

Rolls-Royce UK Pension Fund (RRUKPF) members

For Active Members

You will all have seen the reward announcement regarding potential impacts from COVID-19 on pay and other related benefits. As a reminder the impact as regards pension benefits is as follows: -

Fund benefits

What happens to my benefits including pension, bonus, medical insurance etc if I have a pay deferral of 10%?

Any pension benefits will remain calculated on your contractual pay, not the nominal 90% of pay, which is only in place for the term of the salary deferral.

How will the deferral affect pension contributions?

Pension contributions will be unaffected by the pay deferral, as it operates as a salary sacrifice arrangement (termed Paysave); this means your pensionable pay is unchanged.

If you have opted out of Paysave your pension contributions and your benefits will remain based on your unreduced pensionable pay for the time being.

Can a member voluntarily choose to reduce pension contributions?

No, contributions for members are set in the rules at 6% and cannot be varied. Paying contributions on full pensionable pay ensures that there is no adverse impact on pension accrual.

Can a member opt out of the Company pension arrangement?

Yes, it is possible, but you should carefully consider your options before taking this action and it is strongly suggested that independent financial advice is taken. The following points should also be noted:

Once you elect to opt out, you will not be able to re-join. In addition, you will not be entitled to a Share of Fund transfer value and early retirement benefits may be adversely impacted. Death in Service and Ill Health cover will also cease. You should refer to the Retiring/Leaving Guide at www.rolls-roycepensions.com for further information.

What happens to pension if you leave or retire whilst these measures are in place?

As contributions will be maintained at the same levels, there will be no impact on your pension benefits and the current retirement/leaving options will be unaffected.

What happens to Life Assurance cover?

Life Assurance cover will be unaffected by the changes.

There are also some associated benefits which sit outside the RRUKPF. However, we think it is useful for our members to understand their options regarding these benefits to help manage overall income levels during this unprecedented period.

Rolls-Royce Retirement Savings Trust Benefits

Can I change my AVCs when I know the impact of these changes on me?

Yes, AVCs are totally flexible. Members can amend, cease and recommence these contributions via the Total Reward Portal on a monthly basis.

There is a monthly window for employees to make any adjustments to their AVCs on TotalReward. The window is structured around payroll deadline; unfortunately, there is no additional flexibility to extend the monthly window. If you are concerned that any current AVCs may no longer be affordable, please log on and adjust prudently through the available window each month.

If you also contribute to the Money Purchase Top Up as you receive an All-Inclusive Rate; can you cease paying to the DC Top Up arrangement?

Yes, you can opt out of this arrangement and re-join later. This can be done on a monthly basis via the Total Reward Portal.

Trustee

Is the RRUKPF continuing to offer Share of Fund transfer values (SoFtvs)?

There is currently no change to SoFtvs which continue to be offered. A separate announcement on transfers was issued previously and can be found on the website at www.rolls-roycepensions.co.uk

For All Members

What actions are the Trustee Directors taking currently?

The Trustee Directors are continuing with Business as Usual (BaU) during this difficult period. The Trustee held its March quarterly meeting partly in London and partly externally prior to the lockdown. Since then the Board has been receiving weekly updates on the following: -

Operational – from the in-house pension team

Funding – from the Scheme Actuary at Aon

Investment – from the in-house investment adviser

Business – from the Company

The Board also has fortnightly calls to discuss any developments with their advisers and the in-house team.

What is happening about the triennial actuarial valuation which is due at 31 March 2020?

The Trustee is continuing with its triennial actuarial valuation as at 31 March 2020. Although the recent impacts on markets generally will have had an impact on the Fund's funding level this will have been minimised to a great extent by the matching investment strategy whereby assets and liabilities are matched to a large degree. However, the Trustee will assess the position with the Scheme Actuary and the results are expected to be announced towards the end of this calendar year.

The Trustee Directors had already engaged Penfida, an external covenant adviser, to assist them with this year's valuation process. This will be especially important as the Company navigates its way through these turbulent times.

What has been the impact on funding level from COVID-19?

In common with the majority of schemes COVID-19 has had an impact on RRUKPF. The funding level has reduced by a few percent due to a number of factors, including COVID-19 market volatility. However, the funding position is strong and remains in surplus. Some pension funds have seen a much more severe impact on funding levels. The reason the RRUKPF funding level has not fallen further is due to the conservative investment strategy whereby there is very little investment in equity markets with the majority of assets invested in a liability driven investment portfolio which matches assets and liabilities and the remainder in high quality corporate bonds or similar assets. The RRUKPF is due to carry out the triennial actuarial valuation this year as at 31 March 2020 which will look at this issue in more detail and take into account other factors such as member movements over the 3-year period. The results of this review will be sent to member's later this year.

May 2020