

# Oracle UK Pension Plan - Statement of Funding Principles

## Status

This Statement of Funding Principles has been prepared by the Trustee 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 Trustee.

This document has been agreed by the sponsoring employer, Oracle Corporation (UK) Limited (the Employer). This document is dated \_\_\_\_\_ and is to be taken into account in the actuarial valuation as at the effective date of 31 May 2025 and subsequent actuarial valuations.

## Policy for ensuring that the Statutory Funding Objective is met

Under the Pensions Act 2004 the Trustee 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 Trustee has 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 assumptions made are given below.

## Funding objectives in addition to the Statutory Funding Objective

The Trustee has no other funding objectives.

## General principles underpinning the funding agreement

### UK property and UK covenant

The Employer will notify the Trustee 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 Trustee 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 Trustee 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.

## Policy on discretionary increases and funding strategy

The Rules of the Plan allow for the Trustee 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 Trustee, having regard to actuarial advice, requires.

The Trustee makes 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

A full actuarial valuation will, in normal circumstances, be carried out every three years.

An actuarial report on developments affecting the Plan's Technical Provisions and funding level will be obtained annually between actuarial valuations, where required by legislation.

A valuation may also be carried out when the Trustee determines 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 an out of cycle 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 Trustee on the advice of the Scheme Actuary.

## Method and assumptions used in calculating the 'Technical Provisions'

The actuarial method to be used in the calculation of the Technical Provisions is the Defined Accrued Benefit Method.

The methodology used to determine the net liability in respect of the Pensions Underpin for non pensioner members is:

1. Project Core Contributions from the valuation date to Normal Retirement Age (NRA), allowing for the 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 (determined using the assumptions below) to NRA using the assumptions below. The projection takes account of future salary and inflationary 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 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.

### Inflation

By looking at the cost of investing in UK government bonds with payments linked to inflation compared to the cost of investing in UK government bonds not linked to inflation, it is possible to arrive at a figure for the average market view of future price inflation. This will then be compared to the latest Treasury targets for inflation in the UK, and other relevant information such as inflation swap pricing, when deriving the assumption to use.

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 0.8% pa prior to 2030 and equal to RPI inflation thereafter.

## Salary increases

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

## Pension increases

Assumptions for future pension increases which are linked to inflation will be set with reference to the relevant inflation assumption, adjusted to take account of any minimum and maximum increases that apply using an appropriate statistical model.

## Discount rate

The discount rate will normally be determined by the Trustee based on 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.

As a proportion of the Plan's assets are invested in assets which would be expected to outperform UK government bonds over the long term, an allowance may be made for this in the discount rate, depending on the perceived strength of the employer covenant. However, if the Trustee has 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 2% pa was added to the expected return on gilts for the period up to 31 May 2029, and an additional allowance of 0.5% pa was added to the expected return on gilts thereafter. The discount rate was also used as the assumption for the expected return on assets.

## Retirement

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

## Member options

No allowance will be made for members to exchange pension for a lump sum at retirement. The Trustee takes advice from the Scheme Actuary as to the terms available for members to exchange pension for a cash lump sum and would generally expect these terms to be slightly favourable to the Plan, although a number of members may use their non-core assets to provide their cash lump sum on retirement.

## Mortality

The rates of mortality assumed will reflect information published by Continuous Mortality Investigation Limited, a subsidiary of the Institute and Faculty of Actuaries, deemed most relevant to the membership of the Plan, including an appropriate allowance for expected future improvements in longevity. This assumption will also reflect any available evidence relating to the actual mortality experience of the Plan, as well as any other factors considered relevant.

## 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 85% of males and 75% of females are married at retirement or earlier death, and that husbands are three years older than wives.

## Expenses

The assumptions for future investment returns will be set net of investment related expenses. Allowance may be made for future non-investment related expenses taking into account:

- the date by which the Trustee is required by regulations to target a low level of dependency on the Employer (the relevant date); and
- the legal obligations of the Employer to meet expenses, either in full or part, as set out in either the Plan Rules or in the agreed Schedule of Contributions.

## 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 Trustee's assessment of the Employer covenant; and
- Any contingent security offered by the Employer or Oracle Corporation incorporated in Delaware (which may include any Parental Guarantees or assets held in Escrow).

Recovery Plan contributions will usually be expressed as fixed monetary amounts. Unless the Trustee considers it appropriate in the circumstances, such deficit contributions will be equal amounts throughout the period payable on either an annual or monthly basis.

The 2025 actuarial valuation has revealed a small surplus. The Trustee and Employer have agreed that the Employer will no longer need to make any further contributions to the escrow arrangement or the Plan subject to conditions. The escrow arrangement remains in place and the terms are set out in the Revised Funding Deed dated 23 October 2020.

The Trustee has also agreed that expenses will be taken over by the Plan until 31 May 2029.

## 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 in such a manner that it would render the Guarantee not compliant for the purposes of levy reduction, the Trustee 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.

## 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 Trustee has 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 Trustee 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 Trustee 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.

## **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 Trustee has considered augmenting benefits under clause 13

## Assumptions as at 31 May 2025

Discount rate / expected return on assets	Up to 31 May 2029: BoE gilt yield curve +2% pa From 31 May 2029: BoE gilt yield curve + 0.50% pa
Retail Prices Index (RPI) inflation	BoE gilt-implied inflation curve supplemented with Merrill Lynch yield data at short terms
Consumer Prices Index (CPI) inflation: Periods up to 1 January 2030 Periods from 1 January 2030	RPI inflation less 0.80% pa RPI inflation
Pension increases	Based on relevant inflation assumption allowing for any caps or collars
Salary increases	RPI inflation plus 1.0% pa
Retirement	Member's Normal Retirement Age
Cash commutation	None
Mortality tables	S4NA_Light tables
Mortality improvements	CMI 2024 projections using a long-term improvement rate of 1.5% pa. The initial addition is 1% pa. Core values are used for other parameters.
Proportion of members with a dependant at retirement or earlier death	85% of males and 75% of females
Age difference between member and dependant	Male members 3 years older than their female dependant, and vice versa
Expense allowance	2% of liabilities
Allowance for GMP equalisation	Member specific allowance for the current membership (using dual records for pensioner members and a continuation of the 1.5% loading for non-pensioners based on previous member specific calculations) plus a fixed reserve of £1m in respect of historic transfers out of the Plan

These assumptions have been chosen by the Trustee in light of its long-term investment objectives and the Plan's liability profile based on advice from the Scheme Actuary, along with its views on the strength of the employer covenant based on advice from Cardano.

## Dates of review of this statement

This Statement of Funding Principles will be reviewed by the Trustee 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 Trustee and the Employer

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

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Date

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Signed on behalf of Oracle Corporation (UK) Limited

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Date