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Hewlett-Packard Limited Retirement Benefits Plan: Hewlett-Packard Section (the Plan)

Annual Actuarial Report as at 31 October 2016

Prepared for Hewlett Packard Enterprise UK Pension Trustee Limited
(the Trustee)

Prepared by David Eteen FIA, Scheme Actuary

Date 27 July 2017

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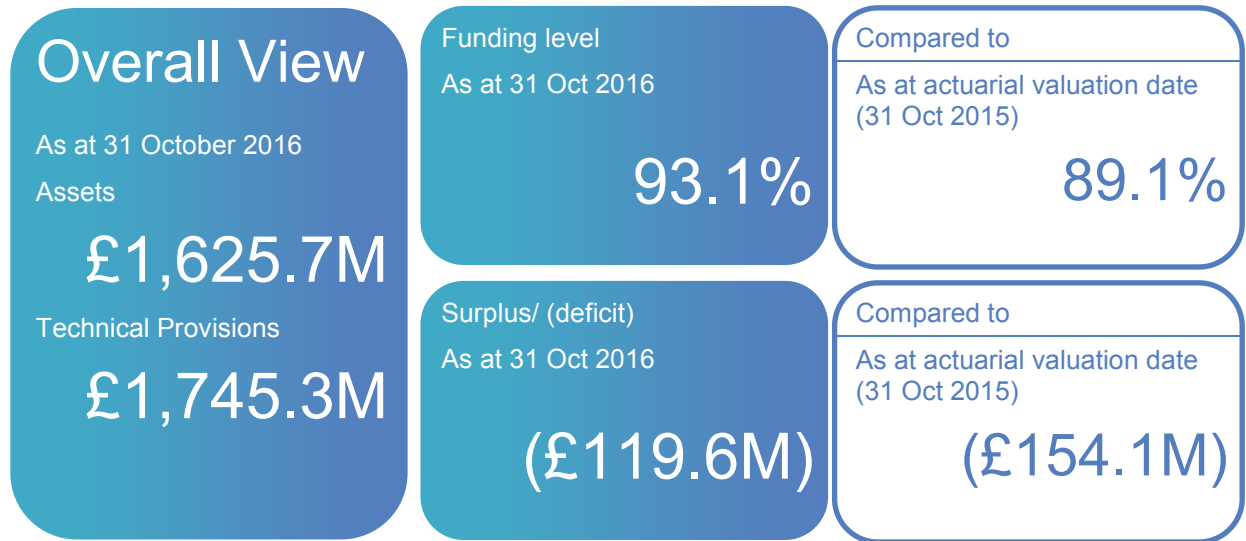
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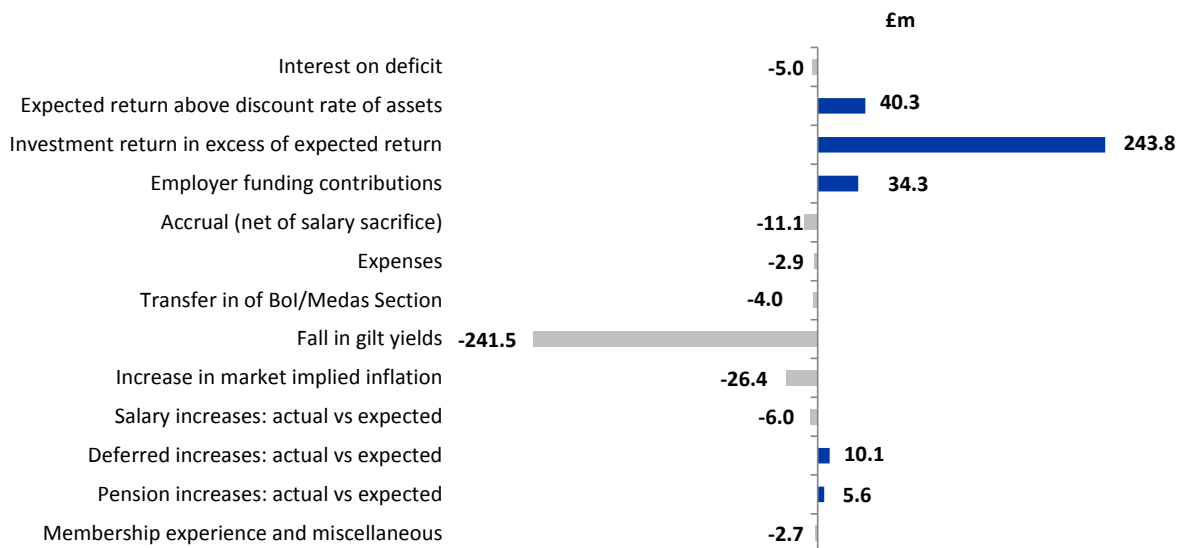
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Annual funding update as at 31 October 2016



Analysis

Reasons for change in Technical Provisions deficit since 31 October 2015



Comments

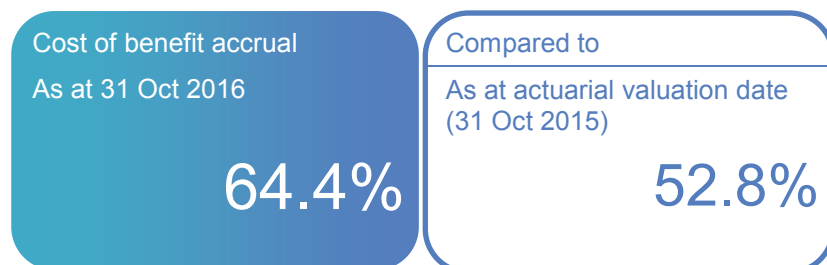
The chart above sets out the factors contributing to the change in the funding deficit, which reduced by £34.5m over the year to 31 October 2016.

Since 31 October 2015:

- The assets have increased, due to higher than expected investment returns and the Company's contribution of £34.3m paid in March 2016
- The increase in the assets was partially offset by an increase in the technical provisions over the period as a result of a fall in the expected return on bonds and an increase in expectations for future inflation. This meant that more money was needed to be set aside in order to pay benefits in the future
- The assets of the Bol/Medas Section were transferred into the Hewlett-Packard Section of the Plan with effect from 6 July 2016. The Trustee took legal, actuarial and employer covenant advice to ensure that the security of members' benefits in both sections of the Plan was not adversely affected. The Bol/Medas Section has been terminated by Hewlett-Packard Limited and has been wound up, as there were no assets or liabilities remaining in this Section

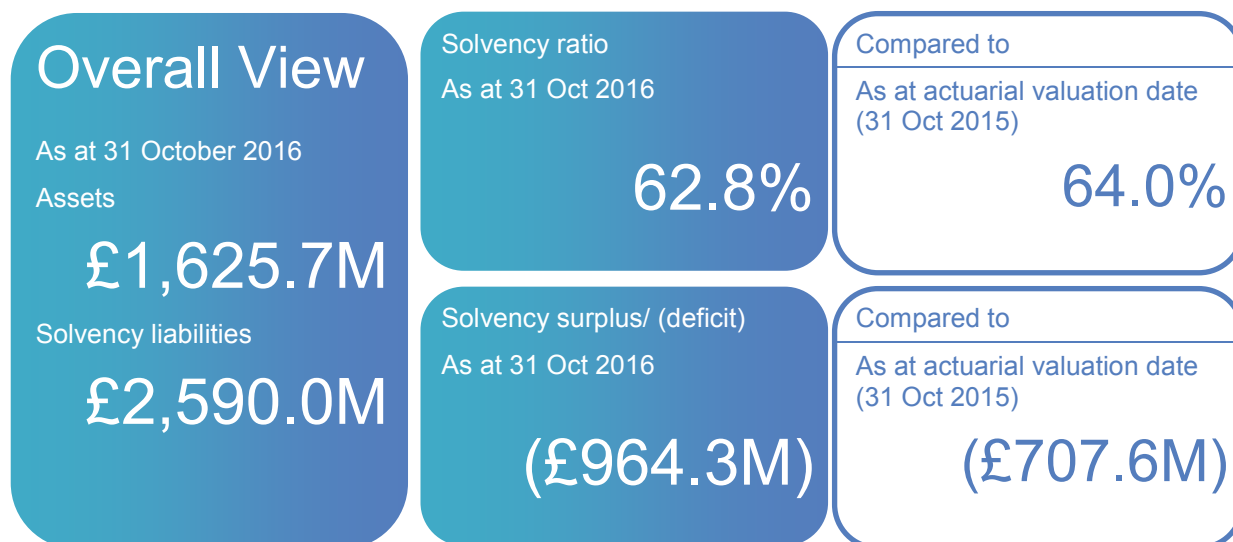
Extra information

Future service cost



The cost of future benefit accrual shown above includes member contributions. The rates do not include the costs of administering the Plan.

Solvency funding update



Background information

Purpose

This is the annual actuarial report required by legislation.

Its purpose is to provide an update of the assets and Technical Provisions of the Hewlett-Packard Section of the Hewlett-Packard Limited Retirement Benefits Plan (the Plan).

This update is intended to be used by the Trustee as the basis of the summary funding statement provided to members.

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.

Method

This funding update is consistent with the Technical Provisions calculations for the formal actuarial valuation as at 31 October 2015. The assumptions used have been modified only insofar as is necessary to maintain consistency with the statement of funding principles dated 30 June 2017, reflecting the change in the effective date and in relevant market conditions.

The figures in this update have been based on full actuarial calculations carried out as at 31 October 2016.

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.

If you believe there has been a material deterioration in the covenant or the economic outlook and/or the Plan's investment strategy has changed materially since the last valuation, it may not be suitable to rely on the results of this actuarial report as being representative of the Plan's funding position as at 31 October 2016 were you to have reviewed your statement of funding principles and conducted an out of cycle valuation.

Membership data

The actuarial calculations as at 31 October 2016 are based on membership data as at 31 July 2016 provided by Equiniti Paymaster Ltd (the Plan administrators). The update therefore allows for changes during most of the year such as membership movements and salary increases. I am not aware of any significant membership changes between 31 July 2016 and 31 October 2016. A summary of the data used is set out in the Appendix.

Assets

For the purpose of this update, I have used an audited value of the Plan's assets (excluding money purchase AVCs) as at 31 October 2016.

Making decisions

Other than deciding that it is not necessary to commission an out of cycle actuarial valuation, you should not rely on this update when making any decision about plan funding or the investment strategy, without first talking to us.

Glossary

Funding level/ratio is the ratio of the value of assets to the value of liabilities.

Surplus / Deficit displays the value of assets less the value of the liabilities. If the value of the liabilities is greater than the value of the assets, then the difference is called a deficit.

Technical Provisions represent the funding target for a scheme agreed as part of the actuarial valuation.

Solvency ratio represents the value of assets expressed as a percentage of the cost of buy-in out the liabilities from an insurance company.

Appendix: Membership Data

A summary of the membership data provided is set out below

Membership data as at 31 July 2016 was provided by Equiniti Paymaster Ltd

Active members

	Number	Average age	Total annual salaries (£000 p.a.)	Average annual salary (£ p.a.)	Average service (years)
2016	345	53	24,256	70,306	27
2015	390	52	26,331	65,515	26

Deferred pensioners

	Number	Average age	Total deferred pensions (£000 p.a.)	Average pension (£ p.a.)
2016	2,767	54	29,066	10,504
2015	2,869	54	29,948	10,438

Pensioners

	Number	Average age	Total pensions (£000 p.a.)	Average pension (£ p.a.)
2016	1,381	67	20,286	14,690
2015	1,286	67	18,254	14,194

Notes

- The 2015 and 2016 figures include Bol/Medas members, although the transfer did not happen until 6 July 2016
- The average service for active members includes any transferred in service
- The deferred pension amounts include revaluations up to 31 October of the relevant year
- The pensioners include dependants including dependant children
- Average age figures shown are un-weighted
- The membership data is as at 31 July of the relevant year

Further information

Requirement for report

This report is required by and has been produced in accordance with section 224 of the Pensions Act 2004 and Regulation 7 of the Occupational Pension Schemes (Scheme Funding) regulations 2005.

This report has been requested by the Trustee of the Plan. 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.

TAS compliant

This report and the work relating to it comply with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' and 'Technical Actuarial Standard 300: Pensions'.

This report should be read in conjunction with:

- My report on the most recent actuarial valuation of the Plan as at 31 October 2015 dated 12 July 2017
- The statement of funding principles dated 30 June 2017

The compliance is on the basis that the Trustee of the Hewlett-Packard Limited Retirement Benefits Plan is the addressee and the only user of this report, and that the report is only to be used to form the basis of the summary funding statement provided to members and to help the Trustee decide whether an out of cycle actuarial valuation needs further consideration.

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