

Oracle UK Pension Plan – Newsletter 2020

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 and Greig McGuinness 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).



COVID-19

Covid-19 has caused substantial disruption to global economies and investment markets. This can be worrying for members, particularly those with Defined Contribution (DC) pension savings. The important thing to remember for most of us though is that we are currently experiencing short term volatility on a long term investment.

For members with Section 1 benefits, your Core Funds have an income guarantee in the form of the Pensions Underpin. This means retirement benefits in Section 1 are protected from downturns in investment markets in a way that normal DC savings don't offer. The market volatility has had an impact on the Plan's financial position, which is explained further below. Members should see very little difference to their benefits under Section 1, with the continued support of the Plan by the Employer.

For members with Non-Core funds, your funds may have fallen in value over the year as a result of investment market downturns. This can be unnerving but it's important to remember that this is a long-term savings vehicle. For younger members, markets normally correct over time. For members closer to retirement, the default investment options provide more protection against market downturns.

Barnett Waddingham, the Plan's administrators, are combining working at home and in the office to continue to provide a high quality service.



New website - www.myoraclepension.com

The Plan's website has recently been updated. 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.



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. Please review your investments regularly so you know whether your savings are on track or not.



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 2019 and an approximate update is carried out every 12 months to monitor progress. The results are shown in the table below and commentary on the results is provided in the following paragraphs:

| £million | Update at May 2018 | Valuation at May 2019 | Update at May 2020 |
|-------------------------|-----------------------|--------------------------|-----------------------|
| Assets (Section 1) | 276 | 285 | 309 |
| Liabilities (Section 1) | 531 | 593 | 675 |
| Shortfall | (255) | (308) | (366) |
| Funding level | 52% | 48% | 46% |

Actuarial valuation at May 2019

The previous newsletter reported a funding shortfall of £255m at May 2018, giving a funding level of 52%. The actuarial valuation at May 2019 revealed that the position had deteriorated, with a funding shortfall of £308M and a funding level of 48%. The deterioration was caused by more challenging market conditions, which have increased the expected cost of paying pensions. As a result, the liabilities increased by more than the assets, causing the shortfall to grow.

Employer contributions

Following the results of the May 2019 actuarial valuation the Trustee and Employer agreed that:

- The Employer will pay contributions of £10M over the year to May 2020, followed by £35M each year until May 2029.
- The Employer will continue to meet the costs of running the Plan.
- The Parent Company guarantee provided by Oracle Corporation in the United States ("Oracle Corp") was increased to £800M (previously £600M at the time of the previous newsletter). This guarantee means that Oracle Corp is required to step in if the Employer is unable to fund any shortfall in the Plan.

Update in May 2020

It is inevitable that the Plan's financial position was affected by the shocks to global markets caused by COVID-19, especially since the measurement date falls at a time when markets were still reacting to scale of the pandemic.

Over the year to May 2020 the funding level decreased from 48% to 46%, revealing a shortfall of £366M. The increase in shortfall stems from a further deterioration in market conditions, making pensions even more expensive to provide.

The Trustee monitors the financial position regularly. At the time of writing the latest quarterly update showed that shortfall has reduced from £366M to £340M at 30 September 2020 as a result of investment returns and contributions from the Employer.

The Trustee meets regularly with its advisers and the Employer to discuss developments and the Trustee checks that Oracle Corp is able to meet the guarantee.

Results of the next update will be circulated after May 2021 and the next actuarial valuation will fall in May 2022.

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 below shows the position if the Plan needed to secure members' pensions with an insurance company.

| £million | 31 May 2018 | 31 May 2019 | 31 May 2020 |
|----------------------|--------------|--------------|--------------|
| Assets | 276 | 290 | 310 |
| Solvency liabilities | 986 | 1,080 | 1,210 |
| Shortfall | (710) | (790) | (900) |
| Funding level | 28% | 27% | 26% |

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 www.pensionprotectionfund.org.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.



Guaranteed Minimum Pension (GMP)

You may have heard that pension schemes must remove any gender inequality in the way that GMPs are calculated. 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 is ongoing. Reports listing the Plan's GMP liabilities have

been received from the HMRC and reconciled with the Plan's records. The Trustee and administration team have begun identifying those members affected and the amounts involved, which are typically quite small. You will be notified of any changes to your benefits once the calculations for all members have been finalised. In the meantime the benefits for members who transfer their pension to another arrangement before completion of the work will be adjusted appropriately.



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 www.moneyadvice.service.org.uk.

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 www.register.fca.org.uk



Annual and Lifetime Allowance

The **Annual Allowance** is a limit on pensions savings that can be built up each year. The limit remains at £40,000 for the 2020/21 tax year but there have been some changes for high earners.

For high earners the limit can reduce to as low as £4,000. This reduction – known as “tapering” starts if pre-pension contribution earnings exceed £240,000 in the 2020/21 tax year (previously it was £150,000). 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. While most members aren't affected by the Lifetime Allowance, any member approaching or above the allowance should take action as there are high tax rates on benefits that exceed the allowance.

Members with Fixed Protection are reminded that they cannot build up any further retirements savings, for example all contributions must stop. Investment returns on any DC savings and revaluation on the Pensions Underpin (or revaluation on other final salary benefits) are permitted under Fixed Protection.



Going paperless

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 2019
- 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 2020)
- 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. 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:

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Longbridge
Birmingham
B31 2TS

The Trustee

Email: GM@dalriadatrustees.co.uk

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