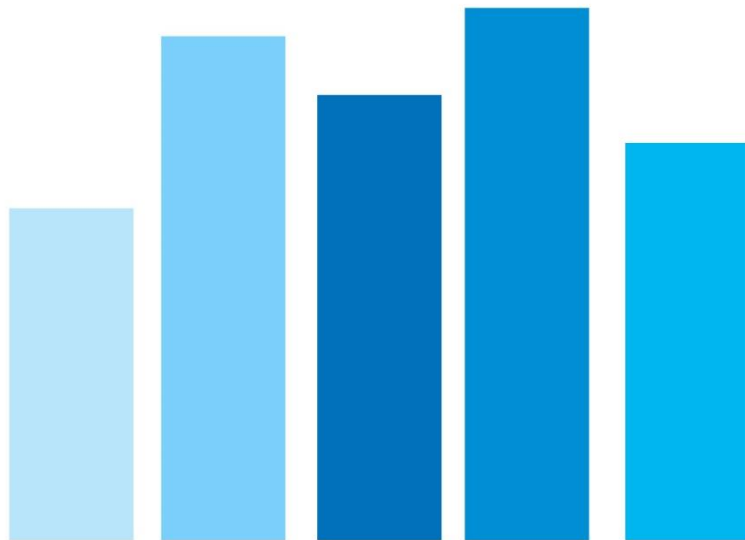


Oracle UK Pension Plan

Actuarial Report at 31 May 2017



Paul Hubbard
Barnett Waddingham LLP
11 October 2017

Background and Results

This report is addressed to the Trustees of the Oracle UK Pension Plan (the Plan) and is intended to provide an approximate update on the funding position of the Plan as at 31 May 2017 (the Review Date). The results in this report should be considered alongside my report on the valuation of the Plan as at 31 May 2016. The figures in this report are approximate and should be discussed with me before any significant decisions are taken. The Trustees should make a copy of this report available to Oracle Corporation UK Limited (the Employer) within 7 days of receipt. The results of this review should be disclosed to members in the next Summary Funding Statement. The next actuarial valuation will be due as at 31 May 2019 and must be completed by 31 August 2020.

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

Updated position

The table below displays the approximate updated funding position as at 31 May 2017 and the results of the triennial valuation dated 31 May 2016.

Funding results (£Million)	31 May 2016	31 May 2017
Assets	237.6	263.3
Liabilities	403.1	536.6
Surplus/(Deficit)	(165.5)	(273.3)
Funding level	59%	49%

Comments

The funding position as at 31 May 2017 has deteriorated since the triennial valuation as at 31 May 2016. The main reasons for this change are lower gilt yields and higher inflation expectations, which have both increased the value placed on the liabilities. Investment returns on the Plan's assets were higher than assumed, but the Plan's liabilities increased at a higher rate causing the overall deficit to increase.

I have included further detail relating to the change in funding position in the 'Developments since the previous valuation' section of this report.

Next steps

The results of this update must be sent to all members of the Plan in the next Summary Funding Statement. A copy of this report should be given to the Employer within seven days of this report being received by the Trustees.

Provided the Trustees are comfortable with strength of the Employer's covenant it is not necessary to take any action in light of the results shown in this report, however, the Trustees should continue to monitor the funding position. The remainder of this report provides further detail on my calculations.

I look forward to discussing this report further at the next Trustees' meeting.



Paul Hubbard FIA
Partner, Barnett Waddingham LLP
11 October 2017

Method and Assumptions

Market Conditions	31 May 2016	31 May 2017
20 year Gilt yield	2.30% pa	1.80% pa
20 year implied RPI inflation	3.25% pa	3.60% pa
Assumptions		
Pre-retirement discount rate/asset return	4.30% pa	3.80% pa
Post-retirement discount rate	3.20% pa	2.70% pa
Inflation (RPI)	3.25% pa	3.60% pa
Inflation (CPI)	2.25% pa	2.60% pa
Salary growth	4.25% pa	4.60% pa
Mortality table	104% of S2NA_L tables for males and 93% of S2NA tables for females	
Mortality Improvements	CMI 2015 projections with a long-term rate of improvement of 1.5% pa	
Allowance for withdrawal	Approximately 10% pa for ages 31-65 and 20% pa for ages less than 31	

Assumptions

A summary of the key assumptions used for the funding update are shown below alongside the corresponding assumptions for calculating the Technical Provisions as at the valuation date. A full list of the assumptions at the valuation date can be found in my report dated 26 July 2017. The derivation of the assumptions at each date is consistent with the Plan's Statement of Funding Principles included in that report.

Other demographic assumptions are as set out in the Plan's Statement of Funding Principles.

In my opinion the assumptions set out above are appropriate for the purpose of this Actuarial Report.

Method

The figures contained in this report are based upon an approximate valuation of the Plan as at 31 May 2017.

The liabilities for members with benefits subject to the pensions underpin guarantee have been determined using membership data as at 31 May 2017. The data and benefits are summarised in Appendix 1 and my report regarding the Underpin Reserve Check as at 31 May 2017. The financial assumptions are consistent with the principles set out in the latest Statement of Funding Principles dated 25 July 2017 but updated to reflect market conditions as at the Review Date.

The liabilities are then compared with the market value of assets as at 31 May 2017. This asset value is based on the value of investments held with the Plan's investment managers, together with the Plan's bank balance as at 31 May 2017. The asset figures have not been audited.

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

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

No allowance for developments occurring after the Review Date has been made.

Developments since the previous valuation

For the 12 months to 31 May 2017

The following developments occurred in the 12 months to the Review Date:

- Deficit reduction contributions of £5.4M were paid into the Plan following completion of the Annual Review of the Trustees' Reserves in December 2016.
- Pension payments of £0.7M and other benefit payments of £5.4M were paid from the Plan.
- The Plan's assets returned approximately 10% over the year.
- The annual increase awarded on 1 April 2017 for pensions linked to CPI was 1.0%.
- The Trustees' completed the rectification of benefits relating to the use of Basic Salary and Total Annual Earnings when determining Final Pensionable Salary applicable for the period from 1 June 1993 to 31 December 1998. The additional liability in respect of this exercise is included in the figures as at 31 May 2017.

Based on information provided by the Plan's investment managers and administrators I have taken the unaudited market value of the Plan's assets to be £263.3M at the Review Date. This excludes all Non-Core DC assets not covered by the pensions underpin guarantee and any contributions held in the escrow account.

No discretionary benefits were awarded over year to the Review Date. No allowance has been made for the potential requirement to equalise GMPs.

The increase in deficit since the last actuarial assessment can be broadly broken down as follows:

Change in funding position during year to 31 May 2017	£Million
Deficit at 31 May 2016	(166)
Interest on the deficit	(6)
Deficit contributions	5
Investment profit	17
Change in actuarial assumptions	(95)
Data rectification and miscellaneous	(28)
Estimated Deficit at 31 May 2017	(273)

Solvency position

The previous valuation included an estimate of the funding position if the Plan had wound up and liabilities had been secured with an insurance company as at 31 May 2017. On this basis, the Plan had a deficit of approximately £557M representing a solvency funding level of approximately 30%.

I estimate that the solvency deficit is likely to have increased over the 12 months to 31 May 2017 to approximately £800M, representing an approximate solvency funding level of 25%. This reflects the changes in market conditions (particularly falls in long term yields and increases in inflation expectations) over the period. This has been determined using a consistent approach to that set out for the triennial valuation as at 31 May 2016.

Appendix 1 Membership data

A summary of the membership data as at 31 May 2017 is set out below based on an extract taken shortly after the Review Date, which we have carried out reasonableness checks on. Whilst this should not be seen as a full audit of the data, I am happy that the data is sufficiently accurate for the purposes of this update.

In addition there are a further 19 in service deferred members and 341 deferred members who have no Pensions Underpin benefits.

In service deferred members at 31 May 2017			
	Number	Average age	Underpin Pension at review date £m pa
Males	504	53.6	3.9
Females	166	52.6	0.9
	670	53.4	4.8

Deferred members at 31 May 2017			
	Number	Average age	Underpin Pension at Date of Leaving £m pa
Males	2,953	54.8	8.9
Females	1,351	52.9	3.3
	4,304	54.3	12.2

Pensioner members at 31 May 2017			
	Number	Average age	Pension at review date £m pa
Males	121	67.0	0.6
Females	55	65.0	0.2
	176	66.5	0.8