funding level	58%	85%

* Excluding assets held in Escrow Account

Overall, the funding position has improved since the valuation date of 31 May 2022. As shown on the chart in Appendix A, this improvement is largely due to the material increase in gilt yields, and contributions from the

Employer, although these have been partially offset by lower than expected investment returns and inflation experience over the period.

The contributions under the Recovery Plan agreed as part of the 2022 valuation were £35m pa for two years from the valuation date, followed by £31m pa for 5 years. Payment of contributions is split between the Plan and the Escrow Account, with the specific payment terms outlined in the Schedule of Contributions dated 19 May 2023. Following the improvement in funding position at 31 May 2023, the Plan is currently ahead of target in terms of the agreed Recovery Plan.

Summary and Next Steps

The funding level has improved since the 2022 valuation. In my view it is therefore reasonable for the Trustee to retain the existing Recovery Plan at this time.

A copy of this report should be made available to the Employer within seven days of the Trustee receiving it. The results of this review should be disclosed to members in the next Summary Funding Statement.

The Trustee should be aware that the figures in this report are approximate and do not constitute a full actuarial valuation of the Plan. The next actuarial valuation will be due with an effective date of 31 May 2025 and must be completed before 31 August 2026.

Paul Hubbard FIA
Partner, Barnett Waddingham LLP
2 August 2023

Appendix A - Developments since the previous valuation

For the 12 months to 31 May 2023

The following information excludes all Non-Core DC assets.

- Deficit reduction contributions of £20m were paid into the Plan in monthly instalments over the year to 31 May 2023.
- Pension payments of £3.4m and other benefit payments of £4.9m were paid from the Plan.
- The Plan's assets returned approximately -3% over the year.
- The annual increase awarded on 1 April 2023 for pensions linked to CPI was 5% (i.e. capped inflation).
- Deferred pensions were subject to inflationary revaluation of 10.1% with effect from 1 January 2023.
- No discretionary benefits were awarded over the year to the Review Date.

Assets at 31 May 2023

Based on information provided by the Plan's investment managers and administrators, I have taken the unaudited market value of the Plan's assets to be £356m at the Review Date which is made up as follows:

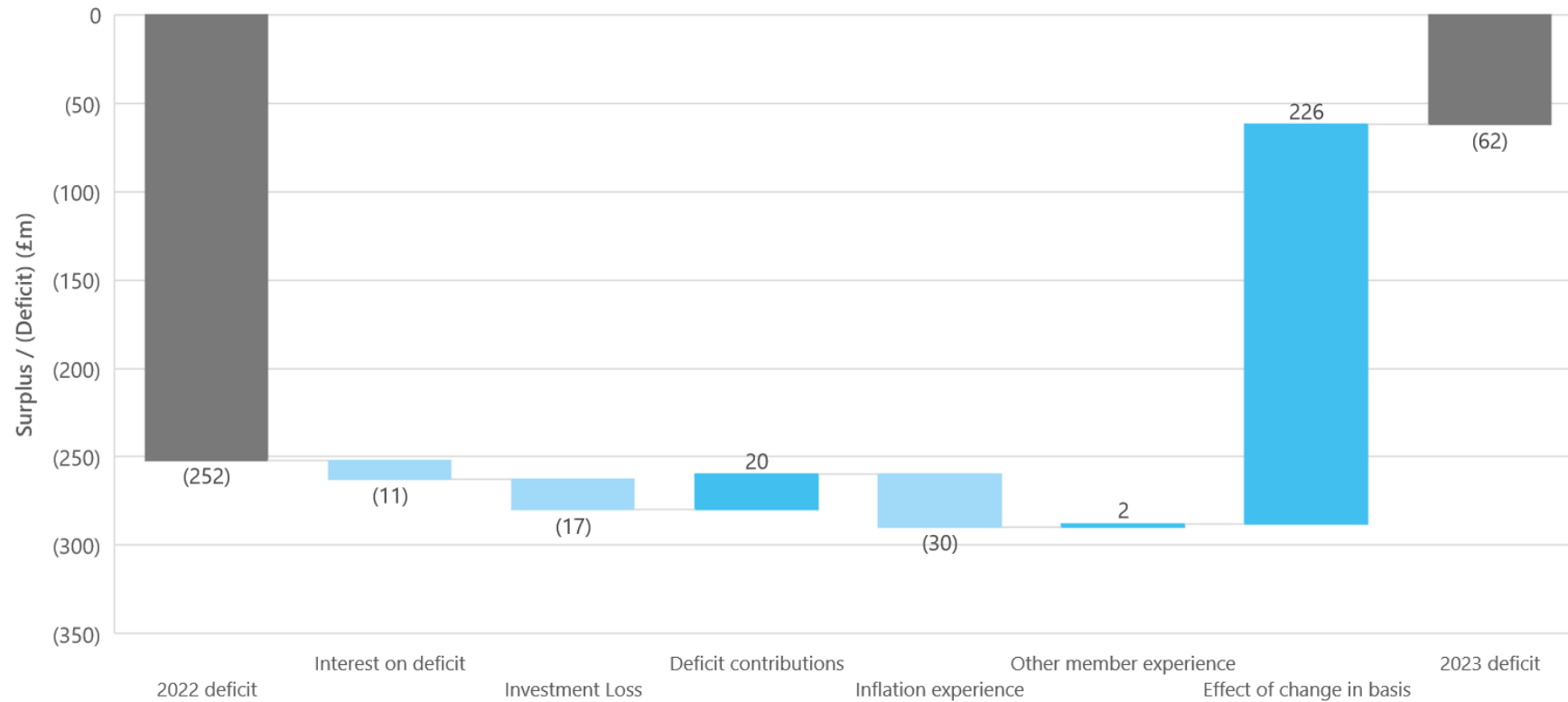
Assets (£m)	31 May 2023
Core funds	244
Trustee Reserve Account	40
Pensioner Reserve Fund	70
Underpin reserve bank account and net current assets	2
Total	356

In addition to the asset value used in this report, £66m was held in the Escrow Account at the Review Date. During the year, the Employer paid £15m into the Escrow Account.

Appendix A - Developments since the previous valuation

Change in deficit

The decrease in the deficit over the 12-month period can be broadly broken down as follows:



Appendix B - Solvency position

The table below shows the change in the Plan's funding position over time if the Plan had wound up and the liabilities had been secured with an insurance company.

Solvency estimate (£m)	31 May 2022	31 May 2023
Assets	346	356
Liabilities	840	600
Surplus/(Deficit)	(494)	(244)
Funding level	41%	59%

Over the year to 31 May 2023, I estimate that the solvency deficit is likely to have decreased to approximately £244m, representing an approximate solvency funding level of 59%. This reflects the change in market conditions over the year (in particular a material rise in real yields) and also reflects our updated views on bulk annuity pricing by insurance companies. This has been determined using a consistent approach to that set out for the triennial valuation as at 31 May 2022.

Further details are set out in my report on the results of the 2022 valuation dated 25 May 2023.

Appendix C - Further detail

Method

The figures contained in this report are based upon an approximate valuation of the Plan as at 31 May 2023.

The liabilities for members with benefits subject to the pensions underpin guarantee have been determined using membership data as at 31 May 2023. The data and benefits are summarised in Appendix D. The financial assumptions are consistent with the principles set out in the latest Statement of Funding Principles, but updated to reflect market conditions as at the Review Date.

The resulting liabilities are then compared with the market value of assets as at 31 May 2023. This is based on the value of investments held with the Plan's investment managers, together with the Plan's bank balance and net current assets as at 31 May 2023, which was supplied by the Plan's administrators. These figures have not been audited.

The Trustee should note the approximate nature of this valuation. Although I have carried out reasonableness checks on the data and the liability calculations, my checks have not been as rigorous as those adopted for the triennial valuation.

In line with the latest actuarial valuation, I have made an allowance for cost of GMP equalisation for pensioner members on a member-by-member basis, whilst for non-pensioner members I have included an allowance of 1.5% of the Plan's liabilities as an approximation of the impact of GMP equalisation. In addition, a fixed reserve of £1.3m has been included in respect of the impact of GMP equalisation for past transfers (i.e. the 'Lloyds 3' judgement). This is the same allowance that was included in the liabilities for the 2022 actuarial valuation.

I believe this methodology is reasonable for the purposes of this report and suitably reflects the development of the Plan's funding position over the

period. Nonetheless, the results should be discussed with me before any significant decisions are taken.

Assumptions

The derivation of the assumptions at each date is consistent with the Plan's Statement of Funding Principles dated 19 May 2023, allowing for market conditions at each review date. A summary of the key financial assumptions used are shown below, alongside the corresponding assumptions for calculating the Technical Provisions as at the valuation date. Note that the demographic assumptions are unchanged across both dates.

	31 May 2022	31 May 2023
Pre-retirement discount rate	4.55% pa	6.60% pa
Post-retirement discount rate	3.25% pa	5.30% pa
Inflation (RPI)	3.85% pa	3.50% pa
Inflation (CPI)	2.85% pa up to 2030, 3.85% pa thereafter	2.50% pa up to 2030, 3.50% pa thereafter
Mortality table	100% of S3NA light tables	
Mortality improvements	CMI 2021 with a long-term improvement rate of 1.5% pa, an initial addition parameter of 1% pa and 2020/2021 weight parameters of 0%	
Allowance for cash commutation	None	
Allowance for withdrawals	10% pa	

Appendix C - Further detail

Risks and sensitivities

My actuarial valuation report dated 25 May 2023 included a summary of the main risks facing the Plan and the sensitivity of the results to changes in the main assumptions.

Compliance

It is a requirement of the Pensions Act 2004 that during the period between triennial actuarial valuations, trustees of defined benefit schemes with more than 100 members commission an annual funding report called an “actuarial report”.

This advice complies with Technical Actuarial Standards issued by the Financial Reporting Council – in particular TAS 100: General Actuarial Standards and TAS 300: Pensions. These are the only TASs that apply to this work. This report is not intended to assist any user other than the Trustee in making decisions or for any other purpose, and neither I nor Barnett Waddingham LLP accept liability should the report be relied upon for any other purpose.

Appendix D - Membership data at 31 May 2023

A summary of the membership data as at 31 May 2023 is set out below, which was provided by the Plan's administrators in June 2023 and which we have carried out reasonableness checks on. Whilst this should not be seen as a full audit of the data, I am happy that the data is sufficiently accurate for the purposes of this update.

	31 May 2023			31 May 2022		
	Number	Average age	Underpin Pension at review date (£m pa)	Number	Average age	Underpin Pension at review date (£m pa)
Males	301	56	3	329	56	3
Females	108	56	1	116	56	1
Total	409	56	4	445	56	4

	31 May 2023			31 May 2022		
	Number	Average age	Underpin Pension at date of leaving (£m pa)	Number	Average age	Underpin Pension at date of leaving (£m pa)
Males	2,574	56	8	2,645	58	8
Females	1,226	55	3	1,251	56	3
Total	3,800	56	11	3,896	57	11

	31 May 2023			31 May 2022		
	Number	Average age	Pension at review date (£m pa)	Number	Average age	Pension at review date (£m pa)
Males	467	69	3	405	68	2
Females	174	66	1	144	66	1
Total	641	68	4	549	68	3

The membership data at 31 May 2023 excludes 304 members who have no Pensions Underpin benefits (310 at 31 May 2022).