

myoraclepension

update

A message from the Chairman of the Trustees, William Hutton

The last 12 months has seen significant changes to pensions at a national level as well as locally within the Oracle UK Pension Plan ('Plan'). I want to give you an overview of these changes and what they might mean for you as a member of the Plan. Each year the Trustees of the Plan prepare a Business Plan, capturing the key activities that will be carried out and so I thought that it would be helpful to share key points from our 2011 Business Plan. I also want to update you on some changes of Trustees in the last 12 months.



William Hutton

You will no doubt have seen pensions at the forefront of news with a number of significant changes already in place and with others planned to follow during 2011. So what does this mean for you as a member of the Plan?

New limits have been put in place on the amounts that you can contribute to pension arrangements each year known as the Annual Allowance and there will be a lower Lifetime Allowance. Each year you will be able to contribute up to £50,000 in total to your pension arrangements. For current employees with Section 1 benefits, it is important to note that increases in deemed value of the Section 1 Underpin arising from salary increases will contribute to this allowance together with any other contributions you are making. The Trustees will issue a News Item shortly on myoraclepension.com to explain this complicated area in more detail including when the annual period for calculating contributions will start and finish (known as the Pension Input Period). From April 2012, the total Lifetime Allowance will be reduced from £1.8million to £1.5million – this is the maximum amount you can accumulate across all of your pension arrangements without incurring a tax change. If you think that you could be affected, I would suggest that you obtain appropriate financial advice relevant to your own circumstances.

From 1 January 2011, the Consumer Price Index (CPI) rather than Retail Price Index (RPI) became the standard measure of inflation for pension schemes unless the rules of the scheme specified otherwise. For those members with Section 1 benefits, this means that the value of the Pensions Underpin will now be based on a pension increasing at CPI (limited to 5%) and for deferred members the annual revaluation of deferred benefits will also be based on CPI (limited to 5%). A lower cap of 3% applies to GMP (Guaranteed Minimum Pension) benefits accrued between April 1988 and April 1997. The Trustees will publish more details in a News Item shortly to explain how this will affect you.



Other planned changes are the abolition from April of the requirement to secure a pension through an annuity from age 75, subject to various restrictions and the abolition of the default retirement age from October. In the longer term the State Pension Age is being increased and changes in the State Second Pension arrangements are planned.

At a Plan level, Oracle Corporation UK Ltd (Oracle), the sponsoring employer of the Plan decided to direct future pension contributions for all employees to a new contract based Group Personal Pension Plan (GPP) with Standard Life. Whilst the Trustees of the Plan have no legal responsibilities in connection with the new arrangements, we will continue to have the same responsibility for your benefits still held within the Plan. Although a number of current employees have taken up the offer from Oracle to transfer their Section 2 benefits (those benefits accrued from contributions since 1 June 2004) to the new arrangement in return for enhanced future contributions, the Plan will still hold members' funds in excess of £300M. I do want to reassure those members with Section 1 benefits (those benefits accrued from contributions before 31 May 2004), that there has been no change in respect of these benefits. Oracle agreed with the Trustees that the salary link to calculating the Pensions Underpin would remain (Further information on how the Pensions Underpin works is available in the FAQs section on myoraclepension.com).

Looking back to 2010, the Trustees carried out a full review of the investment options which resulted in the introduction of a new range of funds available to all members. A significant project was successfully completed in May to transition to the new funds. On a monthly basis the Plan's Investment Sub Committee reviews the performance of the funds and recommends any changes to the Trustees. If you haven't looked at your investments recently, I would strongly advise that you review your current investment options and decide whether they are still appropriate to your needs. Your current fund holdings are available online via the **ePA** system, which you can access from the 'Welcome' page on myoraclepension.com. Details of the fund options are provided on the 'Investment' section of the website.

During 2010, I was very sorry to lose three Trustees, Andy Boulton, Luke Ellis and Andy Beecroft. They all contributed significantly to running your Plan, with Luke and Andy Beecroft having been Trustees since 2004, and I thank them for their hard work. At the same time, I was very pleased to welcome Ian Humber as a Company Appointed Trustee and Bill Kerr as a Member Nominated Trustee (MNT). A further MNT will be appointed shortly, to bring us back to full strength of 8 Trustees.

Looking forward in 2011, the Trustees recently agreed the new Business Plan. The focus this year is on improving governance of the Plan in line with The Pensions Regulator guidance. The risk based assessment of the Plan is being refreshed and this will guide the areas that will be focused on. Linked with this, we plan to review the main administration processes to ensure that they operate as efficiently as possible in line with the "Rules" of the Plan. I am keen to explore how we can better receive feedback from your experiences of interacting with the Plan so that we can continue to improve the service that we operate.

If you have any queries, please contact the Administrators at oraclepensions@towerswatson.com and if you have any more general feedback, you are very welcome to contact me directly.

William Hutton

Chairman of Trustees (Oracle UK Pension Plan)

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