

A woman with short grey hair is captured in a dynamic pose, jumping rope in a park. She is wearing a grey hoodie, black leggings, and black sneakers. The background shows trees with autumn foliage and a paved path. A large red arrow graphic points upwards from the bottom left towards the center of the image.

Pension Scheme newsletter

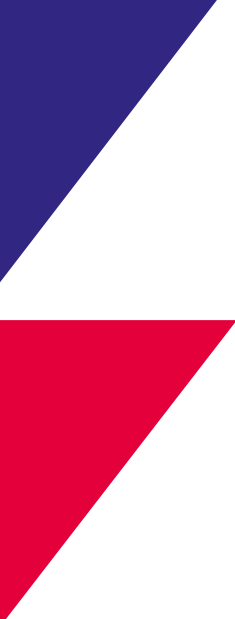
AXA UK Group

For pensioner members of
the AXA UK Group Pension
Scheme (the Scheme)

Chair's welcome

Stephen Yandle

Chair of the Trustee



Welcome to your latest newsletter. The first thing you may notice is that we've refreshed the design of the newsletter to give it a more up-to-date look and feel. We hope that the refresh will make it easier for you to find the information that's important to you.

A key priority for the Trustee in 2021 was the actuarial valuation as at 31 March 2021. The Trustee has been working collaboratively with AXA to finalise the results, which show an increase in the shortfall (the difference between the Scheme's assets and the value of the benefits it needs to pay) to £744 million. As part of the 2021 valuation, the Trustee and AXA have agreed a Recovery Plan to eliminate the shortfall. You can read more about the valuation results on pages 12 and 13.

In 2021, the Trustee also entered into a third 'longevity swap' – which helps to further protect the Scheme against the risk that our members live longer than currently projected. Further details are on page 7.

We're moving online

Many of you have told us that you'd like to see us reduce the amount of paper communications we produce, so over the next few years we'll be moving more of our resources online. See page 6 for more details.

We hope you find this newsletter informative and useful. If you have any feedback or topics you'd like us to cover, please get in touch using the details on the back page.

Industry News

In this section, you'll find information about news and developments that affect pensions.

ESG update

The Trustees are considering Environmental, Social and Governance (ESG) factors in their investment decision making together with any actions they may need to take. An update will be provided in the next newsletter.

Here are some examples of what is covered by each of the elements in ESG:

- Environmental – whether the company or sector it invests in is committed to resisting climate change, whether it is a major polluter or whether its activities result in habitat destruction or deforestation.
- Social – avoiding investing in companies or sectors where social aspects are inadequate, for example if they exploit child labour or modern slavery, or where working conditions are poor.
- Governance – investing in companies who are committed to having diverse representation at board level and/or to closing the pay gap between workers and executives.

By taking these factors into account when making investment decisions, the Trustees can manage particular investment risks and maximise the advantages of the opportunities which come with operating sustainably.

National Insurance contributions increasing

The Government has announced that National Insurance contributions are set to increase.

From 6 April 2022, National Insurance contributions will increase from 12% to 13.25%. The funds raised by this increase will be ring-fenced to help the NHS clear backlogs caused by the pandemic, and to make social-care provision more equitable.

RPI aligning with CPIH

The Treasury has announced that it will be aligning the Retail Prices Index (RPI) measure of inflation with the Consumer Price Index including housing costs (CPIH) from 2030.

Every year, your pension receives an increase in order to help it keep up with the cost of living. In most private-sector pensions – like the Scheme – elements of these increases are linked to the rate of inflation as measured by the RPI.

How does this affect the Scheme?

This change impacts the Scheme in two ways:

1. The Scheme invests in RPI-linked assets, which will also become linked to CPIH from 2030. The Trustee will work closely with the Scheme's investment managers to ensure that any risk to the Scheme arising from this change is minimised.
2. The Scheme uses a mixture of RPI and CPIH to calculate some elements of the annual increases we apply to your pension, and for the revaluation of any benefits before they're accessed by members.

The Trustee will contact you nearer the time if you're likely to be affected to explain what impact the changes might have on your pension increases.

Social-care thresholds reviewed

As part of the National Insurance review, the Government has also amended when people become eligible for free social care or assistance with its costs. From October 2023, these thresholds will apply:

- If the value of your assets (including property) is below £20,000, your social-care costs will be fully covered by the state.
- If your assets are worth between £20,000 and £100,000, you'll need to contribute towards your social-care costs, but you'll also be eligible for state support.
- If your assets are worth more than £100,000, you won't be eligible for state support.
- The cost of social care will also be capped at £86,000 over your lifetime.

Scheme News

In this section, you'll find a round-up of the latest news about the Scheme.

We're moving online

Many of you have told us that you'd like to see us reduce the amount of paper communications we produce, so we are looking to gradually move more of our resources online. If you want to receive communications online you will need to register for an account. Registering is easy and only takes a few minutes – just follow the on-screen instructions. You'll need your National Insurance number so we can verify your identity.

Go to the Hartlink Online Portal at: hartlinkonline.co.uk/axa-employeebenefits

Once you've registered, you'll also be able to manage your pension through your account including access to your payslips and P60 details, and resources like this newsletter.



Remember, if you register your email address we'll be able to keep in touch with you about your pension even if you move house.

Take the survey, shape the service!

Capita, our Scheme administrator, regularly conducts surveys to collect your views and thoughts on their service.

You'll receive an invitation to complete a survey if you have contacted Capita during the previous few months. If you receive a survey invitation from Capita, please do complete it and provide your feedback, as this will help shape and improve the service they provide.

GMP equalisation

In our 2019 newsletter, we let you know about a High Court ruling in 2018 which stated that pension schemes had to equalise Guaranteed Minimum Pensions (GMP) for male and female members.

This rule could affect you if you built up some or all of your GMP between 17 May 1990 and 5 April 1997. These changes are complex and the Trustee is still working with its advisors on this project. If you are affected by this, the Trustee will contact you in due course to explain any rights and options you might have. This is likely to be in 2023.

Diversity and inclusion

The Trustee, along with its specialist advisors, is working hard to develop a diversity and inclusion policy. The policy will ensure that the Trustee's activities, including the Directors and advisors it appoints and the communications it sends to you, reflect the diversity of the Scheme's membership. We'll update you in future newsletters once the policy is in place.

Longevity swap

In February 2021, the Trustee completed a further insurance and re-insurance arrangement. It covers pensions that may come into payment after 31 March 2019 and a significant proportion of the Scheme's deferred pensioner members, representing approximately £3 billion of the Scheme's liabilities.

When combined with previous swaps, nearly 93% of the Scheme's liabilities are now protected against members living longer than anticipated.

COVID-19 update

While COVID-19 still posed challenges throughout 2021, the Trustee continued to work closely with the administrator and other third-party providers.

This meant the Scheme could provide the same level of service members were used to, while ensuring its investments remained protected. You can find out more about how to keep your pension and other finances safe during the pandemic below.

Don't lose your money to scammers

Since the first lockdown, we've grown increasingly comfortable conducting our lives online. But we all need to take appropriate precautions.

The shift from cash to digital transactions has proved to be a boon for scammers. UK Finance reports that impersonation fraud – where criminals pretend to be a legitimate company in order to ask for personal information – has almost doubled to nearly 40,000 cases over the last year.

One example was a text message pretending to be from Royal Mail asking recipients to pay an additional postage fee. It included a link that took people to a site asking for their bank details so they could make this payment. But the text message wasn't from Royal Mail and people who clicked the link found they'd given their bank details to criminals. You could be expecting an online delivery now – would you be tempted to click it?

Other links install malware that can steal your passwords, giving criminals access to all areas of your life, including your bank account.

Online safety tips

1. Don't click on links in text messages or emails. Always check URLs online to see if they're genuine.
2. Contact companies directly using a known email or phone number and don't use contact details from unsolicited emails, texts or social media posts.
3. Forward suspicious emails to **report@phishing.gov.uk**
4. Forward suspicious texts to your mobile network provider.
5. Never give remote access to your computer following an unsolicited call or text.
6. And finally, if you think you've been the victim of fraud, call your bank immediately and then file a report with the Police at **reporting.actionfraud.police.uk**

Who runs your Scheme?

The Scheme is run by a corporate trustee – AXA UK Pension Trustees Limited. During 2021, the Trustee board was made up of six Directors.

Company appointed

Andrew Bradshaw, Ross Trustees Limited
Diana Chua
Stephen Yandle, Chair of the Trustee

Member nominated

Ed Davis (appointed from 1 January 2021)
Ken Smith

Independent

Samantha Pitt, The Law Debenture
Pension Trust Corporation plc

The Financials

The Trustee produces a full set of financial accounts each year, which show how much money has been paid in and out of the Scheme.

Summary

Value of the DB section on 1 April 2020	£5,625m
+ Contributions	£8.4m
+ Net return on investments	£120m
- Retirement and death benefits	£166m
- Payment to leavers	£32m
- Expenses	£13.5m
Value of the DB section on 31 March 2021	£5,542m

Please note that numbers have been rounded so may not add up exactly.

Scheme membership

As at 31 March 2021, the membership of the DB section had decreased to 27,432 members.

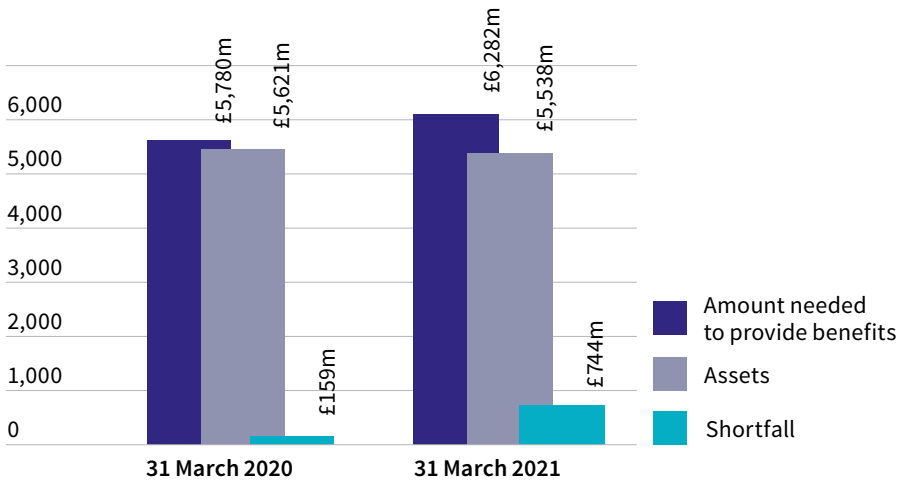
	31 March 2020	31 March 2021
Deferred members	15,523	14,888
Pensioners	12,331	12,544
Total	27,854	27,432



Summary Funding Statement

This is the latest Summary Funding Statement of the Defined Benefit section of the AXA UK Group Pension Scheme.

It includes a recap of the results of the full actuarial valuation carried out as at 31 March 2021 compared to the interim valuation funding position as at 31 March 2020.



The main factors contributing to the increase in shortfall compared to the 2020 funding update were:

- lower-than-expected returns from the Scheme’s assets, caused by a fall in the expected return from corporate bonds (return was significantly higher at 31 March 2020 due to the impact of the pandemic on markets at the time); and
- the cost to the Scheme of undertaking significant de-risking activity in 2021, including the longevity swap mentioned on page 7.

Recovery Plan

As part of the valuation, AXA and the Trustee have agreed a Recovery Plan to eliminate the shortfall by 31 March 2031. Under the Recovery Plan, AXA paid £98 million into the Scheme in December 2021 and will pay £81 million each year in 2022 and 2023, and £62 million each year from 2024 to 2030. These contributions may be reduced if the Scheme's improvement in funding position is quicker than expected, but AXA will pay additional contributions if the improvement in the Scheme's funding position is slower than expected.

What if the Scheme were to close?

Like all pension arrangements, the Scheme is a long-term venture, but the law says that the Trustee must provide an overview of what would happen if the Scheme were to be wound up. Please note that we have no intention of winding the Scheme up at this time.

If it did wind up and the Company became insolvent and unable to meet the shortfall, the Pension Protection Fund (PPF) would take over the Scheme and pay compensation to you – its members. The Scheme's assets would then be used to buy annuity (annual income) policies with an insurer. This could mean that you might not receive the full amount of pension you have built up, even if the Scheme is fully funded according to the 'ongoing' valuation. While the Scheme remains ongoing, pensions will continue to be paid in full, even though there is a shortfall.

If no new contributions were paid (other than those reasonably expected from the asset-backed structure supporting the Scheme), the additional amount needed to ensure that all members' benefits would be paid in full was around £2.1 billion at 31 March 2021. If the Scheme were wound up, the Company would be required to pay the shortfall. It may be, however, that the Company would not be able to pay this amount.

You can find out more about the role of the PPF at:



ppf.co.uk



The Pension Protection Fund, Renaissance,
12 Dingwall Road, Croydon, Surrey CR0 2NA

The Pensions Regulator

The Pensions Regulator (TPR) has powers under the Pensions Act 2004 to intervene in the funding of a pension scheme. We are pleased to report that the Scheme has not been modified by TPR, is not subject to any directions from TPR, nor is it bound by a schedule of contributions imposed by TPR.

Who should we look after if you die?

Your Expression of Wish form lets us know who you'd like to receive any Scheme benefits that become payable when you die, so it's really important that you keep it up to date.

While the Trustee makes the final decision about who receives your death benefits, it will be guided by the wishes you set out in your form, which means your loved ones could receive them more quickly.

Nominating your beneficiary (or beneficiaries) only takes a few minutes. Simply download an Expression of Wish form from the Forms section at pensions.axa-employeebenefits.co.uk/defined-benefit-section/library

Already completed a form?

Don't forget to update your Expression of Wish form if your circumstances change, for example if you get married or have children.



Contact us

If you have a question about your benefits in the Scheme, you can get in touch with Capita:



Capita, PO Box 55, Stead House, Darlington DL1 9YT



axa-pensions@capita.com



0370 1234 701



Visit the Hartlink Online Portal at
hartlinkonline.co.uk/axa-employeebenefits

We've moved

Don't forget, our head office is now located at:



AXA UK Plc, 20 Gracechurch Street, London EC3V 0BG

