

Oracle UK Pension Plan – Newsletter 2023

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This newsletter from the Trustee of the Oracle UK Pension Plan provides an update on how the Plan is doing and covers topical pensions issues. A newsletter is normally issued every year to update you on developments within the Plan.

If you are thinking about withdrawing or transferring your benefits, then please seek independent financial advice first. This website can help you find an adviser: www.fca.org.uk/consumers/finding-adviser



Role of the Trustee

The Trustee of the Plan is Dalriada Trustees Limited (Dalriada), an independent professional trustee company. Adrian Kennett, Greig McGuinness, Leanne Coomber and Fay Robinson work for Dalriada and look after the Plan together with colleagues.

The Trustee is responsible for managing the Plan; to make sure that members receive their benefits and that the Plan complies with all legal and regulatory requirements. The Trustee uses legal, actuarial and investment advisers to help with the strategic decisions and has delegated some of the day-to-day activities to external specialists.

The Trustee meets regularly to monitor the performance of the Plan and its various service providers. They also discuss matters that may affect the Plan, such as legal and economic developments, and the support provided by the Oracle Corporation UK Limited (the Employer).



Financial Update

The Trustee regularly monitors whether the Plan has sufficient money to pay members' pensions, which includes providing the Pensions Underpin under Section 1.

The Trustee obtains an actuarial valuation every 3 years to assess whether the monies invested in members' Core Funds and the Trustee Reserve Account are sufficient to pay members' pensions now and in the future. The estimated cost of paying pensions (referred to as the Plan's liabilities) are compared to the Plan's assets. If there is a shortfall the Trustee asks the Employer to pay extra contributions to close the gap.

The actuarial valuation was last carried out on 31 May 2022 and an approximate update is carried out every 12 months to monitor progress. The results are shown in the table below and commentary is provided underneath:

£million	Update at May 2021	Valuation at May 2022	Update at May 2023
Assets (Section 1)	351	346	356
Liabilities (Section 1)	623	598	418
Shortfall	(272)	(252)	(62)
Funding level	56%	58%	85%

Actuarial valuation at May 2022

The previous newsletter reported a funding shortfall of £272m at May 2021, giving a funding level of 56%.

The actuarial valuation at May 2022 revealed that the position had improved, with a funding shortfall of £252m and a funding level of 58%. The improvement is primarily due changes in market conditions used to value the liabilities, specifically a rise in long term government bond yields. Contributions paid by the Employer (described below) also contributed to the improved funding position and there are other factors (such as inflation and changes to the assumptions used for the valuation) which have offset the improvement to some extent.

The Trustee meets regularly with its advisers and the Employer to discuss developments and the Trustee checks that Oracle Corporation in the United States ("Oracle Corp") is able to meet the guarantee.

Employer contributions

Following the results of the May 2022 actuarial valuation the Trustee and Employer agreed that:

- The Employer will continue to pay contributions of £35m each year until May 2024, followed by £31m each year until May 2029.
- The Employer will continue to meet the costs of running the Plan.
- The Parent Company guarantee provided by Oracle Corp remains at £800m. This guarantee means that Oracle Corp is required to step in if the Employer is unable to fund any shortfall in the Plan.

Update at May 2023

Over the year to May 2023, the funding level improved from 58% to 85%, corresponding to a shortfall of £62m. The improvement primarily stems from further rises in long term government bond yields used to value the liabilities.

In particular, government bond (or "gilt") yields rose sharply during September 2022, following the mini-budget announcement in September. You may have seen this in the pensions news headlines at the time.

During the mini-budget announcement, the government confirmed it would be making substantial tax cuts, appearing to be funded primarily by borrowing in the gilt market. Many investors were concerned about the future funding of UK government tax cuts and the level of government borrowing. This led to investors demanding a much higher return for investing in government bonds, causing their value to drop sharply. As a result, many investors were forced into selling these assets, leading to even greater falls in government bond values.

The Bank of England (BoE) announced it would buy up to £65bn of government bonds to help stabilise bond prices and restore calm to the investment markets. Further, a number of the policies announced in mini-budget were subsequently reversed.

At the time of writing, long term government bond yields are still relatively high but the extreme volatility seen in September 2022 has subsided. The Trustee monitors the financial position regularly and the latest quarterly update showed that funding position had remained at 85% at 30 June 2023. Results of the next actuarial valuation will be as at 31 May 2025, with another interim update before then at May 2024.

Solvency position

The Trustee is required to calculate the amount of money needed if the Plan were to stop and secure members' pensions with an insurance company. This is known as the Plan's "solvency" position.

This normally requires a lot more money than most pension schemes hold. Insurance companies take a cautious view of how much pensions will cost, as well as making allowances for administrative expenses and profit margins. This means the Plan's liabilities are much higher if measured using an insurance company approach.

The table on the next page shows the position if the Plan needed to secure members' pensions with an insurance company.

£million	31 May 2021	31 May 2022	31 May 2023
Assets	351	346	356
Solvency liabilities	1,090	840	600
Shortfall	(739)	(494)	(244)
Funding level	32%	41%	59%

The Trustee is required to tell you about the solvency position but it does not mean they are currently thinking about securing members' pensions with an insurance company.

The Pension Protection Fund (PPF)

If the Employer ever became insolvent and there was insufficient money in the Plan after any recovery from Oracle Corp's guarantee then the PPF may take over the Plan and pay members' pensions. The PPF does not provide full protection, so members will see a reduction to their overall retirement benefits if the Plan went into the PPF. The amount that benefits are reduced by will depend on whether a member had retired or not at the point the Plan went into the PPF. The PPF's website <http://www.ppf.co.uk/> provides further information.

Other information

The Trustee is required to tell you that no payments have been made to the Employer from the Plan and the Pensions Regulator has not had cause to intervene with the running of the Plan.



Website reminder - www.myoraclepension.com

The Plan's website is a useful source of information regarding the Plan. With just a few clicks you can find information about the Plan, the benefits it provides, information on investment funds, performance and charges and other helpful documents. In particular, the website includes the Plan's implementation statement which sets out broadly how the Trustee invests the Plan's assets in line with the Statement of Investment Principles, including its policies on voting and engagement (<https://myoraclepension.com/documents.html>).



Investment guide

There is a booklet on the Plan's website that explains how your contributions are invested, your investment options and charges. It can be found in the "investment guide and options" section of the website and has recently been updated following the review of available funds by the Trustee. Please review your investments regularly so you know whether your savings are on track or not.



Changes to Normal Minimum Pension Age (NMPA)

The NMPA was introduced in 2006 and is the earliest age (other than if you are in ill health) that you can take your benefits without incurring a penal tax charge. It increased from age 50 to age 55 in 2010.

In 2014, following the consultation on 'Freedom and Choice in Pensions', the government announced it would increase the NMPA to age 57 in 2028 to coincide with the rise of state pension age to 67. The law changed on 24 February 2022 confirming that the increase in NMPA will take effect on and after 6 April 2028. The intention is that the NMPA will remain 10 years below State Pension Age thereafter.

This change may affect you if you have plans to retire early and your 55th birthday falls in 2028 or later.



Annual and Lifetime Allowance

The Chancellor of the Exchequer's 2023 Spring Budget made some radical changes to the maximum that your pension can increase year-by-year as it builds up and the maximum pension you can build up over your working life (before additional tax charges apply). A summary of the key changes from the Spring budget is provided in the box below, followed by more detail on Annual Allowance and Lifetime Allowance matters.



Spring 2023 UK Budget: key changes for pension savers from April 2023

- There will no longer be a tax charge for exceeding the Lifetime Allowance cap on the amount of pension you can build up over your working life.
- The maximum amount of tax-free cash you can take will be 25% of the value of your pension, capped at 25% of the 2022/23 Lifetime Allowance.
- The value your pension can build up each year (Annual Allowance) has increased from £40,000 to £60,000 before additional tax charges apply. For high earners the limit can now reduce to as low as £10,000 (previously £4,000).
- If you flexibly access any DC pension savings, the lower limit Money Purchase Annual Allowance is now £10,000.

However, the changes are tax-related and, to understand the effects of the changes, you will need to consider income from all sources and all pension schemes of which you are a member. **You will therefore need to take personal responsibility for working out whether or not you are affected.** Seek financial advice if you think these issues will affect you; the Trustee cannot provide individual advice to members of the Plan.

The Annual Allowance is a limit on pensions savings that can be built up each year. The limit for the 2022/23 tax year was £40,000. The Chancellor has increased the limit to £60,000 for the 2023/24 tax year.

For high earners the limit can reduce to as low as £10,000 (previously £4,000). This reduction – known as “tapering” starts if pre-pension contribution earnings exceed £260,000 in the 2023/24 tax year (previously £240,000). There are also lower limits if you start to access benefits flexibly, such as drawdown. Seek advice if you think the limits will affect you.

Section 1 members employed by Oracle – any increase in your Pensions Underpin as a result of increases to Pensionable Pay or bonuses each year above annual CPI inflation will count towards the Annual Allowance limit. Members are responsible for monitoring the growth of their pensions savings against the Annual Allowance and notifying HMRC of their Pension Input Amounts each year. You can ask Barnett Waddingham for further information if needed.

The Lifetime Allowance puts a limit on the amount of pension savings you can build up that receive tax relief. The allowance increased on 6 April 2020, from £1,055,000 to £1,073,100 and was expected to be frozen at this level until the 2025/26 tax year. In a surprising move, the Chancellor announced pension savers will not have to pay penalty tax charges for going over the Lifetime Allowance in the 2023/24 tax year, and it will be abolished altogether from April 2024 (subject to a new Finance Bill being passed).

The Chancellor also confirmed that anyone who holds an ‘enhanced’ or ‘fixed’ protection will from 6 April 2023 be able to make further pension savings without losing this protection (or a protected right to a higher Pension Commencement Lump Sum).

These issues are complex and may be subject to change again in the future. In particular, political parties in opposition to the government have said that, if they are elected in future, they will seek to unwind the abolition of the Lifetime Allowance.



Guaranteed Minimum Pension (GMP)

You may have heard that pension schemes must remove any gender inequality in the way that GMPs are calculated – this is referred to as “GMP Equalisation”. In the Oracle Plan, GMPs are typically a small part of the Pensions Underpin earned between 1992 and 1997. Work on the equalisation of members’ GMPs in the Plan was concluded in March 2022.

For members who are yet to retire, any relevant changes were made in the background, as the impact of GMP equalisation is only expected to increase benefit entitlements once members retire. For members who had retired before March 2022, calculations were undertaken to determine if any additional benefits were due and the affected members received correspondence on this setting the changes.

A project has now commenced to equalise GMPs for members who transferred out of the Plan in the past.



Transferring benefits out of the Plan

Members can transfer their benefits to another registered pension scheme provided they have not retired. Members with Section 1 benefits can transfer an amount that incorporates the value of their Pensions Underpin – known as a Cash Equivalent Transfer Value (CETV). Members with Non-Core funds will receive the value of their funds at the point of transfer. Transferring your benefits may provide additional flexibility, such as when and how much pension you can draw but in return you may have to accept more risk and uncertainty over your retirement income.

The law requires members to take independent financial advice before transferring Section 1 benefits unless the amount being transferred is less than £30,000 or you are transferring to a final salary arrangement.

You can find an adviser from the FCA’s website www.fca.org.uk/consumers/finding-adviser or you can get guidance via the website <https://www.moneyhelper.org.uk/en/pensions-and-retirement>

Overseas transfers

Members can transfer their pension savings to an overseas arrangement but the Trustee must undertake extensive checks before allowing the transfer to happen. These checks can take a significant amount of time so we ask that you allow for this in your planning and inform us of your intention to transfer overseas as early as possible in the process.

If you are transferring to an overseas pension arrangement, there can be a 25% “overseas tax charge” on overseas transfers if you can’t show a genuine need for the transfer to happen. A genuine need might be something like you are a permanent resident in the home state of the receiving arrangement. Transferring overseas often requires specialist advice so make sure your adviser has the appropriate experience.

A lot of scammers trick their victims into transferring to an overseas arrangement because once your savings are moved overseas it can be difficult to get your money back.



Pension Scams

Sadly, pension scheme members are being targeted by pension scammers, typically promising to unlock significant amounts of cash for you or offering you so-called ‘deals’ that assure high investment returns. Tempting though these offers may sound, the sad reality is that most individuals end up with lost savings and a high tax charge (usually 55% of what’s transferred).

Being vigilant will help you avoid being the next victim of a scammer. You should watch out for:

- claims you can access your cash before age 55
- offers of ‘one-off’ investment opportunities

- being put under pressure to make a decision
- being contacted out of the blue also known as cold calling (despite a law that bans this)
- promises of cash in advance or other incentives to transfer
- so called “loopholes” to avoid paying tax or complying with regulations
- Unusual investments such as storage pods, overseas property, car parking spaces, loans, unlisted shares

If you have concerns you can get more information about pension scams at www.fca.org.uk/scamsmart

Always check your adviser is authorised by the FCA and be suspicious if they give an excuse for not being authorised. You can check someone’s authorisation to provide financial advice at <https://register.fca.org.uk/s/>

It is also important to be vigilant against **cyber-attacks**, including “phishing scams” (when criminals use scam emails, text messages or phone calls to trick their victims). You can find useful information on the National Cyber Security Centre website (www.ncsc.gov.uk) and at www.moneyhelper.org.uk.



Paperless communications

Feedback suggests most members want information provided in a digital format. That’s why the Plan has set paperless communication as the default. You can still have paper sent in the post if you want – just let Barnett Waddingham know if you haven’t done so already.

Under the paperless approach, all correspondence, benefit statements, announcements and payslips will be delivered via Barnett Waddingham’s BWebstream platform.

If you haven’t got a BWebstream account, please contact Barnett Waddingham and they will help set one up. Once you have an account you will receive an email from Barnett Waddingham to let you know when new information or a statement is available to download.

Online access - BWebstream

To manage your account online, members can access BWebstream to:

- ✓ check on the current details of your Member Account
- ✓ update information, like your Expression of Wish Form (see below)
- ✓ change your investment options
- ✓ email the Plan’s administrators with any questions
- ✓ store correspondence and statements issued by the Plan’s administrators

Access to BWebstream is via this website: logon.bwebstream.com

If you have forgotten your User ID or your password, please use the forgotten login details link on the website to restore access to your account.



Expression of Wish forms

One of the Trustee’s roles is to decide who receives a lump sum if you die before retirement or up to five years after retiring. The Trustee will normally take account of your wishes, provided these are known.

You can make your wishes known by completing an Expression of Wish form. If you can’t remember completing a form, or perhaps your circumstances have changed since you last completed one then you can update your Expression of Wish form via the BWebstream platform.



Additional information

The Trustee prepares a number of documents to help with the management of the Plan. Copies of these documents are available on request or from www.myoraclepension.com. They include:

- the Trustee's annual statement, which comments on the investment policy, performance and charges
- the Statement of Investment Principles, which explains how the Trustee invests the Plan's money
- the Statement of Funding Principles, which explains how the actuarial valuation is carried out, including the assumptions being made about the future development of the Plan
- the Schedule of Contributions and the Recovery Plan, which shows the contributions to be paid by the Employer towards the Plan's shortfall
- the Actuarial Valuation Report following the check of the Plan's funding position as at 31 May 2022
- the Actuarial Reports which set out the approximate funding position of the Plan for each year between full valuations (the latest one is as at 31 May 2023)
- the Annual Report and Accounts for the Plan, which shows the Plan's income and expenditure



Who to contact

If you have a question about the Plan or benefits there are lots of ways to find the answer:

There's lots of information about the Plan, benefits and investment information on the Plan's website www.myoraclepension.com

You can also email, call or write to the Plan's administrator Barnett Waddingham if you have any questions or wish to inform the Trustee of a change of address. Alternatively, if you have any questions about how the Plan is run you can contact the Trustee.

Plan administrator

Email: oracle@barnett-waddingham.co.uk

Phone: 0333 555 0001

Write:

Barnett Waddingham LLP
3 Devon Way
Longbridge
Birmingham
B31 2TS

The Trustee

Email: Fay_Robinson@dalriadatrustees.co.uk

Phone: 0117 959 5001

Write:

Dalriada Trustees Limited
Linen Loft
27-37 Adelaide Street
Belfast
BT2 8FE
United Kingdom