August 2023

Pensions Update

DXC Pension Plan – Rebus Section

Message from the Chair of the Trustee Board

On behalf of the Trustee Board, I am pleased to present this year's *Pensions Update*. Unfortunately, 2022 was another difficult year for many of us. The conflict in Ukraine began in February last year and has had a profound effect on the country and its citizens. We look forward to an acceptable resolution as soon as possible.

The troubles in Ukraine affected financial and commodity markets in 2022, resulting in supply shortages, higher prices and negative returns across most developed world asset classes. You will see later in this update that the DXC Pension Plan was not immune to these headwinds, but owing to the diversified allocation of our assets we did manage to limit the full impact of equity and bond market falls.

The UK Government's mini-budget in October 2022 also had an unwelcome effect on the value of cash and cash-like assets that the Plan holds to support our risk reduction strategy. This effect was felt by most UK pension schemes and though your benefits were never at risk, the Trustee Board was well positioned to respond in a timely manner and rectify the extremely unusual situation; putting in place a framework to future-proof the scheme from similar events.

As you may imagine, the Trustee Board has been very focused in its response to the UK and broader global financial turmoil, and the monitoring and review of our investment portfolio has been ongoing throughout the year.

In 2022 we successfully completed our triennial pension plan valuation, the results of which are included in the Summary Funding Statement on **page 10**. The Trustee Board was pleased with the overall settlement with DXC, and it means that most of our sections reported a funding level surplus on the ongoing funding basis.

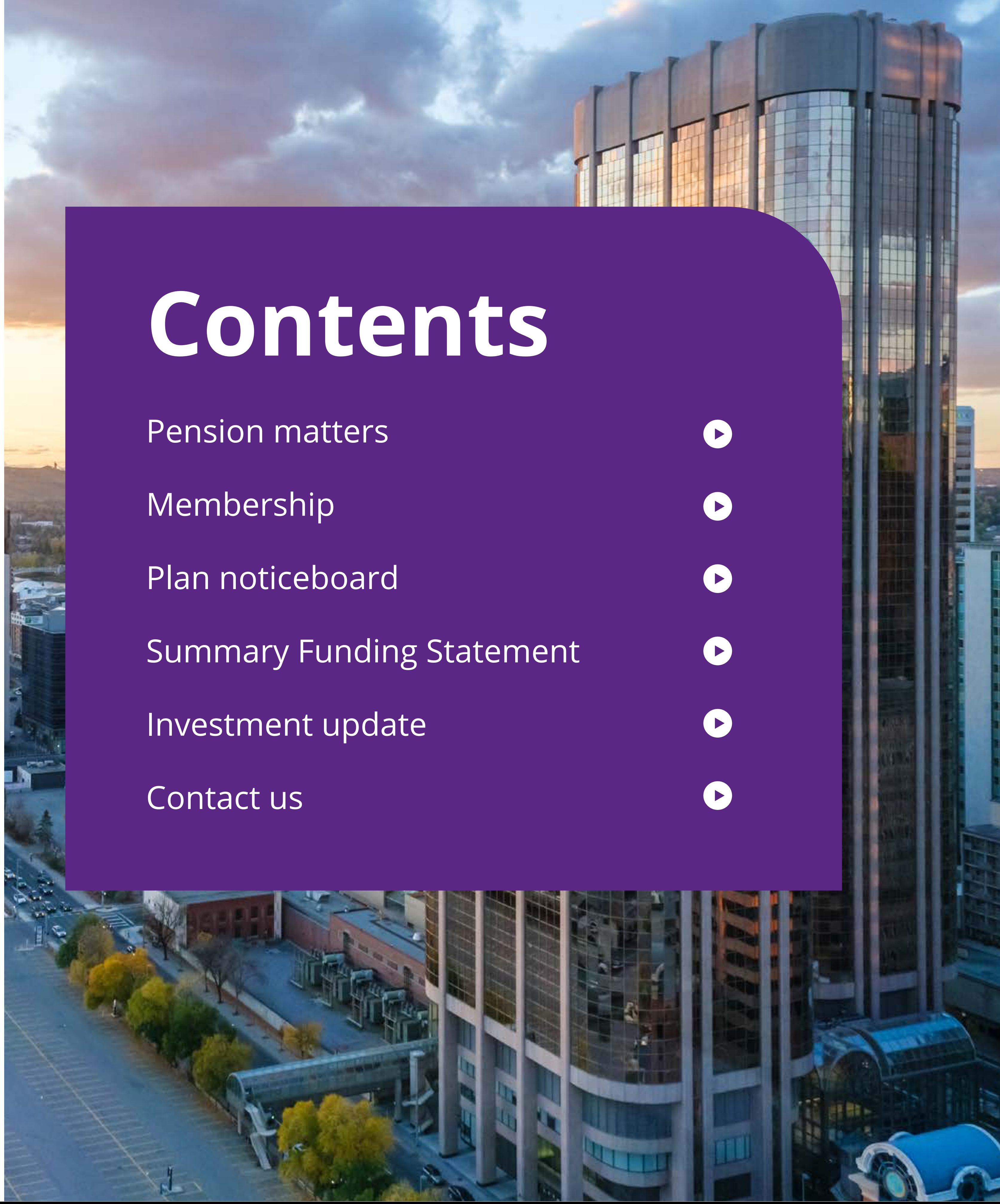
During the triennial process, DXC proposed that Rebus members' benefits be made more financially secure by transferring them (and the associated assets) to another DXC UK sponsored pension scheme which has significant surplus assets. The Trustee Board is currently collaborating with DXC and the other scheme's trustee and will shortly be completing its due diligence on the proposal. Please be assured that the Trustee Board has a legal duty to act in the best interests of the Rebus members and if the Trustee Board concludes that the transfer should proceed, you will receive a separate and detailed communication.

I hope you have taken the opportunity to access the new Plan website which went live earlier this year. It brings together all the pension arrangements managed by the DXC Trustee Board and provides useful information, helpful links and the latest pension news. Please take a look if you haven't already done so at **www.dxcpensions.com**

The Trustee Board has been busy consolidating its administration services, so by the time you receive this update the CSC, LPC and Xchanging sections will all be handled by Mercer. Our Rebus members will remain supported by Capita.

As always, the Trustee Board's main priority is to protect your benefits through the difficult times, the volatile times and the changing times. I trust you find the latest *Pensions Update* interesting and helpful.

Mark Greenhalgh
Chair of the Trustee Board



Contents

Pension matters

Changes to the Annual Allowance

Paying into a pension scheme is a tax-efficient way of saving for retirement. However, the government places a limit on the amount of pension contributions you can make in a year that get tax relief. This limit is called the Annual Allowance (AA) and from April 2023, it increased for most people from £40,000 to £60,000.

If you have already accessed any pension savings flexibly, you will have a restricted AA called the Money Purchase Annual Allowance. From April 2023, this increased from £4,000 to £10,000.

If you are a high earner and have an income over £200,000, your AA may be reduced by a tapered amount, and it could be reduced to £10,000 (previously £4,000).

Abolition of the Lifetime Allowance

The government has previously placed a limit, called the Lifetime Allowance (LTA), on the total amount of tax-free pension savings you could build up over your lifetime. From April 2023, the tax charge for exceeding the LTA has been removed, and the LTA itself will be abolished in April 2024 (subject to a new Finance Bill being passed).

Thinking of taking some tax-free cash at retirement?

When you take your benefits, you can take a tax-free cash lump sum of up to 25% of the value of your pension pot. A limit of £268,275 now applies to this lump sum from April 2023.

If you have previously applied to HMRC for a Lifetime Allowance protection, this may protect the value of the tax-free lump sum you can take at retirement.

Current economic environment

Interest rates have increased significantly over the last year, and inflation remains high, although it is forecasted to reduce over the next year.

These economic features have affected the Plan's assets and liabilities in different ways, with high inflation increasing the assets and liabilities, while the interest rates rises have reduced them. The net overall effect has been a larger reduction in the liabilities than in the assets, which has resulted in an improvement in the Plan's funding position. The Plan's investment strategy includes significant protection against future interest rate movements, and the Trustee has further increased the level of inflation-linked assets, so the Plan is well placed to withstand significant interest rate changes in future or continuing periods of high inflation. The Trustee continues to monitor the funding position, which remains strong.

On an individual level, members should continue to consider how the current high inflation and interest rate levels might affect their pensions and other savings so that, if required, they can take appropriate action. If you are unsure about what to do, you should seek financial advice, where appropriate.

Rise in the minimum pension age

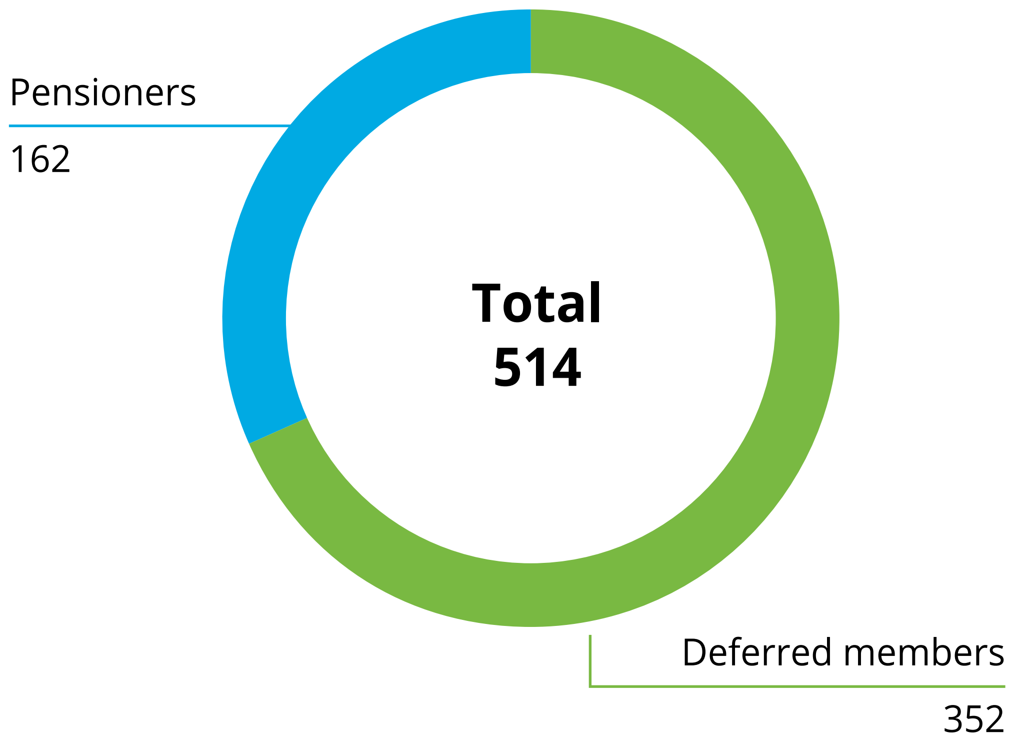
In our last issue of *Pensions Update*, we told you that the government is increasing the minimum pension age. Unless you are in ill health, the earliest you can access your pension savings is going up from age 55 to 57 in April 2028. We would like to remind you that if you have plans to take early retirement, this may affect you.

However, depending on which section of the Plan you belong to, you may have a protected early retirement age of 55 or lower. You can check if this applies to you by contacting the Plan administrator, Capita using the details on **page 17**.

Membership

As at 31 December 2022, you were one of 8,269 members in the defined benefit sections of the Plan.

While the total membership includes other sections, the Rebus Section's defined benefit members account for 514 members.



Plan noticeboard

Have you visited the Plan website yet?

Remember to take a look at the new website for the **DXC Pension Plan**. This is the single point of contact for all the Plan's sections, where you can find general pensions information and guidance, as well as information about the Rebus Section.

Watch out for pension scams

We continue to remind members to be aware of the danger of pension scams. Research by the Financial Conduct Authority and the Pensions Regulator has found that half of pension savers do not believe that they are at risk of being targeted by a pension scammer. Unfortunately, pension scams can happen to anyone, and no pension pot is too small for a scammer.

Members should also be aware that scammers are now operating as so-called claims management companies and attempting to use 'subject access requests' to obtain personal information and details about a saver's pension arrangements. Please be particularly vigilant if you are approached in this context.

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. They design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual or high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

Scam tactics include:

- contact out of the blue
- promises of high or guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly.

Don't let a scammer ruin your retirement. You can find more information about pension scams and how to avoid them at **www.fca.org.uk/scamsmart**

Who do you care about?

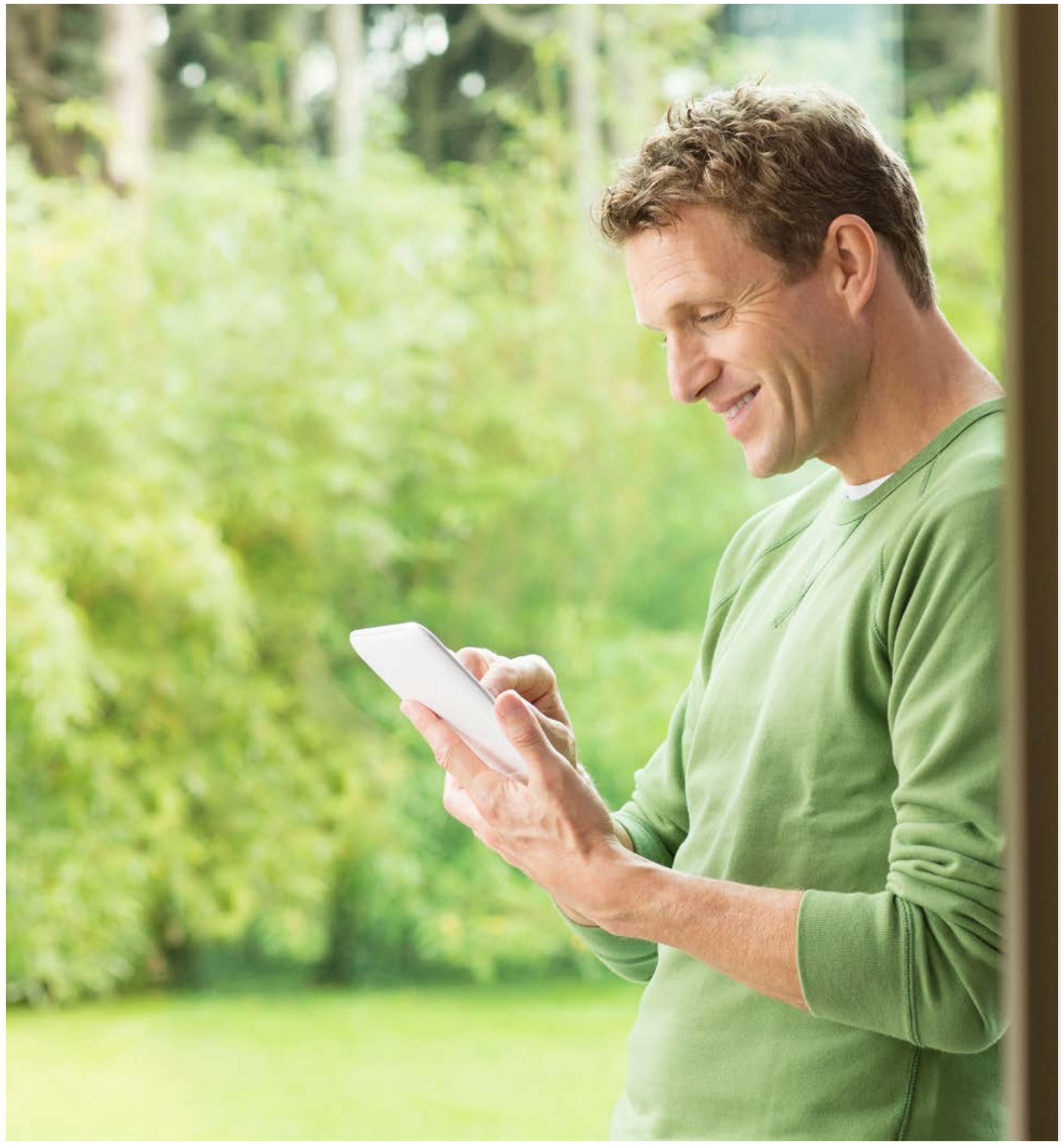
The Plan pays valuable benefits to your loved ones in the event of your death, so it's important that you tell us who you care about by completing a nomination of beneficiaries form.

If we don't have an up-to-date nomination form for you on record, it makes it very difficult for the Trustee to decide how to pay benefits; and with the best of intentions, it may not be the people you would have chosen yourself. A lot of detailed investigation into your circumstances has to be carried out, which can take many months to complete. This not only adds delays in paying benefits, but it can be intrusive for your loved ones at what is already a very difficult time.

You might not think it's worth completing a nomination form if your pension is small, but it's still money that will be valuable to someone you care about.

Even worse – there have been cases in the past where members' circumstances have changed but they haven't updated their nominated beneficiaries. This means that their ex-husband or ex-wife is the person still named on their nomination form, instead of their new partner.

While the Trustee is responsible for deciding who should receive benefits, it is guided by your wishes. It's a good idea to review your nomination every couple of years or whenever your circumstances change, such as if you get married or divorced, enter or leave a civil partnership or have a child. It only takes a couple of minutes to review and confirm your nominated beneficiaries. You can do this by using the form on the DXC pensions website or contacting the Plan administrator.



Summary Funding Statement

Every three years, the Plan actuary carries out an actuarial valuation, which is a detailed look at the financial position of the Plan to check if there is enough money (assets) to pay the liabilities (the benefits due to members).

To work out how much the Plan needs to pay members' benefits, the actuary must make some assumptions about what will happen in the future, such as how long members might live, what inflation will be and how the Plan's investments will perform. These assumptions are set by the Trustee.

The valuation shows the Plan's funding level, which is the percentage of the liabilities that can be covered by the assets. If there is a shortfall, the Company may need to pay extra contributions into the Plan. Following the valuation, the Trustee and the Company finalise the results and agree the level of contributions that are needed. This is recorded in a formal document called the schedule of contributions and, if there is a shortfall, a recovery plan.

What is the Rebus Section's latest position?

The most recent valuation looked at the position as at 30 June 2021. Since then, the actuary has also carried out an annual update as at 30 June 2022. The results of both the valuation and the annual update are shown in the table below.

	Valuation 30 June 2021	Annual update 30 June 2022
Value of the assets	£158.0m	£122.1m
Value of the liabilities	£209.4m	£160.4m
Shortfall	(£51.4m)	(£38.3m)
Funding level	75%	76%

How has the position changed?

Both the assets and liabilities fell significantly in the year to 30 June 2022, mainly because of large rises in gilt yields. The reduction in liabilities was partially offset by deferred revaluations and pension increases being higher than expected as a result of high inflation, which in isolation increased the liabilities. Overall, the funding level improved slightly because the overall reduction in the liabilities was more than the corresponding reduction in the value of the assets.

The figures in the table show the position of the Rebus Section on the ongoing basis, which assumes that the Plan continues in its current form.

What contributions is the Company paying?

As part of the 2021 valuation, the Trustee and the Company agreed that the following contributions would be paid to the Rebus Section:

- £526,000 per month from 1 July 2021 to 30 September 2022
- £8,016,000 to be paid in October 2023 for the period 1 October 2022 to 30 September 2023
- £800,000 per month from 1 October 2023 to 30 June 2027.

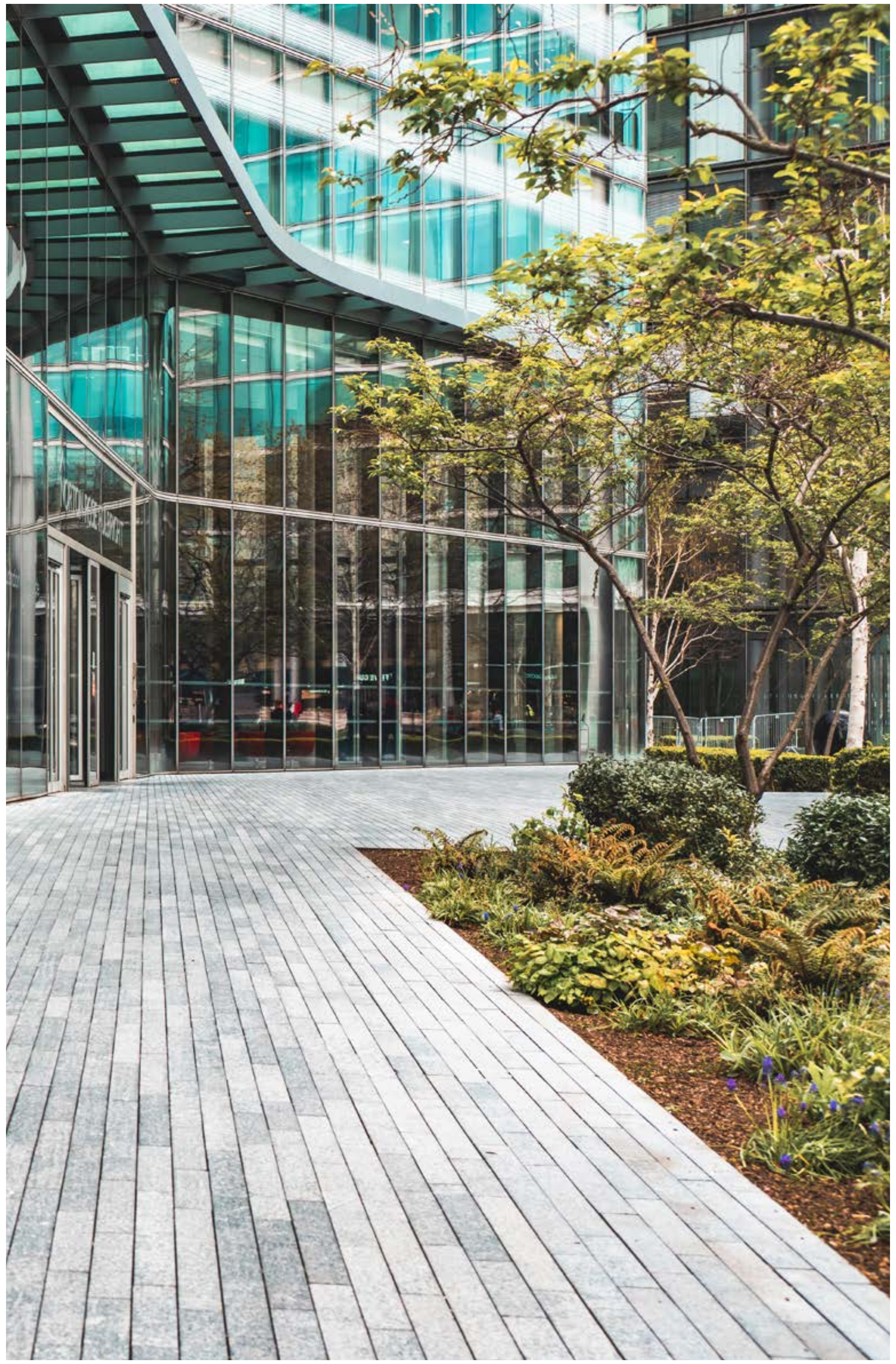
The Company has also agreed to make an additional payment of £3,450,000 in October 2023 due to the recent annual Consumer Price Index (CPI) inflation rate having exceeded the level assumed in the 2021 valuation.

The Trustee regularly reviews the Plan's funding position and the future contributions scheduled to be paid by the Company. The Trustee will discuss the required future contributions with the Company again as part of the next valuation, which is due as at 30 June 2024.

How secure is my pension?

The Trustee's aim remains for the Plan to have enough money to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to support the Plan. To test the future viability of the Company, the Trustee assesses the 'employer covenant' and receives regular financial information from the Company. The Trustee has obtained a guarantee of the lower of £24 million or the ongoing funding shortfall from the US parent company DXC Technology Company, to protect the Rebus Section against the UK Company's failure to make future contributions or if it became insolvent.

The Trustee has also agreed with the Company that the Rebus Section's current investment risks will be reduced further by 2028 to help protect the security of members' benefits.



What if the Plan was wound up?

If the Company were to decide to stop supporting the Plan, it is expected to pay the Plan enough money to buy all the benefits that members have built up from an insurance company. This is called the wind-up or solvency funding position.

- As at 30 June 2021, the solvency funding level was 61%, which represents a shortfall of £101.9 million.

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Plan. It is simply another piece of information to help explain the financial security of your benefits.

What if the Company became insolvent?

In the unfortunate circumstance that the Company should go out of business without these benefits having been secured, the Pension Protection Fund (PPF) may take over the Plan and pay compensation to members. If this were to happen, the pensions received from the PPF may be less than the full benefit earned in the Plan, depending on your age and when your benefits were earned. Further information and guidance are available at **www.ppf.co.uk**

Important information

The Pensions Regulator has considerable powers to intervene in the running of the Plan, such as imposing a schedule of contributions. It has not needed to use these powers in relation to the Plan.

We need to tell you if there has been any payment of surplus to the Company since the previous Summary Funding Statement was issued. Such payments can only arise in very limited circumstances, and there has never been a payment of surplus out of the Plan's funds to the Company.

Where can I get more information?

If you would like to know more, please contact the Plan administrator using the details on **page 17**.

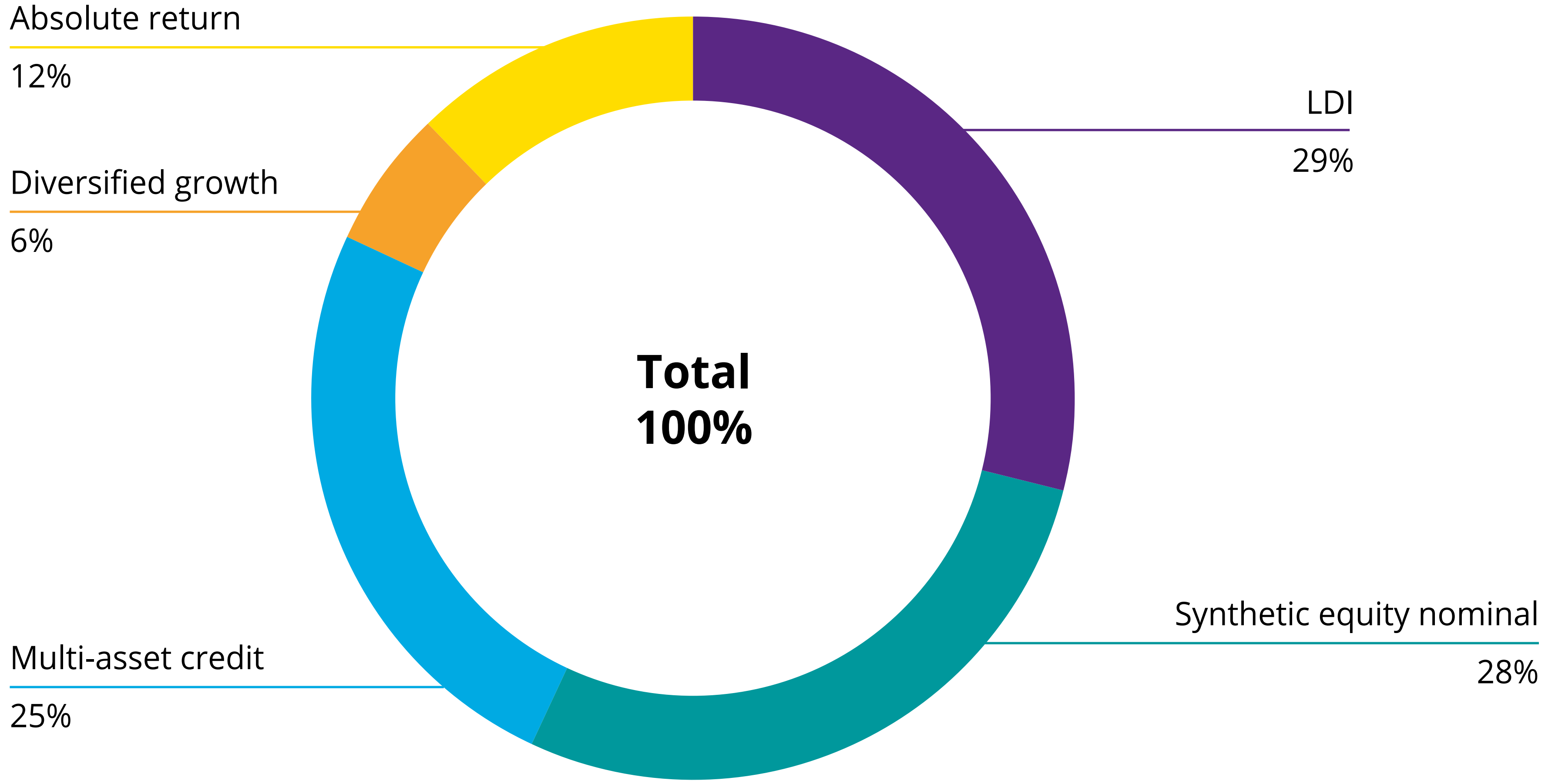
Investment update

When investing the Plan's assets, the Trustee's main objective is to ensure that the Plan has enough money to pay benefits to members when they are due. Taking advice from its investment adviser, the Trustee also consults with the Company before deciding on a target investment return and an allocation of assets to achieve this.

Although the Trustee is responsible for the overall investment strategy for the Plan, it delegates the day-to-day management of the portfolio to the Plan's investment managers, who act in line with the Trustee's strategy.

How are the assets invested?

As at 31 December 2022, the benchmark allocation for the Rebus Section was:



Changes to the investment strategy

The Trustee keeps the investment strategy under regular review. Since our last update, it has made a number of changes, resulting in the benchmark allocations shown on **page 13**. Notable changes include:

- a reduced allocation to passive equities
- the introduction of an allocation to synthetic equities, which serves to support the liability driven investment (LDI) portfolio, whilst providing exposure to global equities
- reduced allocations to diversified growth and multi-asset credit
- an increased allocation to LDI.

These changes allowed the level of protection provided by the assets, when compared to the Section's liabilities, to be increased, whilst reducing investment risk. It also responded to the significant change in bond yields over 2022.
The Trustee has also spent significant time considering the use of LDI and its suitability for the Section.

Investment performance (% p.a.)

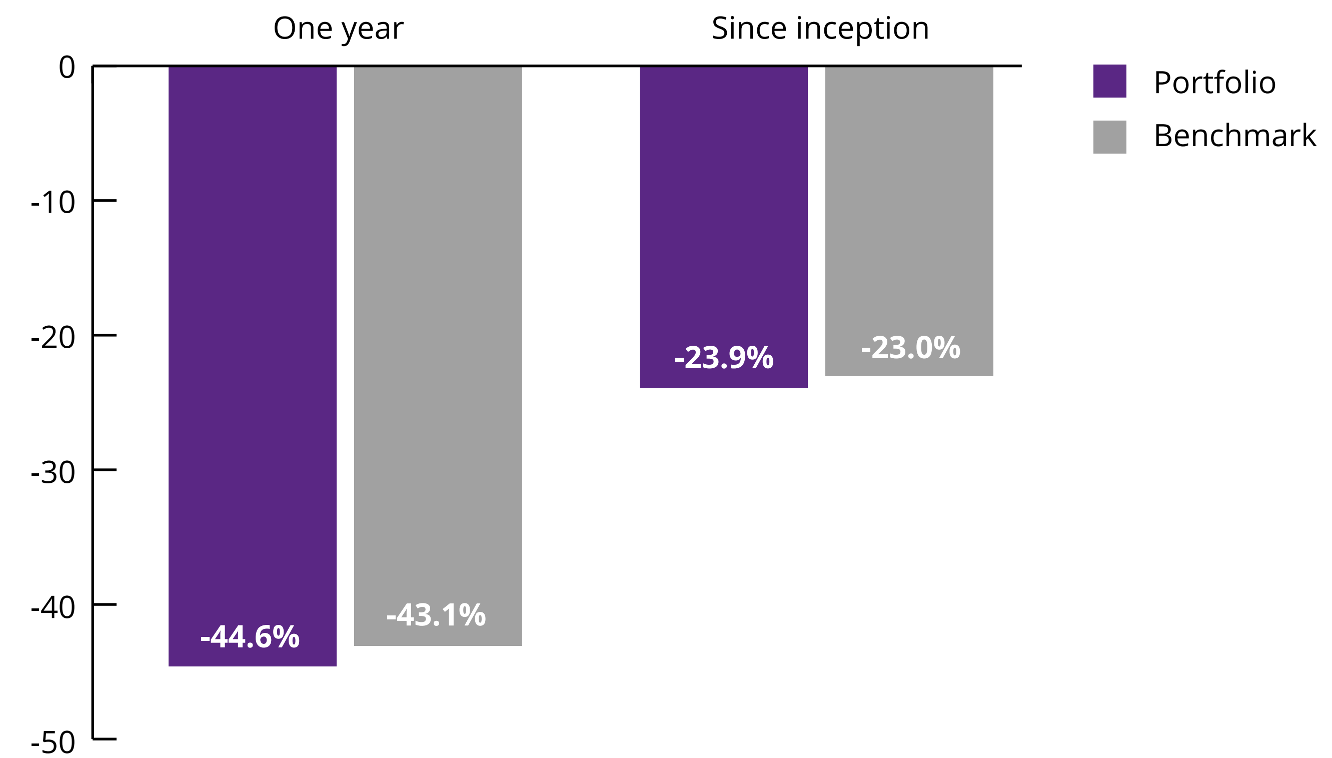
The investment returns for the Section compared with the return on its benchmark allocation since inception of the new investment structure (24 March 2021) to 31 December 2022 are shown in the chart.

The benchmark represents the return that would have been achieved if the asset allocation was in line with the Trustee's target and each of the investment managers performed in line with their respective benchmarks (which are typically a market index, such as the MSCI World, or a suitable alternative).

If the portfolio performs better than the benchmark, then this indicates that either any differences in asset allocation versus the target have been beneficial and/or the investment managers have, on average, been successful in beating their benchmarks. In turn, this generally means that progress towards the Trustee's ultimate funding objective has been better than it otherwise would have if the asset allocation or managers had not had such success.

Over the year to 31 December 2022, the portfolio performed below the benchmark. The significant negative performance of bond assets, and in particular UK Government Gilts following the mini-budget in September 2022, resulted in the Section's absolute return being materially negative. However, it should be noted that bond assets are held to help match movements in the Section's liabilities and that the Plan's funding level remained relatively stable throughout the period, as decreases in the value of bonds also resulted in falling liabilities.

The Section has in place frameworks which were successfully utilised during the volatility in bond markets, and which protected the Plan. Since then, the Trustee, in conjunction with its investment consultant, has reviewed the Section's strategy in detail, particularly the amount of assets required to support the liability driven investments. The Trustee continues to keep the arrangements under review.



Find out more

If you would like to know more about the Plan's investments, you can read more in these two formal documents, which are available on **Mercer OneView** and via the Plan website.

- The Plan's **Statement of Investment Principles (SIP)** sets out the Trustee's policies on investments and on environmental, social and governance (ESG) issues including climate change.
- The Plan's **Implementation Statement** explains how the policies outlined in the SIP have been carried out during the year.

The Trustee is currently in the process of creating its first Taskforce for Climate-related Financial Disclosure (TCFD) Statement, setting out the risks and opportunities of climate change and how the Trustee governs these risks. It will be available online from the start of January 2024.

Contact us

If you have any questions about the Plan or your benefits, please contact the Plan administrator, Capita.

Contact portal:

https://rebus.pensions-directory.co.uk *

* To access the Rebus Section-specific documents hosted within the password-protected area of the website, please use the password **rebcap**

Email:

DXCpensionplanrebus@capita.com

Phone:

0345 602 5367

Write to:

PO Box 555, Stead House, Darlington DL1 9YT

Plan website:

www.dxcpensions.com