

Dear Member

Oracle UK Pension Plan (the Plan) – information on market volatility

Given the current situation, it's hard not to have seen reports in the media of the effect COVID-19 is having on global investment markets. We understand that such reports can be worrying for pension scheme 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 of a long term investment. For members with Section 1 benefits in the Plan, your DC savings in Section 1 are underpinned by a guarantee in the form of a Pensions Underpin. This is not impacted in the same way by market volatility and so members may see very little difference to their Section 1 benefits (see below for more information on the 'Pensions Underpin' for Section 1 Core funds).

The default investment arrangements for the Plan invest mainly in equities and diversified growth funds (which hold a varied range of investments), although this changes as members approach their Target Retirement Date and allocations to other assets, such as cash, are increased. It is therefore likely that many members (particularly younger members) will have recently seen their fund values decline. This can be unnerving but it's important to remember some of the basics of DC investing:

- **A pension is a long-term savings vehicle:** throughout your working life there will inevitably be periods of significant short-term market volatility, however historically markets have recovered and gone on to provide positive returns over the longer term. This is, of course, not guaranteed and we can't predict when it will happen but looking back over previous periods of market volatility shows us that markets do rebound.
- **The Plan doesn't invest just in equities:** the Plan offers default investment options which hold a varied range of investments (primarily within the "diversified growth funds"). This includes, for example, different types of equities as well as bonds, cash and other assets. By spreading investment across different types of assets and different markets, it helps to reduce the negative impact arising from short-term equity market volatility. Diversified growth funds have typically shown lower volatility than equities over the year to 31 March 2020.
- **The default investment options provide more protection if you're closer to retirement:** there are two default arrangements for Section 1 Non-Core funds and Section 2 funds – the Drawdown Lifestyle Option and the Cash Lifestyle Option which automatically change five years before Target Retirement Date. Lifestyling (or de-risking as is commonly referred to) will gradually switch funds out of more risky assets (such as equities and diversified growth funds) and will invest more in protection assets (such as bonds and cash depending on the default arrangement you have chosen) as these provide a greater degree of protection against investment volatility. **If you're close to retirement, you should seek financial advice on your options.**
- **The Pensions Underpin applies to Section 1 Core funds:** Section 1 Core funds provide a benefit at Normal Retirement Date equal to the greater of your Core funds value at retirement and the Pensions Underpin. The Pensions Underpin is calculated as 1/80th of Final Pensionable Pay for each complete year and month of Pensionable Service up to 31 May 2004, or earlier exit. Therefore it is not linked to investment markets in the same way that Non-Core benefits are. Section 1 members can find information about the Plan's funding position in the Summary Funding Statements which are issued on a regular basis.

The Trustee of the Plan will continue to monitor the performance and suitability of the Plan's investments and funding position throughout this period of market volatility.

What does this mean for you?

As mentioned above, remember to consider your pension as a longer-term savings vehicle and try not to panic or make any knee-jerk decisions. As always, you should review your investment choices on a regular basis to ensure they remain appropriate for your circumstances over the longer term. You may wish to seek independent advice if you plan to retire within the next 18 months or before making any investment decisions.

How you intend to take your benefits when you reach retirement should be a key consideration in your investment choice. For Section 1 Non-Core funds and Section 2 funds, there are different lifestyle options available in the Plan that target taking your benefits in a certain way, such as if you intend to transfer to a flexi-access drawdown policy, buy a guaranteed income for life (an annuity) or take your benefits as cash. If you are invested in a lifestyle option, you should check your Target Retirement Date is correct for when you intend to access your pension savings (so the automatic switching of your investments takes place at the appropriate time). You can check this on BWebstream (see below).

For Section 1 Core funds, your options at retirement include receiving a pension from the Plan at least as high as the Pensions Underpin or transferring your benefits to an alternative pension arrangement immediately prior to retirement.

Where can you get further information?

You can log on to BWebstream here: <https://logon.bwebstream.com> to view details of your Plan benefits and the investment options applicable. Other Plan documents are available from www.myoraclepension.com

On BWebstream you will also be able to update your Expression of Wish form – please ensure that this is kept up to date so that the Trustee is aware of how you would like any benefits in the event of your death before retirement to be paid.

The following websites are also a good source of further information on pensions and wider financial matters:

- **The Personal Finance Society** - www.thepfs.org/yourmoney/find-an-adviser
A database of professional financial advisers in your area. The site also gives you access to a free pensions check and general tips on pensions.
- **Money matters** - www.moneymattersweb.co.uk/
Help and information with financial matters.
- **Pension Wise** – www.pensionwise.gov.uk/
The Government offers free and impartial guidance on the pension choices available to everyone aged 50 or over.

Finally, **remember to be vigilant**. Pension scams are ever present and in times such as now people can be more vulnerable to scams (such as enticements to transfer their benefits) by making rash decisions. You may wish to seek independent financial advice before making investment decisions. The House of Commons has recently produced a paper on pension scams here: <https://commonslibrary.parliament.uk/research-briefings/cbp-8643/>

We hope this provides some level of comfort in what are challenging times, not just in the investment markets.