



The Rolls-Royce UK Pension Fund (the Fund)

Pensions Department (A-90), Rolls-Royce plc, PO Box 31, Derby, DE24 8BJ

Summary Funding Statement 2024

What is the purpose of this statement?

As a person entitled to benefits from the Fund, the Trustee who looks after the Fund, is writing to give you an update of the Fund's funding position following the completion of the Fund's actuarial valuation as at 31 March 2023 and an update of the Fund's estimated funding position at 31 March 2024. You may remember receiving similar statements previously.

The Fund must have a full financial check (called a valuation) from an independent expert (called an actuary) at least every three years. The actuary also has to carry out annual funding updates. The Trustee who looks after the Fund, send you a summary funding statement to tell you about the results each year.

How is the Fund doing?

The previous summary funding statement showed that the approximate funding level as at 31 March 2022 was around 110%.

The actuarial valuation as at 31 March 2023 was carried out showed that the funding level is 115%. The latest funding update was carried out as at 31 March 2024 and is shown below alongside the 31 March 2023 actuarial valuation for comparison.

The money the scheme has now.	The estimated cost of providing the promised benefits - now and in the future.	The assets minus the liabilities.	The assets as a percentage of the liabilities.
2023 Valuation £5,411m	2023 Valuation £4,694m	2023 Valuation £717m	2023 Valuation 115%
2024 update £5,179m	2024 update £4,380m	2024 update £799m	2024 update 118%

Since 31 March 2022, the funding level has improved and the estimated funding level as at 31 March 2023 was 115%. It has continued to improve over the year to 31 March 2024, largely due to changes in market conditions which have meant that the value of both the assets and liabilities have fallen. However, the value of the Fund's assets fell by less than the value of the liabilities, leading to an increase in the funding level.

The next formal valuation is scheduled to take place as at 31 March 2026 following a further interim update at 31 March 2025.

Understanding the statement

The Trustee is responsible for developing a funding plan for the Fund. The Trustee sets out its aims, the funding target which the Trustee believes is suitable for the Fund, and how it plans to achieve this. To work out the funding target, the Trustee needs to make a number of assumptions (taking account of advice from the actuary) and look at how the outcome can change if any one of these turns out to be too low, or too high. The Trustee then uses its judgement to consider how confident or cautious it wants to be and decide on a suitable safety margin to build into its target.

The funding target the Trustee agrees for the Fund, with the support of the actuary, meets the requirements of the Pensions Act 2004 and is called the 'technical provisions'. This is the amount that the Trustee thinks the Fund will need to pay members' benefits. No-one can predict this accurately, so the Trustee and the Company agree suitable assumptions which aim to produce a prudent reserve of money to hold against the Fund's future needs.

In the valuation, the actuary works out the amount the Fund needs to cover its funding target under the technical provisions. They then take the value of the Fund's assets from the audited accounts and compare the assets with the funding target. This gives the funding level.

The Company's support

Despite the challenges in the market, the Fund remains in a very strong surplus position. The Fund closed to future accrual of benefits on 31 December 2020 and due to the surplus, the Company is no longer required to pay contributions to the Fund currently.

The Trustee must also tell you if there have been any payments to the Company out of the Fund in the last twelve months. The Fund reimburses the Company for expenses incurred in administering and managing the Fund. There have been no other payments to the Company.

In certain circumstances, the Pensions Regulator has the power to change the Fund, give directions about working out its technical provisions or impose a schedule of contributions. The Trustee is pleased to say that it has not used its powers in this way for the Fund.

What if the Scheme started to wind up?

The Fund will continue to pay benefits in full as long as it continues. However, it is a regulatory requirement as part of the triennial valuation that the actuary must also look at the Fund's solvency position if it started to wind up (come to an end). This does not mean that the Company is thinking of ending the Fund.

The solvency (wind up) calculation differs from the technical provisions basis as it measures the funding position relative to the cost of buying insurance policies in the open market for all members of the Fund.

Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and their policy prices will include administration charges and a profit margin. This means that even if a scheme is fully funded on the ongoing basis, the solvency figure is likely to be less than 100%.

If the Fund had started winding up at 31 March 2023, the actuary estimates the Fund's shortfall on this basis was £238M, equivalent to a funding level of 96%. If the Fund starts to wind up before you retire, the Company has to pay whatever the Fund needs to buy insurance policies for members.

The Pension Protection Fund

If the Company becomes insolvent, the Pension Protection Fund (the PPF) may step in and pay some compensation to members. There are more details on the PPF website at www.pensionprotectionfund.org.uk.

Any questions?

If you have any questions about the Fund or your benefits, please contact us. You can also ask to see the Fund's formal documents, including our Statements of Funding and Investment Principles. We may make a charge to cover the cost of photocopying, postage and packaging if we need to send you copies. The latest audited accounts and actuarial valuation report and update and Schedule of Contributions are also available. These documents are available on the Pensions website at www.rolls-roycepensions.com

By law, the Trustee cannot give you any advice about your pension arrangements. If you are thinking of making changes, you may wish to obtain independent financial advice.

Liz Airey, Chairman

Where can I get more information?

If you have any other questions about this funding statement, or would like any more information about the Fund, please contact pensions.web@rolls-roycepensions.com. We'll send you a summary funding statement when we have updated information on the Fund's finances to share with you – if you change address, please update it in your member account at www.rolls-roycepensions.com.