



TRUSTEE REPORT 2019



AXA UK Group Pension Scheme newsletter

For members of the Defined Benefit (DB) section in the UK & Ireland

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Scheme outperforms projected funding position



Every three years, AXA and AXA UK Pension Trustees Ltd complete a full actuarial valuation of the Scheme. The last one took place at 31 March 2018.

Last year, we reported the results of this valuation which concluded that the assets of the Scheme (including the value of the asset-backed structure supporting the Scheme) could be expected to cover around 90% of the liabilities. This represented a shortfall of assets of around £631 million. As a result, a new recovery plan was agreed.

The funding agreement reached as part of the 2018 valuation included a projection of the expected funding position over the next 10 years, which the Scheme is then measured against.

The expected position at 31 March 2019 was that the Scheme would have a deficit of £586 million. However, following the latest review, the Trustee is pleased to report that, as at 31 March 2019, the deficit is lower than expected at £472 million.

A recap of the results of the full actuarial valuation and an update of the funding position as at 31 March 2019 can be found on the back page of this newsletter.

The next formal valuation of the Scheme's finances will be carried out at 31 March 2021 and we plan to communicate the results of that valuation to you in 2022.

Scheme grows by £158 million over year

The Trustee produces a full set of financial accounts each year, which shows how much money has been paid into and out of the Scheme. These accounts have been audited by KPMG LLP, who has verified that they show a true and fair view of the Scheme's financial transactions. The headlines are shown opposite.

In the period up to 31 March 2019, the uncertainty surrounding Brexit continued to dominate UK politics and, as a result, saw a slow-down in levels of business investments. Despite this, the UK's economic growth continued in line with expectations and the Scheme was able to generate a net return on assets of £315 million. The decrease in UK inflation also meant workers' pay started to finally benefit against living costs.

If you would like to see a copy of the full Report & Accounts, you can request one from the AXA UK Pensions Team using the contact details on page 4.

Summary

Value of DB section on 1 April 2018	£5,449 million
+ Money in less money out	- £157 million
+ Net return on investments	+ £315 million
= Value of DB section on 31 March 2019	£5,607 million

£45.4 million

Total money in

Contributions	£45.4 million
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£201.7 million

Transfers out

Retirement and death benefits	£158.4 million
Payment to leavers	£35.9 million
Expenses	£7.4 million

Strength in numbers

As at 31 March 2019, there were just over 28,000 members in the DB section of the Scheme.



	2018	2019
Deferred pensioners	16,916	16,221
Pensioners	11,867	12,080
Total	28,783	28,301

Visit hartlinkonline.co.uk/axa-employeebenefits for easy-access to real-time information about your pension benefits.

A word from the Chairman



Welcome to the latest update from the Trustee of the AXA UK Group Pension Scheme to the members of the DB section.

As we move into 2020, we're happy to report that the Scheme's projected deficit has decreased from £631 million as at 31 March 2018 to £472 million as at 31 March 2019. Based on the funding position of £586 million which was predicted as at 31 March 2019, this shows an improvement of £114 million – which equates to a significant reduction in the Scheme's expected deficit. We're also delighted to announce that the Scheme has secured additional protection for its members by closing a longevity swap deal with Swiss Reinsurance Company.

We've had some changes to the Trustee. In 2019, we said goodbye to Anna O'Donoghue, and we also say goodbye to Nirali Patel who resigned from her post as Member Nominated Director (MND). We'd like to thank Nirali for her commitment and dedication to the Board and wish her well for the future.

Following this, we're pleased to announce the appointment of two new Trustee Directors – Anna Colombatti and Marcus Taylor. We welcome them to the Trustee Board and look forward to the valuable knowledge and input they will bring to their roles.

We continue to monitor topical pensions news. Top stories from 2019 include the High Court's ruling that women impacted by the increase in State Pension Age (from 60 to 65) will not be compensated for any losses associated with this change. 2019 has also seen the birth of the new Retirement Living Standards – which describe three different levels of lifestyle and the associated costs to help people better plan their finances for retirement.

I hope you find this newsletter informative and useful. If you have any feedback or topical suggestions, please get in touch using the details on page 3.

Wishing you a happy and healthy 2020!

Stephen Yandle | Chairman of the Trustee

Scheme secures additional protection for members

We're delighted to announce that the Scheme has closed a longevity swap deal with Swiss Reinsurance Company to protect £550 million of pension liabilities held in its DB section.

This is an important step in providing security for members and builds upon the previous swap undertaken in 2014. The arrangements cover pensioners who retired between 1 January 2015 to 31 March 2019 and provides long-term protection against costs for pensioners that live longer than expected.

The swap covers around 10% of the Scheme's liabilities which, combined with the previous transaction (covering pensions in payment before 31 December 2014), means that 50% of the Scheme's overall liabilities are now protected.



High Court ruling on women's State Pension Age

In 2011, almost 3.8 million women born in the 1950s were affected following the decision by the Department of Work and Pensions (DWP) to increase the State Pension Age from 60 to 65.

Those impacted set up the 'Backto60' campaign and took the matter to court, arguing that raising the pension age unlawfully discriminated against them on the grounds of age and sex and gave them very little time to prepare for the effects of any possible changes.

Following a lengthy legal case, the High Court has now ruled that these women will not be compensated. The judgment found that there had been no age discrimination by the DWP and the decision was further justified by the aim to keep the State Pension affordable, while striking a balance between the State Pension Age (SPA) and the size of the State Pension – as well as the planned equalisation of the SPA for men and women. The fact that people are living longer was also noted as influencing factor with a focus on intergenerational fairness between pensioners and younger taxpayers.

Alongside the 'Backto60' campaign, Women Against State Pension Inequality (WASPI) have been calling for "fair transitional arrangements" to help resolve the financial injustice felt by those affected, but are not calling for a full return to age 60.

The qualifying pension age for both men and women will be raised to 66 by October 2020.

Scheme noticeboard

Steer clear of scammers



Thousands of people in the UK have lost their life savings by investing in a scam.

Scams can appear very convincing. That's why The Pensions Regulator and the Financial Conduct Authority (FCA) have set up the ScamSmart campaign, which is designed to help you identify scams before you transfer any money.

Known scams are documented on the ScamSmart website at [fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart). But for extra help with keeping your savings safe, here are some key pension-points to remember:

- You won't be contacted out of the blue by someone legitimate. Unsolicited calls are illegal.
- Your pension is only available after the age of 55 – not before.
- The FCA Register provides a list of all FCA-authorized advisers and services. Call them on **0800 111 6768** to check the details of anyone you're considering investing with.
- Capita, the Scheme's administrator, can assist if you've signed something you're unsure about. Contact them immediately using the contact details on the back page.
- For independent, regulated financial advice on your pension, visit [moneyadvice.org.uk](https://www.moneyadvice.org.uk) and search "financial adviser" for an approved list of providers.

Think you've been scammed?

If you think you've been the victim of a pension scam, call Action Fraud immediately on **0300 123 2040** to report it.

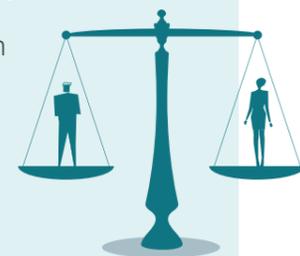
GMP equalisation update

In 2018, the High Court judgment ruled that pension schemes are required to equalise pension benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP).

If some or all of your GMP was accrued on or after 17 May 1990, then you may be impacted.

The Trustees are currently considering how to proceed with this complicated area of legislation. Therefore, at the moment, it is unclear how equalisation will be achieved and the impact it may have on your pension benefits, if any.

If you are impacted, the Trustees of the AXA UK Group Pension Scheme will contact you in future to explain any rights and options.



Money and Pensions Service

Launched in April 2019, the Pension Advisory Service, the Money Advice Service and Pension Wise have joined forces to create the brand new Money and Pensions Service ([moneyandpensions.org.uk](https://www.moneyandpensions.org.uk)).

Sponsored by the Department for Work and Pensions (DWP), the Money and Pensions Service's united vision is "everyone making the most of their money and pensions" – bringing together their expertise and services in one central place, with a joint commitment to ensure that people across the UK have easy access to the latest pension tools, tips and guidance they need to make informed financial decisions.

The Money and Pensions Service will offer:

- Money guidance – helpful tips on day-to-day money management skills.
- Debt advice – offering free guidance on getting debt-free.

Current services provided by each of the three organisations won't be interrupted by the change but with continuing efforts to improve access to information and guidance, there will be a focus on streamlining and simplifying the experience for the future.



Do you know how much your retirement will cost?

New Retirement Living Standards have been launched to help people understand how much money they might need to support their retirement lifestyle.

The Pensions and Lifetime Savings Association (PLSA) describes three different standards of living with associated costs for each – all based on what the public considers realistic when it comes to costing household bills, food and drink, transport, holidays and leisure, clothing and personal, as well as helping others



“ As an estimate, a single person will need about £10k a year to achieve the minimum living standard, £20k a year for moderate, and £30k a year for comfortable. For couples, it's £15k-£30k-£45k. ”

Source: Pensions and Lifetime Savings Association (PLSA)
plsa.co.uk

With research showing that 51% of people focus on their current needs above providing for their future, the Standards aim to give savers better guidance about saving for their future.

For an indication of the projected value of your pension at retirement, it's best to review your annual benefit statements when sent to you. You can also visit hartlinkonline.co.uk/axa-employeebenefits and request a retirement illustration.

Don't forget to take into account any other savings and investments you may have outside of the Scheme, such as savings accounts, ISAs, LISAs or property which you could use to provide additional income in retirement.

We want to hear your views

Your opinion matters to us. We'd love to hear what you think about our current communications, what we could do better and how you'd like us to keep in touch with you going forwards.

To have your say, email pensions.uk@axa.co.uk using the subject header 'Feedback'.



An update on Brexit

The 2019 General Election saw a majority win by the Conservative Party and a commitment that Brexit will be concluded in 2020.

Throughout the negotiations, the Trustee has monitored the possible effects of Brexit and, as a result, has put robust risk management policies in place. The operational impacts of Brexit are hoped to be minimal and risks will continue to be carefully managed as this process is finalised.



Dear Rebecca...



Rebecca Shevill, Head of Pensions Administration and Trustee Services, answers your pension questions.

How do I access information online?

You can manage your pension in real-time through our Hartlink Online Portal which can be found at hartlinkonline.co.uk/axa-employeebenefits. Hartlink Online provides a wide range of personalised tools and resources – you'll be able to run retirement illustrations, update your personal details or raise queries with the Capita administration team. If you have any problems or need help accessing the portal, contact Capita using the details on the back page.

I've recently moved house but haven't changed my address yet. What happens if my details aren't up-to-date?

It's very important that you let us know about any changes to your details. You can manage your DB Pension Account online at hartlinkonline.co.uk/axa-employeebenefits. If you are already receiving your pension and we can't contact you, we may temporarily suspend your pension for security purposes until we can get in touch with you. We may also contact you every now and again to verify details relating to you and your pension payments.

What happens to my pension if I die?

If you die within 5 years of receiving your pension, a lump sum may be payable to your dependant(s), subject to the Rules of the Scheme. If you are married, your Spouse would receive a Spouse's pension. If you are not married or in a civil partnership and, if allowed under the Rules of the Scheme, there may be a dependant's pension available.

If you die before you were due to start taking your pension, what happens will depend on a number of factors. You can contact our administrator, Capita, for more information on your death benefits and to understand what this would mean for you personally. Capita's contact details can be found on the back page.

I'm a deferred member. What are my options for my AXA DB Pension Account?

You have a number of options. You can transfer the value of your savings in the Scheme to a new employer's scheme or a personal pension arrangement (subject to seeking advice from an Independent Financial Adviser). Alternatively, you can investigate the option of retirement from age 55. To find out the transfer value of your AXA pension, contact Capita on **0370 1234 701** or email axa-pensions@capita.co.uk. For a live estimate of your savings, visit Hartlink Online at hartlinkonline.co.uk/axa-employeebenefits.

Don't lose track of your AXA pension

As a member of the DB section of the AXA UK Group Pension Scheme, you can manage your pension online through our Hartlink Online Portal.

Hartlink Online lets you manage your pension in real-time so you'll never lose track – and you'll also be able to take advantage of a wide range of personalised tools and resources, such as retirement illustrations and one-click access to your details.

If you haven't already, you can visit hartlinkonline.co.uk/axa-employeebenefits to register securely. All you'll need to do is complete and submit the form, and then wait for your PIN to arrive by email or SMS to finalise your registration.

For any problems or queries, please contact Capita at **0370 1234 701**.

AXA UK Group Pension Scheme Summary Funding Statement



This is the latest Summary Funding Statement of the Defined Benefit section of the AXA UK Pension Scheme. It includes a recap of the results of the full actuarial valuation carried out as at 31 March 2018, and an update of the funding position one year on as at 31 March 2019.

Recap of the results of the 31 March 2018 actuarial valuation

As a reminder, the actuarial valuation has two main purposes. It looks at:

- whether there is enough money in the Scheme to pay benefits that members have earned to date (the 'funding position'); and
- how much money is needed to pay for benefits which come into payment in the future.

The latest formal actuarial valuation showed that as at 31 March 2018, the assets of the Scheme (which included the value of the asset-backed structure supporting the Scheme) could be expected to cover around 90% of the liabilities. This represented a shortfall of assets of around £631 million.

This was a slight increase in the shortfall compared to the last valuation as at 31 March 2015. However, the main reason for the increase was that the Trustee and AXA have agreed to a stronger funding target as at 31 March 2018 than was adopted for the 2015 valuation.

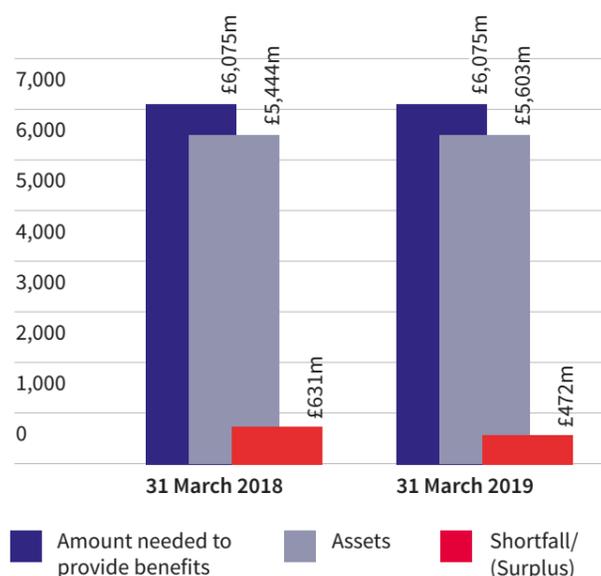
As communicated previously, the Trustee and AXA have agreed a recovery plan to eliminate the shortfall in the Scheme assets. Under this recovery plan, from 2022 onwards, AXA will pay an additional £81 million into the Scheme each year which will be adjusted up or down depending on how the funding position progresses. Contributions of around £20 million per year in respect of the asset-backed structure supporting the Scheme will continue throughout.

In the normal course of events, these contribution rates will next be reviewed as part of the 31 March 2021 full actuarial valuation.

In addition to the above deficit payments, AXA agreed as part of the 2018 valuation to extend the funding guarantees from AXA UK plc and AXA SA to the Scheme. These guarantees provide additional security to support the recovery plan if the Scheme's sponsoring employers are not able to make the contributions due, subject to certain limits.

Change in funding position to 31 March 2019

An update was carried out to assess the funding position as at 31 March 2019. The chart below shows the results of the 2019 funding update, compared to the results at the previous full actuarial valuation as at 31 March 2018.



The main factors contributing to the decrease in shortfall compared to the 2018 valuation were an increase to the long-term return expected from the Scheme's assets (meaning less money is required now to pay future benefits), deficit reduction contributions paid by AXA over the year and a fall in assumed life expectancies.

The funding agreement reached as part of the 2018 valuation included a projection of the expected funding position over the next 10 years which the Scheme would then be measured against, from 2021, to determine the contributions payable by AXA. The expected position at 31 March 2019 was that the Scheme would have a deficit of £586 million. The actual 31 March 2019 results show that the Scheme is in a better position as the deficit is lower than expected at £472 million.

The next formal valuation of the Scheme's finances will be carried out as at 31 March 2021 and we expect to communicate the results of that valuation to you in 2022.

Finally, there have been no payments of surplus made to AXA over the last 12 months.

What if the Scheme were to close?

Whilst the Scheme is a long-term venture, legislation requires that the Trustee also looks at the position if the Scheme were to be wound up (although there is no current expectation that this will happen). If the Scheme were to be wound up, the Scheme's assets would be used to buy annuity policies with an insurer. In this scenario, you might not get the full amount of pension you have built up, even if the Scheme is fully-funded according to the 'ongoing' valuation. **However, whilst the Scheme remains ongoing, and even though there is a shortfall, pensions will continue to be paid in full.**

If no new contributions were paid in (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 £2.2 billion as at 31 March 2019. You should note that if the Scheme were to be 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.

We must emphasise that there is no intention to wind up the Scheme but if the Scheme did wind up and the Company became insolvent and was unable to meet the shortfall, the Pension Protection Fund (PPF) would take over the Scheme and pay compensation to members. Further information is available on the PPF's website at pensionprotectionfund.org.uk or from **The Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.**

The Pensions Regulator

The Pensions Regulator has powers under the Pensions Act 2004 to intervene in the funding of a pension scheme. The Scheme has not been modified by the Regulator and it is not bound by a schedule of contributions imposed by the Regulator.

Who's who?

The Scheme is run by a corporate Trustee, AXA UK Pension Trustees Limited (AXAPT). During 2019 there were nine Directors:

Company appointed

Andrew Bradshaw, Ross Trustees Services Ltd
Dianne Chua
Stephen Yandle (Chair of the Trustee)

Member nominated

Anna O'Donoghue (resigned February 2019)
Nirali Patel (resigned February 2019)
Anna Colombatti (appointed April 2019)
Marcus Taylor (appointed April 2019)
Ken Smith

Independent

David Felder, The Law Debenture Pension Trust Corporation plc

Keeping in touch

If you have a question about your benefits in the Scheme, please contact Capita:

Capita, PO Box 555, Stead House, Darlington DL1 9YT
axa-pensions@capita.co.uk
0370 1234 701

AXA UK Pensions Team

The AXA UK Pensions Team is here to provide information and help members with their pension queries:

Rebecca Shevill,
Head of Pensions Administration & Trustee Services
John Manuel,
Pensions Manager
Alex McMaster,
Pension Administrator

If you have any concerns that cannot be dealt with by Capita, or if you wish to give us your comments or suggestions on this Report, please contact the AXA UK Pension Team at pensions.uk@axa.co.uk.

Is your 'Expression of Wish' form up-to-date?

An 'Expression of Wish' form sets out who you'd like to receive any pension benefits payable in the event of your death – so it's really important you keep this updated.

To nominate a beneficiary, or make changes to your existing nomination, download and provide us with a new form, available at pensions.axa-employeebenefits.co.uk/library/forms-and-guides.



The benefits provided by the Scheme are governed by the Scheme's Trust Deed and Rules (copies of which are available on request). Nothing in this Report confers any right to benefits; save as provided by the Trust Deed and Rules and in the event of any inconsistency between this Report and the Trust Deed and Rules, the Trust Deed and Rules will prevail. This Report does not constitute legal advice or financial advice and should not be relied upon as such. The description of legislation in this Report is intended as a basic guide only, not a comprehensive or exhaustive guide to the legislation.