Mercer welcome to brighter

Actuarial Report as at 31 March 2025

Rolls-Royce UK Pension Fund

This report is commissioned by and addressed to the Trustee of the Rolls-Royce UK Pension Fund (“the Fund”). It summarises the results of a financial update (known as an “actuarial report”) of the Fund’s funding position as at 31 March 2025. It has been prepared to satisfy the requirements of section 224 of the Pensions Act 2004. An actuarial report must be prepared each year, unless an actuarial valuation takes place in that year.

The most recent actuarial valuation was carried out as at 31 March 2023. At that date the Fund showed a surplus of £717m relative to its technical provisions, equivalent to a funding level of 115%. The actuarial report as at 31 March 2024 showed a surplus of £799m relative to its technical provisions, equivalent to a funding level of 118%.

If the assumptions used for the 31 March 2023 actuarial valuation had been borne out in practice, then, based on the methods, assumptions set out in the statement of funding principles dated 16 October 2023, the surplus would have been expected to be approximately £783 million at 31 March 2025, equivalent to a funding level of 116% relative to the technical provisions.

My updated calculations show that, as at 31 March 2025 there was an estimated surplus of £708 million, equivalent to a funding level of 118%.

The improvement in the Fund’s funding level compared to that expected is due to an increase in gilt yields and decrease in long term inflation expectations, which has caused the liabilities to fall. As the Fund is well hedged against interest rate and inflation changes, the rise in yields and fall in market implied inflation have also reduced the assets. Overall, the movement in the liabilities and assets has resulted in an improvement in the funding level compared to that expected.

The asset value of £4,643m is the unaudited market value of the Fund’s assets at 31 March 2025, as provided by the Rolls-Royce plc Pensions Department. This is a reduction of £768 million since the valuation date.

The figures calculated for this actuarial report are not as accurate as those that would arise from a full actuarial valuation as some approximations have been made and individual member data has not been used. The figures are based on the membership data supplied for the 31 March 2023 actuarial valuation.

Signature

Fund Actuary Leanne Johnston FIA

Qualification Fellow of the Institute and Faculty of Actuaries

Date of signing 28 May 2025

This report, and the work done in its preparation, is compliant with Technical Actuarial Standard 100 General Actuarial Standards (TAS 100 v2) and Technical Actuarial Standard 300 Pensions (TAS 300 v2), which are issued by the Financial Reporting Council. It should be read in conjunction with the actuarial report as at 31 March 2024 and the formal documents relating to the 31 March 2023 actuarial valuation, all dated 16 October 2023.

This report is designed to provide an overview of the financial position of the Fund for information purposes only.

We cannot guarantee that the report is suitable for use for any purpose other than that stated. If this report leads to any new decisions in relation to the Fund, then you will need to ensure you have taken further appropriate advice.

We will not carry out any additional work in connection with the report without your prior instructions.

The contents of the report are confidential and should not be disclosed, in whole or in part, to any third party without Mercer's prior written consent, other than as required by any law or order of a court or regulatory body. Mercer does not accept liability to any third party in respect of this report.

Mercer is aware of a High Court judgment in June 2023 in the case of Virgin Media vs NTL Pension Trustees II Limited that has the potential to lead to changes in benefits, and hence Fund liabilities, in certain circumstances. We are also aware that the Court of Appeal upheld the High Court's decision in July 2024. This is a complex legal issue and Mercer is unable to provide the Trustee with legal advice. As I have not been instructed otherwise by the Trustee or its legal advisers of any benefit adjustments being required in respect of the Virgin Media ruling, I have continued to value the benefits as described in the benefit summary prepared for the 2023 valuation, with no allowance for any potential changes to scheme benefits arising from the Virgin Media ruling.