

## Annual Governance Statement regarding defined contribution benefits held in The Oracle UK Pension Plan ("the Plan")

### 1. Introduction

- 1.1. This Annual Governance Statement ("Statement") has been prepared by Dalriada Trustees Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution (DC) governance standards. These standards were introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) Regulations 2018 ("the Regulations").
- 1.2. The reporting period covered by this Statement is 1 June 2018 to 31 May 2019 ("the reporting period").
- 1.3. The Plan was closed to future accrual on 31 December 2010. Prior to 1 June 2004 members DC benefits were subject to a defined benefit (DB) underpin. Further details relating to the DB underpin are provided below.
- 1.4. As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website.

### 2. The Plan's DC arrangements

- 2.1. Over the reporting period, the Plan's DC arrangements were held across two separate Sections, as follows:
  - 2.1.1. **Section 1:** this Section consists of two different types of funds; Core Funds and Non-Core Funds.
    - 2.1.1.1. **Core Funds:** these funds are subject to a DB underpin whereby if the value of an individual's benefits are less than the DB underpin, the individual will receive a guaranteed pension in respect of their Section 1 Core funds. If the Section 1 Core funds are greater than the DB underpin, these benefits are treated as DC benefits.
    - 2.1.1.2. **Non-Core Funds:** these funds are treated as pure DC benefits.
  - 2.1.2. **Section 2:** all funds held through Section 2 of the Plan are treated as pure DC benefits.

### 3. The DC Section's default investment arrangement

- 3.1. Over the reporting period, the Plan had three default investment arrangements for the purposes of the Regulations. The default investment arrangement that applies varies between Section 1 and Section 2 of the Plan and the type of benefits held.
- 3.2. When designing the default investment arrangements, the Trustee took into consideration the potential needs of Plan members as well as the Trustee's own investment beliefs. These default investment strategies were implemented in 2016 and followed advice from the Trustee's investment adviser. The default investment strategies are subject to review every year (see 3.6 for further information).

#### Default investment arrangements design, aims and objectives

- 3.3. **Section 1 Core Funds:** the default investment arrangement for individuals that hold Core Funds through Section 1 of the Plan is the Oracle Diversified Growth Fund. This fund was
  - 3.3.1. The Oracle Diversified Growth Fund invests 80% in the Phoenix BlackRock Diversified Growth Fund and 20% in the Phoenix BlackRock Aquila MSCI Fund.

3.3.2. It is designed to provide long-term investment growth whilst limiting the degree to which it will fluctuate in value, to ensure that the value of benefits promised to members at their Normal Retirement Age (NRA) can be provided.

3.4. **Section 1 Non-Core Funds and Section 2:** for these benefits, the Trustee has implemented two different default investment arrangements; the Drawdown Lifestyle Option and the Cash Lifestyle Option. These Lifestyle Options have been designed to be appropriate for the typical member. The Lifestyle Option into which members' benefits were invested depends upon the size of their fund. The key features of the Drawdown Lifestyle Option and the Cash Lifestyle Option are as follows:

3.4.1. Both Lifestyle Options invest across a portfolio of underlying investment funds depending upon each member's term to their Normal Retirement Age (NRA). Each underlying fund is designed to provide exposure to different degrees of investment risk and will hold different asset classes in different proportions. The NRA of the Plan is set at age 65, however members can amend this should they wish.

3.4.2. When a member is more than 5 years from NRA, the Lifestyle Options will invest 20% in the Phoenix Oracle Global Equity Fund, 40% in the Phoenix Newton Real Return Fund and 40% in the Phoenix BlackRock Diversified Growth Fund. Throughout this phase of investment, the Lifestyle Options aim to grow the value of a member's benefits whilst providing less exposure to investment volatility (but a potentially lower return) than investing solely in a portfolio of global equities. The value of these funds can go down as well as up.

3.4.3. From 5 years to NRA, the Lifestyle Options will automatically and gradually switch into a portfolio of funds that have been designed to be suitable for taking benefits either as cash or using drawdown, as follows:

**3.4.3.1. Drawdown Lifestyle Option:** at NRA this Lifestyle Option will target 10% in the Phoenix Oracle Global Equity Fund, 25% in the Phoenix Newton Real Return Fund, 25% in the Phoenix BlackRock Diversified Growth Fund, 15% in the Phoenix Oracle Index Linked Fund and 25% in the Phoenix Oracle Cash Fund. This portfolio is designed to limit the extent to which members' benefits are exposed to large fluctuations in value in the approach to NRA, but to also provide the potential for future growth.

**3.4.3.2. Cash Lifestyle Option:** at NRA this Lifestyle Option will target 100% in the Phoenix Oracle Cash Fund. This portfolio is designed to protect the value of members' benefits at NRA.

#### Alternative investment options

3.5. Alongside the default investment arrangements described above, the Trustee has made available a number of additional investment options from which members are able to self-select. These are as follows:

3.5.1. An Annuity Lifestyle Option which invests in the same funds as the Drawdown and Cash Lifestyle Options up to 5 years before NRA. At NRA this Lifestyle Option targets a portfolio of funds that is deemed to be suitable for those members who wish to purchase an annuity with their benefits.

3.5.2. A core range of 15 individual investment funds which hold different asset classes and have different investment objectives.

## Monitoring and review of the default investment arrangement and alternative options

- 3.6. The Trustee, together with its professional advisers, monitors the investment options offered through the Plan on a quarterly basis. This monitoring looks at the performance of the default investment strategies as well as all of the alternative investment options offered through the Plan to ensure that they are consistent with their stated aims and objectives. It also considers any developments or changes with the fund manager.
- 3.7. The Trustee reviews the default investment arrangements at least annually. The last strategic review of the Plan's default investment arrangements, as well as the range of alternative investment options, was completed in May 2018. This review was completed in conjunction with the Trustee's investment adviser and focussed on the degree to which the return on investments relating to the default investment arrangements (after the deduction of any charges) is consistent with the Trustee's aims and objectives and is aligned with the needs of Plan members.
- 3.8. As part of this review, the Trustee considered the membership profile of the Plan to ascertain the potential needs of members. A particular focus of this review was the growth phase of the Lifestyle Options (i.e. when members have more than 5 years to their NRA) and the Trustee's key objectives were as follows:
- 3.8.1. To consider different asset classes, management styles and allocations which would be expected to deliver similar levels of returns to the current portfolio but with lower levels of investment volatility
  - 3.8.2. To consider alternative fund options for the Phoenix Newton Real Return Fund which the Trustee no longer believes is appropriate.
- 3.9. As a result of this review, the Trustee will be making a number of changes to the investment arrangements provided through the Plan, however these changes were not implemented in the reporting period covered by this Statement. The Trustee expects these to be implemented in the latter part of 2019 and as such further detail will be provided in next year's Statement. A summary of the expected changes is as follows:
- 3.9.1. The Phoenix Newton Real Return Fund will be removed from the growth phase of the Lifestyle Options and will be replaced by the Invesco Perpetual Global Targeted Return Fund. Alongside this, the Trustee will introduce the BlackRock Absolute Return Bond Fund. As a result of these changes, the Lifestyle Options will invest in the following funds throughout the growth phase; 30% in the Phoenix Oracle Global Equity Fund, 25% in the Invesco Perpetual Global Targeted Return Fund, 25% in the Phoenix BlackRock Diversified Growth Fund, and 20% in the BlackRock Absolute Return Bond Fund.
  - 3.9.2. The Cash Lifestyle Option currently targets investing 100% in the Phoenix Oracle Cash Fund at NRA. This will be amended so that at NRA members are invested 50% in the Phoenix Oracle Cash Fund and 50% in the BlackRock Absolute Return Bond Fund.
  - 3.9.3. The Phoenix Newton Real Return Fund will be removed from the available range of self-select options for new investment, however existing investors will be able to retain their investment in the fund.
  - 3.9.4. A range of new self-select options will be added which will include the BlackRock Absolute Return Bond Fund and the Invesco Perpetual Global Targeted Return Fund.
  - 3.9.5. The LGIM Property Fund will be removed from the available range of self-select options for new investment, however existing investors will be able to retain their investment in the fund.

- 3.10. The next strategic review of the default investment arrangements, as well as the wider range of investment options, is due to be completed in 2021.

#### Further information on investments

- 3.11. Further information on the range of investment options provided through the Plan are set out in the Statement of Investment Principles dated May 2016. This SIP was subsequently reviewed and updated outside of the reporting in September 2019. This review took account of the changes outlined above and of the Trustee's view on the financial materiality of Environmental, Social and Governance (ESG) factors. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP sets out further details around the Trustee's investment objectives, and covers the following key matters in relation to the default investment strategies
- 3.11.1. The Trustee's aims and objectives in relation to the investment held in the default investment arrangements.
- 3.11.2. The Trustee's policies on issues such as the kinds of investments to be held, the balance between different kinds of investment, investment risks (including how such risks are measured and managed), the expected return on investments, the realisation of investments.
- 3.11.3. An explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members.
- 3.12. A copy of the latest DC SIP is appended to this Statement as Appendix 1. This incorporates information on the Plan's default investment arrangements.

## 4. Core financial transactions

- 4.1. The Regulations require the Trustee to ensure that core financial transactions are processed promptly and accurately. Core financial transactions comprise, but are not limited to:
- 4.1.1. The investment of contributions.
- 4.1.2. Transfers into and out of the Plan.
- 4.1.3. Investment switches.
- 4.1.4. Payments out of the Plan in respect of members.

#### DC Section administration

- 4.2. Over the reporting period, the administration functions of the Plan were outsourced to, and completed by, Barnett Waddingham LLP. The scope of these administration functions are formally recorded in a service agreement between the Trustee and Barnett Waddingham which was agreed at outset. This service agreement is reviewed periodically to ensure that the range and type of services provided remain suitable.
- 4.3. To ensure the accuracy and timeliness of processing of all Plan core financial transactions, the Trustee has established robust reporting and monitoring processes which include the following:
- 4.3.1. The day-to-day monitoring of administration standards is undertaken by Oracle's in-house pensions team who scrutinise the performance of Barnett Waddingham. The in-house pensions team has regular contact with representatives of Barnett Waddingham to ensure any errors identified are rectified without member detriment.

- 4.3.2. Service Level Agreements (SLAs) have been agreed between the Trustee and Barnett Waddingham. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Barnett Waddingham in respect of the Plan. The agreed SLAs for the core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA
Investment of contributions/investment switches	95% within 5 days
Transfers into the Plan	95% within 5 days
Transfers out of the Plan	95% within 3 days
Payments out of the Plan	95% within 5 days

- 4.3.3. Barnett Waddingham also has SLAs in place for other services it provides including; assisting with member enquiries, amending member records and issuing information.
- 4.3.4. Barnett Waddingham provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings.
- 4.3.5. Over the reporting period, the SLAs achieved for each of the core financial transactions outlined above were as follows:

Core financial transaction	Q1	Q2	Q3	Q4
Investment of contributions/ Investment switches	100%	99%	99%	100%
Transfers into the Plan	N/A	N/A	N/A	N/A
Transfers out of the Plan	100%	97%	96%	95%
Payments out of the Plan	98%	95%	98%	N/A

Note: N/A denotes that no activity of this kind occurred over the quarter.

- 4.3.6. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced to the independent auditor. The Trustee has received a demonstration of the cash handling systems to show how transactions are reconciled and approved.
- 4.3.7. The administrator's processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham's administration procedures and controls can be found in its AAF report which is published online: [www.barnett-waddingham.co.uk/aaf-0106-report/](http://www.barnett-waddingham.co.uk/aaf-0106-report/)
- 4.3.8. Administration is captured as part of the Plan's risk register which clearly documents the administrative risks associated with the operation of the Plan. This also includes details of the controls established by the Trustee to mitigate such risks. A review of the Plan's risk register is completed by the Trustee at least annually with the last review being undertaken in April 2019.

4.3.9. Monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data.

## Trustee view of core financial transactions

- 4.4. Based on the implementation of these control and monitoring procedures, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately during the period covered by this statement and no material issues relating to core financial transactions have been identified.

## 5. Charges and transaction costs

- 5.1. Charges for the administration, communication and investment services provided to the Plan's DC arrangements are structured on a bundled basis and consist of both explicit and implicit costs:

5.1.1. Explicit costs: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. These are referred to as Total Expense Ratio (TER) and are calculated as the Annual Management Charges (AMC) plus any Additional Expenses (AE).

5.1.2. Implicit costs: these relate to the charges and transaction costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges. These implicit charges impact on the investment returns achieved by the investment fund and vary day-to-day according to each fund's investment approach and prevailing market conditions. We refer to these as transaction costs.

- 5.2. The following tables provides details of the explicit and implicit costs applied to each of the investment options provided through the Plan over the reporting period. This data has been sourced from Phoenix and covers the year to 31 March 2019. The Trustee requested data on the transaction costs for all funds offered through the Plan from Phoenix for the period to 31 May 2019, however at the time of writing Phoenix was not able to provide the data for the correct period. This was due to an absence of the required information from each of the underlying fund managers. The Trustee, in conjunction with its professional advisers, will continue to work with Phoenix provide the information required.

## The Lifestyle Options

The following table provides details of the combined TER's and transaction costs for the Lifestyle Options. Details of the TER's and transaction costs for the funds used by the Lifestyle Options can be found in the table that follows

Investment option	AMC	AE	TER	Transaction costs*
Drawdown Lifestyle Option	0.369% - 0.494%	0.034% - 0.050%	0.400% - 0.544%	0.104% - 0.151%
Cash Lifestyle Option	0.190% - 0.496%	0.010% - 0.048%	0.190% - 0.544%	0.016% - 0.151%
Annuity Lifestyle Option	0.145% - 0.494%	0.005% - 0.050%	0.145% - 0.544%	0.028% - 0.151%

## The individual fund options

Investment option	AMC	AE	TER	Transaction costs*
<b>Active</b>				
Phoenix CIS Oracle Diversified Growth Fund	0.45%	0.05%	0.50%	0.236%
Phoenix CIS Newton Real Return	0.65%	0.05%	0.70%	0.075%
Phoenix CIS BlackRock Diversified Growth Fund	0.54%	0.07%	0.61%	0.287%
Phoenix CIS MFS Meridian Global Equity Institutional Fund	0.66%	0.05%	0.71%	0.027%
Phoenix CIS Oracle Active UK Equity Fund	0.81%	0.02%	0.83%	0.292%
Phoenix CIS Threadneedle Pensions Property Fund	0.76%	0.04%	0.80%	-0.892%
Phoenix CIS LGIM Property Fund	0.76%	0.02%	0.78%	0.236%
Phoenix CIS Oracle Cash Fund	0.19%	0.01%	0.19%	0.016%
<b>Passive</b>				
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%	0.00%	0.15%	-0.007%
Phoenix CIS Oracle Global Equity Fund	0.09%	0.01%	0.10%	0.031%
Phoenix CIS LGIM UK Equity Fund	0.10%	0.00%	0.10%	-0.360%
Phoenix CIS LGIM Over 15 Year Gilts Index Fund	0.10%	0.00%	0.10%	-0.008%
Phoenix CIS Oracle Index Linked Gilt Fund	0.10%	0.00%	0.10%	0.040%
Phoenix CIS LGIM Corporate Bond All Stocks Index Fund	0.18%	0.00%	0.18%	-0.024%
Phoenix CIS LGIM Ethical UK Equity Index Fund	0.25%	0.00%	0.25%	0.005%

\*in certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

- 5.3. The Trustee is aware that the Regulations require the transaction costs data to be based on an average of the past 5 years, however Phoenix was not able to provide transaction cost data covering this timeframe for this Statement. The Trustee, in conjunction with its professional advisers, will continue to remind Phoenix of its legal duty to provide such information:



## 6. Demonstrating the impact of costs and charges

- 6.1. To demonstrate the impact of the costs and charges applied through the Plan, the Trustee has produced illustrations in line with statutory guidance and the September 2018 guidance from the Department for Work & Pensions entitled “Cost and charge reporting: guidance for trustees and managers of occupational schemes”. These illustrations are set out below and are designed to cater for representative cross-sections of the membership of the Plan.
- 6.2. To determine the parameters used in these illustrations, the Trustee has analysed the members invested in the Plan over the reporting period and has taken into consideration the range of investment options offered to members. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:
  - 6.2.1. Pot size: pot sizes of £6,500, £18,500, £40,000 and £75,000 have been used as the Trustee considers these to be broadly representative of the pot sizes of members invested across Section 1 and Section 2 of the Plan.
  - 6.2.2. Future contributions: as all members of the Plan are now no longer actively making pension contributions, the Trustee has decided to produce illustrations that assume no future contributions will be paid.
  - 6.2.3. Investment funds: the investment options selected for these illustrations include the most popular by number of members for Section 1 and Section 2 of the Plan, the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.
  - 6.2.4. Timeframe: the illustrations are shown over a 35 year time frame as this covers the approximate duration that the youngest member would take to reach NRA.
- 6.3. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund. The level of costs and charges applied is in line with the table set out earlier in this Statement. Where the quoted Transaction Costs are negative, the costs and charges are assumed to be nil for purposes of the illustrations.
- 6.4. The illustrations are presented in two different ways:
  - 6.4.1. For the Lifestyle Options, the illustrations have been calculated based on the number of years until the member reaches their chosen retirement date. This is because the underlying asset allocation and therefore the costs and charges of the Default change over time and this needs to be reflected in the illustrations.
  - 6.4.2. For the Oracle Diversified Fund and the other self-select funds, the illustrations have been calculated based upon the number of years (from 31 May 2019) that a member expects to be invested in those funds.



## Guidance to the illustrations

Notes on the illustrations are as follows;

1. Projected pot sizes are shown in today's terms and consequently do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations at 2.5%.
2. Each illustration assumes up to 35 years of membership leading up to the Plan's normal retirement age of 65.
3. Values shown are estimates and not guaranteed.
4. The starting date for the illustrations is 31 May 2019.
5. The projected growth rates, gross of costs and charges, for each fund or arrangement have been provided by Barnett Waddingham LLP and are in line with the 2019 Statutory Money Purchase Illustrations (SMPI). They are calculated with reference to the Financial Report Council's Actuarial Standards TM1 and are set out in the table below:

Investment option	Assumed return above inflation
Drawdown Lifestyle Option	0.65% - 2.10%
Cash Lifestyle Option	-1.50% - 2.10%
Phoenix CIS Oracle Diversified Growth Fund	2.10%
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	2.50%
Phoenix CIS Index Linked Gilt Fund	-1.50%
Phoenix CIS LGIM Property Fund	2.50%

## Oracle Diversified Growth Fund

An illustration has been included for the Oracle Diversified Growth Fund as it is the default investment arrangement for Core benefits held through Section 1 of the Plan and is the most popular self-select investment option for members invested in Section 1.

Years of investment from 31 May 2019	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,633	£6,586	£18,879	£18,746	£40,820	£40,532	£76,537	£75,998
5	£7,194	£6,944	£20,474	£19,764	£44,269	£42,733	£83,004	£80,125
10	£7,961	£7,419	£22,659	£21,115	£48,993	£45,653	£91,863	£85,600
15	£8,811	£7,926	£25,078	£22,557	£54,222	£48,773	£101,667	£91,449
20	£9,751	£8,467	£27,754	£24,099	£60,009	£52,105	£112,517	£97,698
25	£10,792	£9,046	£30,716	£25,745	£66,413	£55,666	£124,525	£104,374

30	£11,944	£9,664	£33,994	£27,505	£73,501	£59,470	£137,815	£111,506
35	£13,219	£10,324	£37,622	£29,384	£81,346	£63,533	£152,523	£119,125

Example of how to read this table: If a member had £18,500 invested in this fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £22,659 if no charges are applied but to £21,115 with charges applied.

## Drawdown Lifestyle Option

An illustration has been included for the Drawdown Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan. It is also the most popular investment option for members invested in Section 2.

Years from taking benefits	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,541	£6,509	£18,617	£18,526	£40,254	£40,057	£75,476	£75,107
5	£6,880	£6,692	£19,581	£19,047	£42,338	£41,182	£79,384	£77,217
10	£7,609	£7,159	£21,656	£20,376	£46,824	£44,057	£87,795	£82,606
15	£8,421	£7,664	£23,967	£21,812	£51,821	£47,160	£97,165	£88,425
20	£9,320	£8,203	£26,525	£23,348	£57,352	£50,482	£107,535	£94,654
25	£10,314	£8,781	£29,356	£24,993	£63,473	£54,038	£119,012	£101,321
30	£11,415	£9,400	£32,489	£26,753	£70,247	£57,845	£131,713	£108,459
35	£12,633	£10,062	£35,957	£28,638	£77,744	£61,919	£145,770	£116,099

Example of how to read this table: If a member had £18,500 invested in this strategy on 31 May 2019, when they came to retire in 10 years, the fund could grow to £21,656 if no charges are applied but to £20,376 with charges applied.

## Cash Lifestyle Option

An illustration has been included for the Cash Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan. It is also the most popular investment option for members invested in Section 2.

Years from taking benefits	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,405	£6,392	£18,229	£18,192	£39,415	£39,334	£73,902	£73,752
5	£6,434	£6,315	£18,313	£17,974	£39,595	£38,863	£74,240	£72,868
10	£7,109	£6,750	£20,232	£19,211	£43,745	£41,538	£82,022	£77,884
15	£7,867	£7,225	£22,391	£20,565	£48,414	£44,464	£90,775	£83,370
20	£8,707	£7,734	£24,781	£22,013	£53,580	£47,596	£100,463	£89,243
25	£9,636	£8,279	£27,426	£23,564	£59,299	£50,949	£111,185	£95,530
30	£10,664	£8,862	£30,353	£25,224	£65,627	£54,538	£123,051	£102,259
35	£11,803	£9,487	£33,592	£27,001	£72,631	£58,380	£136,183	£109,462

Example of how to read this table: If a member had £18,500 invested in this strategy on 31 May 2019, when they came to retire in 10 years, the fund could grow to £20,232 if no charges are applied but to £19,211 with charges applied.

## Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund

An illustration has been included for this fund as it is the most popular self-select fund for members of Section 2 of the Plan and is one of the self-select funds with the highest assumed investment return.

Years of investment from 31 May 2019	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,659	£6,649	£18,951	£18,924	£40,976	£40,917	£76,829	£76,720
5	£7,332	£7,280	£20,869	£20,720	£45,122	£44,800	£84,604	£84,001
10	£8,271	£8,154	£23,541	£23,207	£50,900	£50,177	£95,437	£94,082
15	£9,330	£9,132	£26,555	£25,992	£57,417	£56,199	£107,657	£105,373
20	£10,525	£10,228	£29,956	£29,111	£64,769	£62,944	£121,442	£118,019
25	£11,873	£11,456	£33,792	£32,605	£73,063	£70,498	£136,993	£132,183
30	£13,393	£12,831	£38,118	£36,518	£82,418	£78,958	£154,534	£148,047
35	£15,108	£14,371	£42,999	£40,901	£92,972	£88,434	£174,322	£165,814

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £23,541 if no charges are applied but to £23,207 with charges applied.

## Phoenix CIS Index Linked Gilt Fund

An illustration has been included for this fund as it is the fund with the lowest total charge and one of the self-select funds with the lowest assumed investment return.

Years of investment from 31 May 2019	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,405	£6,396	£18,229	£18,204	£39,415	£39,360	£73,902	£73,800
5	£6,038	£5,996	£17,185	£17,067	£37,158	£36,901	£69,670	£69,189
10	£5,609	£5,532	£15,964	£15,744	£34,517	£34,042	£64,720	£63,828
15	£5,210	£5,103	£14,830	£14,524	£32,064	£31,404	£60,121	£58,883
20	£4,840	£4,708	£13,776	£13,399	£29,786	£28,971	£55,848	£54,320
25	£4,496	£4,343	£12,797	£12,361	£27,669	£26,726	£51,880	£50,112
30	£4,177	£4,007	£11,888	£11,403	£25,703	£24,655	£48,193	£46,229
35	£3,880	£3,696	£11,043	£10,520	£23,877	£22,745	£44,769	£42,647

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could be £15,964 if no charges are applied but to £15,744 with charges applied.

## Phoenix CIS LGIM Property Fund

An illustration has been included for this fund as it is the fund provided through the Plan with the highest total charge.

Years from taking benefits	Starting pot size £6,500		Starting pot size £18,500		Starting pot size £40,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,659	£6,582	£18,951	£18,734	£40,976	£40,505	£76,829	£75,948
5	£7,332	£6,921	£20,869	£19,699	£45,122	£42,591	£84,604	£79,859
10	£8,271	£7,370	£23,541	£20,975	£50,900	£45,351	£95,437	£85,033
15	£9,330	£7,847	£26,555	£22,334	£57,417	£48,289	£107,657	£90,542
20	£10,525	£8,355	£29,956	£23,781	£64,769	£51,418	£121,442	£96,408
25	£11,873	£8,897	£33,792	£25,321	£73,063	£54,749	£136,993	£102,654
30	£13,393	£9,473	£38,118	£26,962	£82,418	£58,296	£154,534	£109,305
35	£15,108	£10,087	£42,999	£28,709	£92,972	£62,073	£174,322	£116,386

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £23,541 if no charges are applied but to £20,975 with charges applied.

## 7. Value for members

- 7.1. In addition to the requirement to assess the charges paid by members, the Trustee is also required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustee body to develop their own assessment framework.
- 7.2. The Trustee has established an assessment framework in order to determine whether the charges and transaction costs paid by members represent Value for Members. The Trustee has identified the following areas where they believe there is a benefit derived by members; these benefits can be financial or non-financial in nature:
  - 7.2.1. Costs
  - 7.2.2. Member communications and engagement
  - 7.2.3. Investment choices
  - 7.2.4. Sound administration
  - 7.2.5. The time spent by the Trustee in making sure that the Plan is run in the interests of its members overall (referred to as 'governance')
- 7.3. The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the five core benefit categories identified above.

## 7.3.1. Costs

7.3.1.1. Based on the profile of the Plan arrangements, the Trustee believes that the explicit charges are competitive when compared to current market rates on a like-for-like basis.

## 7.3.2. Member communications and engagement

7.3.2.1. The Plan provides effective communications that are accurate, clear, informative and timely.

7.3.2.2. Use is made of a variety of communication media.

7.3.2.3. There are also online tools and access to information via the Plan's member website.

## 7.3.3. Investment choices

7.3.3.1. The Plan offers a variety of lifestyle and standalone investment options covering a range of member risk profiles and asset classes. The investment choices available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind.

## 7.3.4. Sound administration

7.3.4.1. The Trustee has appointed Barnett Waddingham to provide administration services to the Plan and is satisfied that Barnett Waddingham has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that, if administrative errors do occur, members are not disadvantaged as a result.

7.3.5. The time spent by the Trustee in making sure that the Plan is run in compliance with the law and regulation including taking account of the interests of its members (known as governance)

7.3.5.1. The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet legal requirements and industry best practice.

7.4. Overall, the Trustee believes that the costs incurred by members offer value for money in this context. Additionally, the charges paid by members for the default fund are compliant with the statutory Charge Cap.

## 8. Trustee knowledge and understanding

8.1. Dalriada Trustees Limited ("Dalriada") has been a Trustee of the Plan since 10 December 2013 and the sole independent professional trustee since 1 August 2017. Throughout its appointment, Dalriada has been represented by Adrian Kennett and Greig McGuinness in addition Dalriada's Chief Investment Officer joins Adrian on the Plan's Investment Sub-committee. There have been no changes to the Trustee over the reporting period.

### Knowledge and expertise of the Trustee

8.2. As an independent professional Trustee, Dalriada bring a high degree of pension experience, knowledge and expertise to the management of the Plan and have the requisite knowledge and skills to undertake a trustee role effectively.

- 8.3. Both Dalriada representatives are familiar with the Plan governing documentation having overseen a consolidation review of the Plan's Trust Deed & Rules. They have also been instrumental in the development and implementation of other existing Plan governance documents and policies.
- 8.4. As part of Dalriada's externally audited processes and procedures, all representatives are required to maintain knowledge and understanding that is both relevant and appropriate to their ongoing appointments. This includes the need to complete the Pensions Regulator's trustee toolkit which ensures a good level of knowledge around the law relating to pensions and trusts and the procedures and the principles of investment and funding.
- 8.5. Additionally, Dalriada representatives benefit from Dalriada's internal Knowledge Management network and are able to call on the expertise and experience of the entire team of professional pensions at Dalriada and its group of companies.
- 8.6. Mr Kennett is a Fellow member, and Mr McGuinness an Associate member, of the Pensions Management Institute and both also hold membership of the Association of Professional Pension Trustees. As such, both are required to comply with the Continuous Professional Development (CPD) requirements of these professional organisations. This ensures that the Dalriada representatives maintain their knowledge of the regulatory framework and are able to put this into practice when managing the Plan. This includes compliance with regulatory duties, overseeing service providers, taking and challenging advice from the Plans professional advisers and managing the Plan for the benefit of members.
- 8.7. Specific training on aspects of investments, scheme management and regulation (both of a general nature and in relation to the Plan) are provided at Trustee meetings by the Trustee's professional advisers as required. Such training is complemented by attendance at pensions focussed conferences, seminars and courses as well as the wider CPD activities described above.
- 8.8. Over the reporting period, representatives of Dalriada have undertaken training and attended seminars which include, but are not limited to:
- 8.8.1. The new costs and charges disclosure duties and the impact upon the Plan
  - 8.8.2. DC governance and future regulatory change and how these developments will need to be accommodated through the Plan
  - 8.8.3. DC Section investment options incorporating Environmental, Social and Governance (ESG) factors and how such factors are integrated by the Plans investment managers.
  - 8.8.4. The impact of the General Data Protection Regulations
  - 8.8.5. Pensions Legal update
- 8.9. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the Plan and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.
- [Access to professional advice](#)
- 8.10. The Trustee has appointed recognised and suitably qualified legal advisers and investment consultants, who provide advice on the operation of the Plan in accordance with the Plan's Trust Deed and Rules and

in compliance with legislation. The appointment and an assessment of the Trustee's advisers is reviewed regularly.

- 8.11. The Trustee consults with its professional advisers as and when required, for example, on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pensions legislation.
- 8.12. The Trustee is conversant with the Plan's Trust Deed and Rules as well as all other relevant Plan documentation, both through their overall experience in managing the Plan as well as its review of such documentation noted under 8.3 above. Over the reporting period, the Trustee has reviewed the following Plan documentation:
- 8.12.1. The Trustee, alongside its professional advisers, reviewed the Plan's Statement of Investment Principles (SIP) to take account of investment changes and to take account of ESG factors. This also included changes to the SIP to take account of the upcoming investment changes, described in Section 3.9.
- 8.12.2. The risk register is reviewed at least every 6 months (the last review was completed in April 2019) to ensure that all relevant risks have been identified.
- 8.12.3. The member communication materials are updated each year and reviewed by the Trustee and its advisers.

## Assessment

- 8.13. The Trustee considers that the combined knowledge of the Trustee Board, skills and understanding together with the advice which is available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions.



Adrian Kennett, for and on behalf of Dalriada Trustees Limited  
Chair of the Trustee

2 December 2019



## Appendix 1 Statement of Investment Principles

**Oracle UK Pension Plan**  
**Statement of Investment Principles ("SIP")**

**Underpin Section – Section 1**

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The asset allocation strategy they have selected is designed to balance investing to meet the likely benefit obligation, taking into account the DB underpin, with investing to maximise members' benefits. The Trustees have taken into account the need for appropriate diversification.

**Defined Contribution Section – Section 1 and Section 2**

In investing the assets of the Plan in a prudent manner, the key aim of the Trustees is to provide a range of investments that are suitable for meeting long term and short term member objectives. They have taken into account members' circumstances, in particular their likely attitudes to risk, term to retirement, fund value at retirement and the options available at retirement. The Trustees aim to provide a limited range of high quality investment options.

**Pensioner Section**

The Trustees pay members' benefits from the Plan, as opposed to securing them through the purchase of an annuity. On retirement, members' funds will be disinvested from the Plan and invested within the Trustee Reserve Account. The Trustees aim is to broadly match the balance between inflation-linked and fixed obligations, until such time as a bulk annuity purchase becomes viable.

The Plan is comprised of two sections (1 and 2). Section 1 is a hybrid of a Defined Contribution (DC) Plan with a Defined Benefit (DB) Underpin, Section 2 is pure DC.

Section 1 is available for members' benefits accrued prior to 1 June 2004. Section 2 is available for benefits accrued after 1 June 2004. Both sections are now closed to future contributions. The Plan's investment objective is implemented using the range of investment options set out in Appendix One.

After taking advice, the Trustees decided to make three lifestyle options available for Section 1 non-core and Section 2 funds. The lifestyle options are designed to be appropriate for a typical member with a predictable retirement date. However, the lifestyle options are not necessarily suitable for all members, for example, those who unexpectedly retire early.

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005), the Occupational Pension Schemes (Scheme Administration) Regulations 1996 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Trustees have consulted with the principal employer, Oracle Corporation UK Limited ("the Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

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It is the policy of the Trustees to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustees after taking expert advice from the Plan's investment adviser. In choosing the Plan's investment options, the Trustees consider:

- The need for appropriate diversification.
- A full range of asset classes, including alternative asset classes such as private equity.
- The suitability of the possible styles of investment management and the option of investment manager diversification for members of the Defined Contribution Section.
- The risks and rewards of alternative asset allocation strategies.
- The suitability of each asset class in the Defined Benefit Underpin Section planned asset allocation strategy.
- The suitability of each asset class in the Defined Contribution Section.
- The membership profile and objectives.

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than the predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement for members who intend to take their benefits in this form. Cash funds are expected to provide protection against changes in short-term capital values, and may be appropriate in the lead up to retirement for members receiving part or all of their retirement benefits in the form of cash.

### **Pre June 2004 'Section 1' DC Investments**

The default investment option is the Oracle Diversified Growth Fund for employer and employee core funds. The lifestyle investment options for non-core funds are detailed in Appendix Four.

### **Post June 2004 'Section 2' DC Investments**

The lifestyle investment options are detailed in Appendix Four.

### **Trustee Reserve Account**

#### **Pensioner Section Investments**

Assets held in the Trustee Reserve Account in respect of the Pensioner Section are invested in the Oracle Pensioner Reserve Fund.

## **RISK MEASUREMENT AND MANAGEMENT**

The Trustees recognise the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustees considered this risk when setting the investment options and strategy for the Plan. The Trustees' policy in respect of risk measurement methods and risk management processes is set out below.

The Trustees consider the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of the lifestyle strategies or default funds being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Together with the following sources of risk which are specific to the Defined Benefit underpin and pensioner sections:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the lifestyle option annually.

These risks are considered as part of each normal strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a periodic basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

## **GOVERNANCE**

The Trustees of the Plan have ultimate responsibility for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision-making structure:

<b>Trustees</b>	
<ul style="list-style-type: none"><li>• Set structures and processes for carrying out their role</li><li>• Select and monitor planned asset allocation</li><li>• Select and monitor the investment advisers</li><li>• Select and monitor investments and fund managers</li><li>• Make ongoing decisions relevant to the operational principles of the Plan's investment strategy</li></ul>	
<b>Investment Adviser</b>	<b>Fund Managers</b>
<ul style="list-style-type: none"><li>• Advise on all aspects of the investment of the Plan's assets, including implementation</li><li>• Advise on this statement</li><li>• Provide training as required</li></ul>	<ul style="list-style-type: none"><li>• Operate within the terms of this statement and their written contracts</li><li>• Select individual investments with regard to their suitability and diversification</li><li>• Advise Trustees on suitability of their benchmarks</li></ul>

The Trustees' policy is to review their investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

### **Section 1**

All of the Plan's Section 1 member assets are invested in an insurance policy with the Phoenix Group

### **Section 2**

All of the Plan's Section 2 member assets are invested in an insurance policy with the Phoenix Group

### **Trustee Reserve Account**

All of the Trustee assets, which are predominately there to provide for the DB underpin, where necessary, and pensioner section, are invested in an insurance policy with the Phoenix Group.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

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When deciding whether to make any new investments or terminate any investments, the Trustees will obtain written advice from their investment adviser. If the Trustees believe that any of the insurance policies are no longer suitable for the Plan, it will withdraw the assets.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

## **IMPLEMENTATION**

Aon Hewitt has been selected as investment adviser to the Trustees. Aon Hewitt operates under an agreement to provide a full service designed to ensure that the Trustees are fully briefed both to take decisions themselves and to monitor those they delegate. Aon Hewitt is paid on a combination of fixed fee and time cost basis. This structure has been chosen to ensure that cost-effective, independent, advice is received.

### **Responsibilities of Fund Managers**

The fund managers underlying the Phoenix Group policy are required to have regard for:

- Realisation of investments.
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and implementing corporate governance, as required to ensure the best performance of the investments held.

The Trustees expect each fund manager of the underlying assets to carry out the powers of investment delegated to them with a view to giving effect to the principles in this Statement so far as is practical. All investment managers, as mentioned above, have responsibility for all day-to-day decisions about the investments that fall under a written contract.



## **Responsible Investment**

### **Financially Material Considerations**

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation (or default strategy). There is a risk that if ESG issues were not considered as part of the investment process that this could lead to poor performance. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they or members are investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

The Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories to the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

### **Non-Financially Material Considerations**

The Trustee has made an Ethical fund available to members who would like to invest in a fund with these specific considerations. The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

### **Stewardship**

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors in the exercise of such rights. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate. If they are not appropriate, the Trustee will engage with the investment

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manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

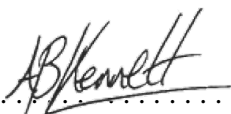
### Charges

The fund managers are remunerated through a percentage of fund charge (an annual management charge). In addition, fund managers may pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees intend to review these costs from time to time to ensure that the costs incurred are commensurate with the goods and services received.

The current annual management charges are detailed in Appendix Three.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Signed .....



Date .24. September 2019.

**For and on behalf of the Trustee of the Oracle UK Pension Plan**

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### Appendix One - Section 1 and 2

#### Active Funds

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
Newton Real Return Fund (Closed to new investors)	All contributions, except Section 1 employer core contributions.	Invests in a wide range of assets. The returns are expected to be less volatile than investment in shares as the diversification of investments will help to reduce overall risk. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	1 Month LIBOR	Outperform benchmark by 4% p.a. over rolling 3–5 year period.
BlackRock Diversified Growth Fund	All contributions, except Section 1 employer core contributions.	Invests in a wide range of assets. The returns are expected to be less volatile than investment in shares as the diversification of investments will help to reduce overall risk. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	Bank of England Base rate	Outperform benchmark by 3.5% p.a. over rolling 3 year period.
Invesco Perpetual Global Targeted Return Fund	All contributions, except Section 1 employer core contributions.	Invests in a wide range of assets. The returns are expected to be less volatile than investment in shares as the diversification of investments will help to reduce overall risk. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	3 month LIBOR	Outperform benchmark by 5% p.a. over rolling 3– 5 year period.
Oracle Active Bond Fund	All contributions, except Section 1 employer core contributions.	100% invested in the BlackRock Absolute Return Bond Fund which invests in a range of fixed income assets with the aim of achieving positive returns.	3 month LIBOR	Outperform benchmark by 2.5% p.a. over rolling 3– 5 year period.
Oracle Lifestyle Growth Fund	All contributions, except Section 1 employer core contributions.	Composite of 30% BlackRock Aquila MSCI World Fund, 25% Invesco Perpetual Global Targeted Return Fund, 25% BlackRock Diversified Growth Fund and 20% BlackRock Absolute Return Bond Fund. The fund is rebalanced as necessary.	Composite of underlying funds	Composite of underlying funds
Oracle Diversified Growth Fund	Section 1 core contributions only.	Composite of 80% BlackRock Diversified Growth Fund and 20% BlackRock Aquila MSCI World Fund. The fund is rebalanced as necessary to the initial allocation of 80%/20% of the underlying funds in any subsequent period where it deviates.	Composite of underlying funds	Composite of underlying funds
Oracle Active UK Equity Fund	All contributions, except Section 1 employer core contributions.	100% invested in the Majedie UK Equity Fund. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	FTSE All Share Index	Outperform benchmark by 2% pa over rolling 3 year periods.
MFS Meridian Global Equity Institutional Fund	All contributions, except Section 1 employer core contributions.	Invests in shares throughout the world. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	MSCI World Index	To outperform index over full market cycle.

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Threadneedle Pensions Property Fund	All contributions, except Section 1 employer core contributions.	Invests in direct and indirect property. Property investment risk is lower than investments in equities, but higher than investment in bonds.	MSCI/AREF UK All Balanced Quarterly Property Fund	To outperform the benchmark by 1% pa over rolling 3 year periods.
LGIM Property Fund (Closed to new investors)	All contributions, except Section 1 employer core contributions. Closed to all new contributions (including transfers).	Invests in direct and indirect property. Property investment risk is lower than investments in equities, but higher than investment in bonds.	MSCI/AREF UK All Balanced Quarterly Property Fund	To outperform the benchmark by 1-1.5% p.a. over rolling 3 year periods.
Oracle Cash Fund	All contributions, except Section 1 employer core contributions.	Invests in short term cash instruments and aims to produce reliable nominal returns.	7 Day LIBID	To deliver competitive rates of return from cash deposits and other short-term instruments.

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### Passive Funds

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
LGIM Global Equity Fixed Weights 50/50 Index Fund	All contributions, except Section 1 employer core contributions.	Invests in shares throughout the world. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	50% FTSE All Share 50% Overseas Equities (split between the US Europe (ex-UK) and the Far East)	Achieve returns in line with benchmark.
Oracle Global Equity Fund	All contributions, except Section 1 employer core contributions.	Invests in shares throughout the world. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	MSCI World Index	Achieve returns in line with benchmark.
LGIM Over 15 Year Gilts Index Fund	All contributions, except Section 1 employer core contributions.	Low risk option, although the expected returns are lower than for equities.	FTSE UK Gilts Over 15 Years Index	Achieve returns in line with benchmark.
Oracle Index Linked Gilt Fund	All contributions, except Section 1 employer core contributions.	Low risk option with lower expected returns than equities. Investment returns are not eroded by unanticipated inflation.	50% FTSE UK Gilts Index- linked Over 5 Years Index 50% FTSE UK Gilts Index- linked Under 15 Years Index	Achieve returns in line with benchmark.
LGIM Corporate Bond All Stocks Index Fund	All contributions, except Section 1 employer core contributions.	Low risk compared to equities but riskier than gilts, the expected returns are lower than for equities and higher than for gilts.	iBoxx £ Non-Gilts Index	Achieve returns in line with benchmark.
LGIM Ethical UK Equity Index Fund	All contributions, except Section 1 employer core contributions.	Invests in UK shares of companies that comply with a code of ethical conduct. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	FTSE 4 Good Index	Achieve returns in line with benchmark.
LGIM UK Equity Index Fund	All contributions, except Section 1 employer core contributions.	Invests in shares in the UK. The returns will be more volatile and less secure than UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	FTSE All Share Index	Achieve returns in line with benchmark.

The default option for Section 1 core contributions is the Oracle Diversified Growth Fund.

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## **Appendix Two - Trustee Reserve Account**

### **Active Funds**

<b>Fund Name</b>	<b>Availability</b>	<b>Investment characteristics</b>	<b>Benchmark</b>	<b>Performance target</b>
Oracle Diversified Growth Fund		Invests in a composite of 80% BlackRock Defined Contribution Diversified Growth Fund and 20% BlackRock Aquila MSCI World Fund	Composite of underlying funds	Composite of underlying funds

### **Passive & Active Funds – Pensioner Reserve Fund**

<b>Fund Name</b>	<b>Availability</b>	<b>Investment characteristics</b>	<b>Benchmark</b>	<b>Performance target</b>
Oracle Pensioner Reserve Fund	Trustee Reserve Account	Low risk option with lower expected returns than equities. Investments are expected to broadly match the balance between inflation-linked and fixed obligations. The fund is rebalanced to the initial allocation of the underlying funds on a quarterly basis.	28% FTSE UK Gilts Index-Linked Up to 5 Years Index 42% FTSE A Index-Linked (Over 5 Year) Index 30% Bank Of England Official Bank Rate Plus 3.5%	Achieve returns in line with benchmark.

All investments held in relation to the pensioner section are held in the Oracle Pensioner Reserve Fund

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### Appendix Three – Fund Charges

<b>Fund</b>	<b>Total Expense Ratio</b>
<b>Active</b>	
Oracle Diversified Growth Fund	0.51%
Oracle Lifestyle Growth Fund	0.48%
Newton Real Return Fund	0.70%
BlackRock Diversified Growth Fund	0.61%
Invesco Perpetual Global Targeted Return Fund	0.78%
Oracle Active Bond Fund	0.50%
MFS Meridian Global Equity Institutional Fund	0.71%
Oracle Active UK Equity Fund	0.81%
Threadneedle Pensions Property Fund	0.80%
LGIM Property Fund	0.78%
Oracle Cash Fund	0.19%
<b>Passive</b>	
Oracle Pensioner Reserve Fund	Composite
LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%
Oracle Global Equity Fund	0.10%
LGIM UK Equity Index Fund	0.10%
LGIM Over 15 Year Gilts Index Fund	0.10%
Oracle Index Linked Gilt Fund	0.10%
LGIM Corporate Bond All Stocks Index Fund	0.175%
LGIM Ethical UK Equity Index Fund	0.25%



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### Appendix Four – Lifestyle Options

The Trustees have selected three lifestyle strategies in which members can choose to invest their Section 1 non-core and Section 2 funds:

- Cash
- Drawdown
- Annuity

Each strategy automatically switches investments to align funds with the way in which members intend to take their benefits at retirement.

The following funds are currently constituents of the lifestyle matrices:

Fund Type	Fund Name	Investment Style
<b>Cash</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Absolute Return Bonds	Oracle Active Bond Fund	Active
Cash	Oracle Cash Fund	Active
<b>Drawdown</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Index Linked Gilts	Oracle Index Linked Gilt Fund	Passive
Cash	Oracle Cash Fund	Active
<b>Annuity</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Index Linked Gilts	Oracle Index Linked Gilt Fund	Passive
Cash	Oracle Cash Fund	Active

Members are assumed to retire at 65 unless they have specified an alternative target retirement age.

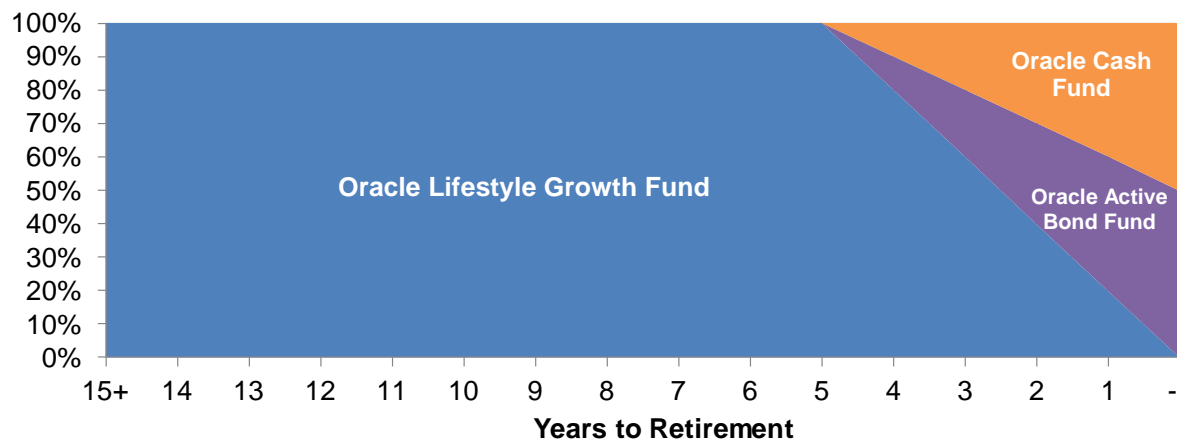
Whilst the member has more than 5 years to retirement, all the lifestyle funds are identical and invest in the Oracle Lifestyle Growth Fund.

Within 5 years from retirement, the member's fund will be rebalanced in line with the lifestyle matrix on a quarterly basis. To reduce the risk of needing to repurchase fund units sold in a previous period purely as a result of market movements, the administrators will implement a 'No buy back' rule on the Oracle Lifestyle Growth Fund. For example, if market movements suggest that either Equity or Diversified Growth Funds need to be purchased to rebalance the member's fund in line with the lifestyle matrix, then this instruction will be overridden and the member's funds will be allowed to catch up with the matrix naturally as time passes.

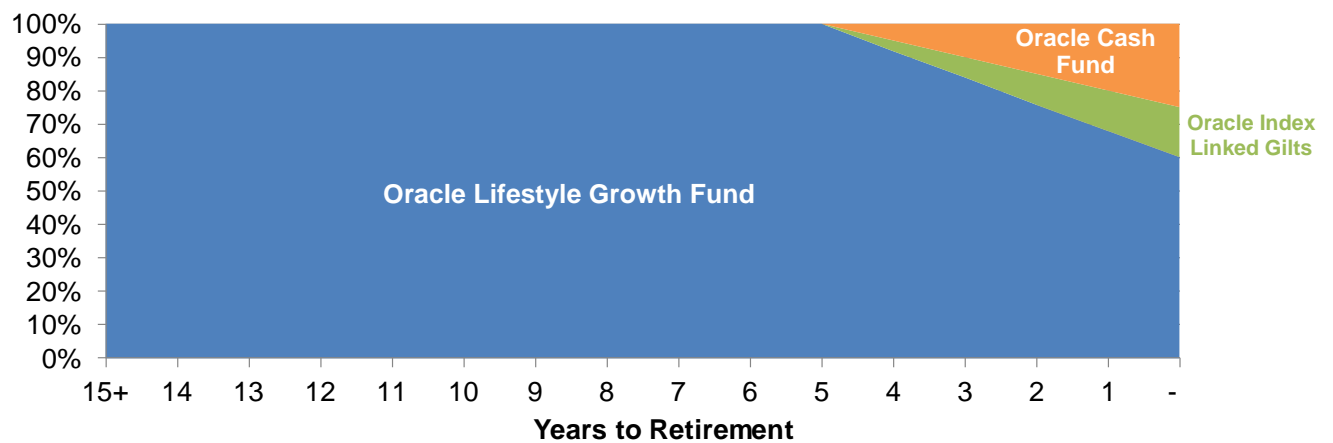
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Charts showing each lifestyle are set out below:

### Cash Lifestyle Strategy



### Drawdown Lifestyle Strategy



### Annuity Lifestyle Strategy

