



Annual Actuarial Report at 31 March 2022

Rolls-Royce UK Pension Fund

Prepared for: Rolls-Royce UK Pension Fund Trustees Limited

Prepared by: Alastair McIntosh FIA

Date: 30 June 2022

Introduction

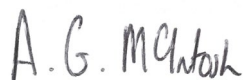
Why bring you this report?

This is the Annual Actuarial Report required by legislation. Its purpose is to provide an approximate update of the assets and technical provisions of the Scheme on the anniversary of the last valuation.

This report is also intended to be used by the Trustee as the basis of the Summary Funding Statement which needs to be provided to members.

Next steps

A copy of this report must be made available to the sponsor **within seven days** of receiving it and to members **within two months** of request.



Alastair McIntosh FIA
Scheme Actuary



Funding position at 31 March 2022

Funding level

110.1%

31 March 2022

▲ 4.9%
vs 31 March 2020

Surplus

£739M

31 Mar 2022

▲ £277M
vs 31 Mar 2020

Basis

Effective date

Technical Provisions

31 March 2022

Comments

Since the valuation at 31 March 2020 the Scheme's technical provisions funding level has improved and the surplus has increased by £277M.

Since the previous Annual Actuarial Report at 31 March 2021 the Scheme's technical provisions funding level has improved and the surplus has increased by £79M.

Over the period from 31 March 2020 to 31 March 2022, the assets and liabilities both fell as a result of transfer value and other benefit payments out of the Fund. The Fund is well hedged against interest rate and inflation changes and rises in yields have reduced both the assets and liabilities. Overall, and taking into account the return on the Fund's other assets, the liabilities have fallen by more than the assets leading to an improvement in the funding level and funding surplus.

	31 March 2020	31 March 2021	31 March 2022
Value of technical provisions (£M)	8,874	7,881	7,342
Value of assets (£M)	9,336	8,541	8,081
Funding surplus (deficit) (£M)	462	660	739
Funding level	105.2%	108.4%	110.1%

Liabilities

This Annual Actuarial Report is consistent with the technical provisions calculations for the formal actuarial valuation at 31 March 2020. The assumptions used have been modified only insofar as is necessary to maintain consistency with the Statement of Funding Principles dated 25 June 2021, reflecting the change in the effective date and in relevant market conditions.

The liabilities are projected from the results of the formal actuarial valuation at 31 March 2020 and are therefore approximate. Since the liabilities are not based on up-to-date membership data, they become more approximate the longer the period of time that has elapsed since the last actuarial valuation.

The liabilities take account of the following over the period since the last formal actuarial valuation:

- Cashflows into and out of the Fund; and
- Actual price inflation and its impact on benefit increases.

Demographic experience since the last formal actuarial valuation has been assumed to be in line with the Statement of Funding Principles.

This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the covenant of the sponsoring employer, investment strategy or economic outlook.

Assets

For the purpose of this report, I have used assets from the draft Trustee Report and Accounts at 31 March 2022 provided by Andrew Hopkinson on 29 June 2022.

The asset values exclude AVCs and DC investments, which are invested separately.

This report has been prepared in accordance with the framework below.

This report has been requested by Rolls-Royce UK Pension Fund Trustee Limited. It has been prepared under the terms of the Scheme Actuary Agreement between the Trustee and me on the understanding that it is solely for the benefit of the addressee.

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100') and 'Technical Actuarial Standard 300: Pensions' ('TAS 300')

The compliance is on the basis that Rolls-Royce UK Pension Fund Trustee Limited is the addressee and the only user and that the document is only to be used to form the basis of the Summary Funding Statement for members and to help the Trustee decide whether an out of cycle actuarial valuation needs further consideration.

This report should be read in conjunction with:

- The report on the most recent actuarial valuation of the dated 25 June 2021
- The statement of funding principles dated 25 June 2021
- The annual actuarial report as at 31 March 2021 dated 15 September 2021

If you require further copies of any of these documents, please let me know.

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