Pension Scheme newsletter

March 2023

Onwards and upwards

Contents

For deferred members of the AXA UK Group Pension Scheme

Chair's introduction

Welcome to your Scheme newsletter for 2023

As we've entered a new year, we hope 2023 brings stability and security for you all. 2022 was a year of change and uncertainty so as we start afresh, we look ahead to a more positive year.

The Trustee continues to work to ensure the stability of your pension and in this newsletter, you can read about our investment strategy, which we hope will give you some reassurance in light of the current economic uncertainty.

We also published our first Taskforce for Climate-related Financial Disclosures (TCFD) report at the end of last year which includes a detailed analysis of the steps we are taking to become a more sustainable Scheme. Our policies and approach to climate change are evolving as we understand further the impact this will have on our members, both for the security of their benefits as well as more generally. We welcome the transparency and direction that the TCFD has promoted.

I'm pleased to advise that the Scheme Actuary assessed the funding position of the Scheme as at 31 March 2022, and the deficit had reduced to £281m, from £740m as at 31 March 2021.

You can find out more about the reversal of the National Insurance increase and our member survey in our 'News' section on page 12. We also want to remind you to visit our **website** which has been recently updated with improved accessibility features and a modern, user-friendly feel.

If you are concerned about prices and the cost of living, there are multiple resources that are available to help; more information is on page 3 if you'd like to make use of these.

Finally, we'd like to inform you of some changes to the Trustee Board as we said farewell to Andrew Bradshaw and Dianne Chua who both resigned from their positions on the board last year. While in the in-house team Rebecca Shevill decided to retire from AXA after 12 years' service, with John Manuel moving into this role. I'd like to thank Andrew, Dianne, and Rebecca for all their hard work and wish them well for the future.

Stephen Yandle
Chair of the Trustee

Our approach to climate change is evolving as we understand further the impact this will have on our members.

Also in this newsletter...

You can read about our investment strategy regarding the current economic uncertainty

Your pension saving and the cost of living

The cost of living is rising due to increased costs of essentials like food, energy, housing, and petrol. This makes it a difficult time for managing money. Saving in a pension is a low cost, tax-efficient way of saving for the long term, but it might be difficult to keep saving if you need the money for essentials now.

Before you make any decisions about your pension saving, it makes sense to look at what you've already saved towards your future with your AXA pension. Make sure you log into your account using our Member Online Portal to review what you have so you can plan properly for the future. You might also want to look at savings you have with other pension providers, and how much you might get from the State at **www.gov.uk/check-state-pension**

Once you have an idea of how much you could have in retirement, you can start to see if you need to save more, can keep things the same, or weigh up what you need the money for now against what you might have in retirement.

Don't forget!

Saving in a pension is a low cost, tax-efficient way of saving for the long term.

Getting help

There are lots of websites you can go to if you're struggling financially and need some help. **Take a look at the links below** for more information.

MoneyHelper is a free, independent service provided by the Government. It offers advice about pensions, benefits, savings, and more. **This page** gives advice on how to manage your money in uncertain times or you can write to them at the address below:

- MoneyHelper, 120 Holborn, London, EC1N 2TD

Money Saving Expert gives lots of advice on everything from reducing your bills to finding the best insurance deals and updates. They publish this **helpful guide** which gives over 90 ways to save money.

Age UK offers help for older people, including benefits you can claim to ease the pressure. If you'd like to write to them, you can do so using the address below:

- Age UK London, Crown House, 27 Old Gloucester Street, London, WC1N 3AX

Help for Households is a new web page launched by the Government which has lots of help and advice, and shares discounts and offers available from retailers and supermarkets.

Security of your pension

The economic environment has been particularly volatile over the last year and we as the Trustee of your Scheme are conscious that this, along with media speculation about pension security, could cause concern for our members. We want to reassure you that the Scheme is in a strong financial position and your benefits in the Scheme remain secure.

Working in your best interests

The Chancellor's mini budget in September 2022 added to investment market volatility and the Trustee together with our advisers, the AXA pension team, and the Company monitored the situation carefully. There were no concerns at any time about the financial security of the Scheme and your benefits.

Working with our expert advisers, we regularly monitor the Scheme's funding level and our investment strategy and will continue to do so in the future. This helps us manage the Scheme's risks and ensures your benefits remain as secure as possible.

The Trustee, with the support of AXA's in-house team and their advisers, were actively monitoring the situation and were in close communication with the Scheme's Liability Driven Investment (LDI) manager to discuss the market movements and the impact on the Scheme.

The September budget did cause a significant rise in gilt yields, which caused the value of the Scheme's LDI portfolio to fall.

This is because the LDI portfolio is there to gain enough assets to cover all current and future liabilities. However, this is offset by a similar fall in the value of the liabilities. This means that overall, the value of the Scheme's deficit has also fallen significantly.

I can advise that the Scheme's funding remains in a strong position, and the immediate liquidity challenges continue to be very closely monitored by the Trustee, with the support of AXA's internal pension team and its advisers.

Our investment strategy

We invest the Scheme's assets in a way that limits the impact of market volatility and other economic factors on the value of the Scheme's assets.

This means the Scheme's funding level (a measure of the Scheme's ability to pay your pension) has not significantly changed despite the volatility in the wider economy.

Knowing your options

Transferring your benefits out of the Scheme is an option you have but isn't something you're required to do.

In fact, it's something The Pensions Regulator generally discourages for most people in a DB Scheme. It's a significant decision, and if you're considering this we strongly recommend (and may require) that you discuss this with a regulated financial adviser before proceeding. You can find one in your area at **www.moneyhelper.org.uk** (search for 'retirement adviser'). Or you can call MoneyHelper on **0800 011 3797**.

Money Helper

What do I need to know?

Your Scheme benefits remain unchanged by recent economic circumstances and, if you plan to remain in the Scheme, when you retire, you'll receive an income for life and have the option to take up to 25% of the value of your benefits as tax-free cash. The level of income and cash you're entitled to is protected from economic volatility and provides you with a level of certainty for your future.

However, as you haven't started receiving a pension yet, you may also have the option to transfer your benefits out of the Scheme. If you're considering this, please read on to learn how recent developments have affected this option.

If you request to transfer out of the Scheme, you would be quoted a 'transfer value'. This is a cash amount you would receive if you chose to transfer out of the Scheme – hence these are technically known as 'cash equivalent transfer values' or CETVs.

A transfer value is also an indication of how much the Scheme believes it would cost to provide your pension in the future. It's based on a number of assumptions, which are updated on a monthly basis. This is typical practice for UK pension schemes like ours. Transfer values therefore vary depending on when they are calculated.

For example, when interest rates increase (as has happened recently) the Scheme benefits from better returns on its investments. This means the amount of money we would need to provide members' pensions decreases. As the expected costs of providing pensions decrease, transfer values also decrease. In other words, if you transfer out of the Scheme today, you could receive significantly less money than if you had transferred out in 2021 when interest rates were low and transfer values were at historic highs.

Even under normal circumstances, transfer values rise and fall all the time with market conditions. If you're considering this option, you should always make sure you understand your options and the impact of your decisions.

If you're considering buying an annuity

If you transfer your benefits out of the Scheme, you could use them to secure an income for life by buying what's called an annuity, invest the money you receive, take it all as cash (up to 25% of which will be tax free) or a combination of all these options.

If you're intending to transfer out to buy an annuity (which may give you more flexibility over your retirement income than the Scheme offers), note that annuity prices have also decreased substantially. So, while your transfer value may have fallen, and depending on what type of annuity you want, you may still be able to buy a similar level of annuity income as you could when transfer values were much higher in 2021.

Key takeaways

- The Scheme, with the support of the AXA group of companies, remains both committed and able to provide your pension benefits in full when they are due.
- If you're planning to remain in the Scheme and take a regular pension in the future (like most members) you won't see any change to your expected level of pension.
- Changes to transfer values only affect you if you plan to transfer out of the Scheme in the future.

Summary Funding Statement

The Summary Funding Statement tells you how much money the Scheme has (its assets) and calculates how these compare to what it is expected to have to pay out in pension benefits (the liabilities). This is calculated in detail every three years by the Scheme Actuary (this is the 'actuarial valuation'). In addition, between each valuation, the actuary reviews the funding position and provides an actuarial update.

This is your latest Summary Funding Statement, which includes a recap of the results of the full actuarial valuation carried out as at 31 March 2021 and an update of the funding position one year on as at 31 March 2022.

Recap of the results of the 31 March 2021 actuarial valuation

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 results of the latest formal actuarial valuation showed that as at 31 March 2021, the assets of the Scheme (which included the value of the asset-backed structure supporting the Scheme) could be expected to cover around 88% of the liabilities. This represented a shortfall of assets of around £740 million.

As communicated previously, the Trustee and AXA agreed a recovery plan to eliminate the shortfall in the Scheme assets. Under this recovery plan:

- AXA made a payment of £98 million into the Scheme in December 2021 which was a year earlier than set out in the previous agreement.
- Future contributions will also be due a year earlier with £81 million per year due in 2022 and 2023, and £62 million per year due from 2024 to 2030. These contributions may be reduced if the Scheme's improvement in funding position is quicker than expected.
- AXA has also agreed to pay additional contributions if the improvement in the Scheme's funding position is slower than expected.
- In certain situations, some of the deficit contributions may be directed towards an additional security arrangement rather than invested directly in the Scheme.
- Contributions of around £20-25 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 2024 full actuarial valuation.

These contributions, together with future investment returns, are expected to ensure the Scheme is fully funded by 31 March 2031.

In addition to the above deficit payments, AXA provides 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. As part of the 2021 valuation AXA agreed to extend these funding guarantees to 31 March 2031.

AXA's funding guarantees have been extended to 31 March 2031

Change in funding position to 31 March 2022

	2021 valuation	2022 funding update
Amount needed to provide benefits (liabilities)	£6,282m	£5,831m
Assets	£5,542m	£5,550m
Shortfall/(surplus)	£740m	£281m
Funding ratio	88%	95%

The main factors contributing to the decrease in shortfall compared to the 2021 valuation were an increase to the long-term return expected from the Scheme's assets. This means less money is required now to pay future benefits, deficit reduction contributions paid by AXA over the year and the investment performance of the Scheme's assets being better than assumed.

The funding agreement reached as part of the 2021 valuation included a projection of the expected funding position over the next ten years which the Scheme would then be measured against from 2022 to determine the contributions payable by AXA. The expected position at 31 March 2022 was that the Scheme would have a deficit of £639 million.

The actual 31 March 2022 results show that the Scheme is in a better than expected position as the deficit is lower than expected at £281 million. No deficit reduction contribution was therefore payable by AXA to the Scheme in 2022 (i.e., the contribution of £81 million was not required under the funding agreement).

The next formal valuation of the Scheme's finances will be carried out as at 31 March 2024 and we expect to communicate the results of that valuation to you in 2025. We will communicate annual funding updates of the Scheme's funding position to you between now and then.

Payments of surplus to AXA

No payments of surplus have been 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 receive the full amount of pension you have built up, even if the Scheme is fully funded according to the 'ongoing' valuation summarised above. **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 if the Scheme was wound up was around £1.65 billion as at 31 March 2022. 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 and the guarantees would be called upon to meet part of the contribution.

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 (with the support from the guarantees), 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 **www.ppf.co.uk** or by calling **0345 600 2541**.

Other information we need to tell you

We also need to tell you if The Pensions Regulator has had to intervene in the running of a pension scheme. We are pleased to report that the Scheme has not been modified by the Regulator, is not subject to any directions from the Regulator, nor is it bound by a schedule of contributions imposed by the Regulator.

In addition, we can confirm that no payments have been made to AXA from the Scheme.

Positive changes for the environment

What we're doing

Over the last few years there has been a significant focus in the pensions industry towards becoming more sustainable and responsible by taking account of environmental, social, and governance (ESG) factors when making investment decisions. We recognise that taking these factors into account can make for better investment decisions. It also means that our investments support organisations in reducing their carbon footprint and transitioning to a green economy.

At the end of last year, we published our first Taskforce for Climate-related Financial Disclosures (TCFD) report. This offers an insight into what we are doing as a Scheme to not only deliver on our climate change objectives, but also to signal to third parties, such as investee companies, the importance of these. The report also considers how we can protect the Scheme and its investments from the likely effects of climate change.

In addition to our TCFD report, we have a Responsible Investment Strategy. Both of these documents explain our approach to ESG factors, which include:

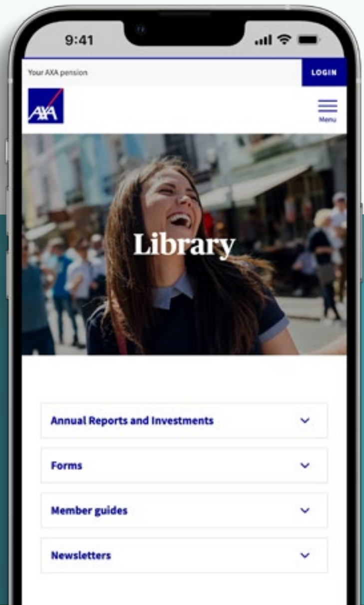
NET ZERO

Targeting net zero emissions from our investments by 2050 (our interim target to reduce our carbon footprint by 20% from 2019 levels is on track).

Actively excluding controversial investments such as coal, palm oil and tobacco.

Targeting at least 1% of our investments to be 'green' (positively supporting companies on the transition to net zero).

Improving our environmental score (a measure of environmental standards and risk for our investments).



You can view the TCFD report and our Statement of Investment Principles (which includes our Responsible Investment Strategy) on the website at:
pensions.axa-employeebenefits.co.uk/defined-benefit-section/library

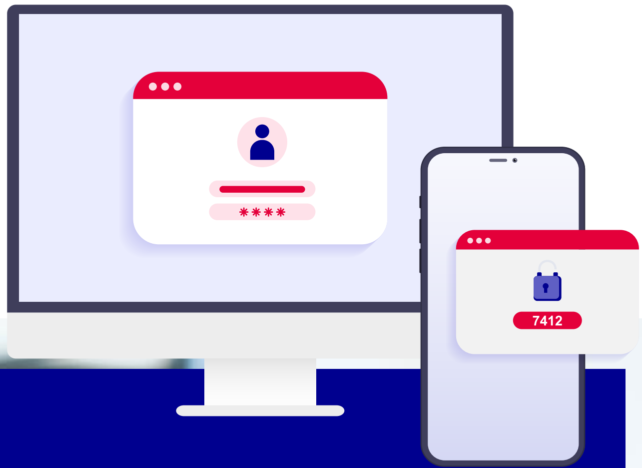
How you can help

We'd like to communicate with you digitally, as we see this as the most efficient and environmentally friendly way to keep you informed about your pension and the Scheme.

By putting our communications online or sending them out by email, we can reduce our carbon footprint and ensure you're receiving all the updates and information you need. It's important to us that we provide you with everything you need to know about your pension.

In order to do this, we'd like you to provide us with your email address. The best way to do that is through our Member Online Portal.

The Member Online Portal is the easiest way to view your pension details, wherever you are. If you're not already registered, now is a great time to sign up and see how your pension's doing. Just enter a login name, choose a password, a security question and answer, and enter your contact details.



Sign up today at:

www.hartlinkonline.co.uk/axa-employeebenefits

Responsible Investment Dashboard

ESG score

Fund: 7.2 **Bench*:** 6.3

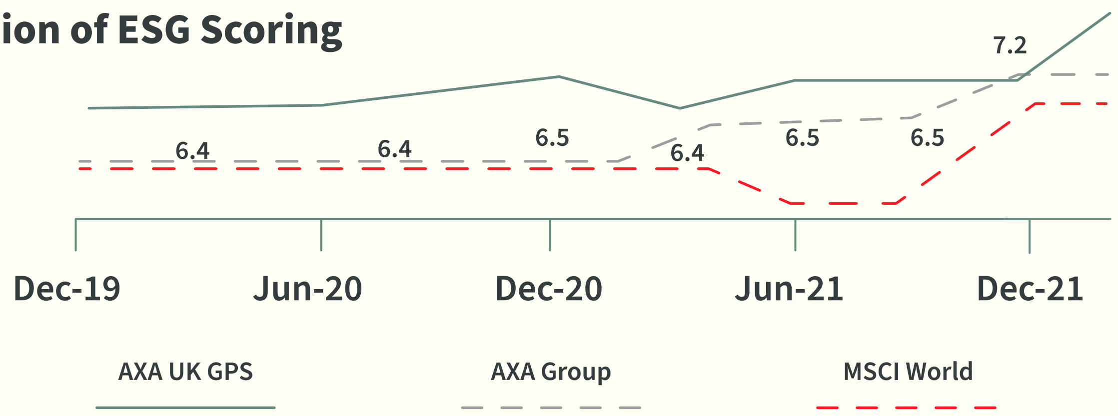
Environmental	Social	Governance
7.7	5.4	6.0
6.6*	5.5*	5.0*

Assets Under Management (AUM)
£5.1billion

ESG Coverage: 93%
Source: AXA IM as of 31/03/2022

*MSCI World

Evolution of ESG Scoring



Portfolio alignment

* Dec 2021 ** Dec 2022 *** Paris Agreement

*as at May 2022

Corporate KPIs

Carbon Footprint (tCO3 / $m Revenue)
AXA UK GPS 108 | MSCI World 195 ✓

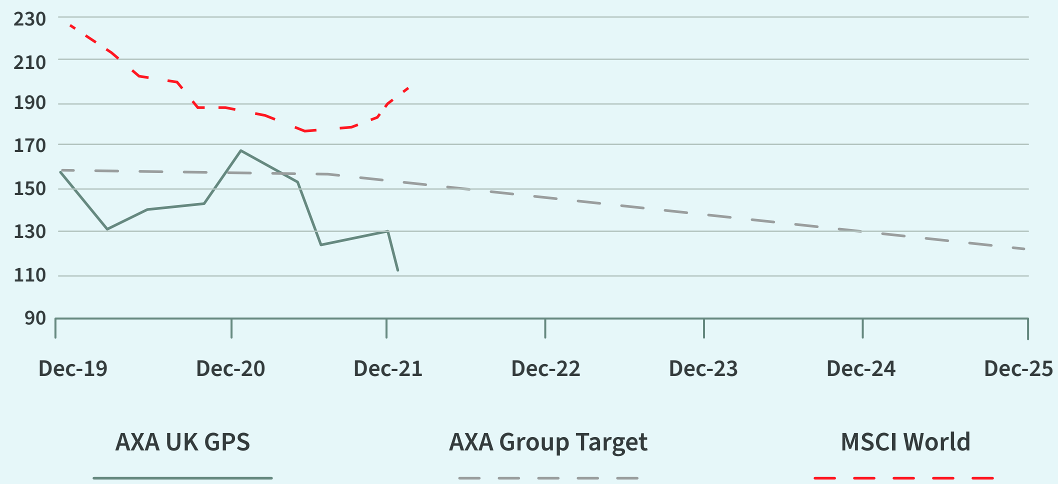
% independent directors on Board
AXA UK GPS 83% | MSCI World 80% ✓

Carbon Green Assets (%)
AXA UK GPS 0.4% | Target 1%* ✗

Women on Board
AXA UK GPS 35% | MSCI World 32% ✓

* UNPRI's recommended allocation

Carbon Footprint - CO^2 Emission (tCO^2 / $m Revenue)



Sector Exclusions and Engagement

Sector	Incentives and Methodology	Current	Run off
Controversial weapons	A regulatory requirement Stricter AXA list (White Phosporus).	£0m ✓	-
Coal	First policy in 2015, strengthened in 2017. Thresholds: 30% revenues, 3000MW, 20mT.	£5m ✗	0.1%
Tar sands	Producers: 30% of proven and probable reserves Main transporters.	£10.3m ✗	0.2%
Palm oil	Assessment of environmental impact and working conditions.	£0m ✓	-
Tobacco	Sector ban for a health insurer.	£0m ✓	-

News

↓12%

National Insurance changes

The National Insurance rise introduced in April last year was reversed shortly after in November.

At the beginning of the new tax year for 2022 on 6 April, workers started paying more National Insurance. The rate increased by 1.25% from 12% of earnings to 13.25%. However, from 6 November 2022, the changes made in April 2022 were reversed. This meant that workers received a National Insurance tax cut as the rate fell back to 12%.

Guaranteed Minimum Pension (GMP) update

As you may be aware, following a court ruling in 2018, occupational pension schemes are now required to equalise GMP rights for men and women.

We are currently working towards starting consultations later in 2023 and any changes will be communicated to members who are affected.

We want your views!

Service survey

We're expanding our current survey to find out what more of you think and how we can improve our service to you.

Soon, we're going to be doing a survey of members to find out what you think of the Scheme and the service we provide.

It's your views that matter most, so we'd like to know what's working well and where we could do better. Keep an eye out for an email with a link to the online survey. It won't take long to complete, and your feedback will really make a difference.

The financials

Here is a summary of the Plan's Report & Accounts for the year ending 31 March 2022. Please visit our website if you would like to view a copy of the full report: **pensions.axa-employeebenefits.co.uk/defined-benefit-section/library**

The accounts	2022 (£000)
Income	
Contributions received from AXA	99,885
Expenditure	
Benefits paid	(172,872)
Payments to and on account of leavers	(27,467)
Administrative expenses	(9,331)
Investments	
Assets at 1 April 2021	5,541,653
Net returns on investments	118,825
Net expenditure in the year	(109,785)
Assets at 31 March 2022	5,550,693

The number of members in the Scheme	31 March 2022	31 March 2021
Deferred pensioners	14,216	14,888
Pensioners (including dependents and children)	13,070	12,544
Total	**27,286**	**27,432**

The Trustee

The Scheme is run by a corporate trustee – AXA UK Pension Trustees Limited. The directors of the trustee corporation look after the Scheme and your benefits. The current Trustee Directors are:

Company-appointed

Stephen Yandle – Zedra Governance Ltd – Chair
Ed Davis – Member-nominated
Ken Smith – Member-nominated

Independent

Samantha Pitt – The Law Debenture Pension Trust Corporation plc

Staying safe and avoiding scams

The last two years have seen an increase in pension scam activity. Scammers are looking to take advantage of people's fears and uncertainties following the COVID-19 pandemic and in the current cost of living crisis by making false promises with unrealistic guarantees. Here are a few tips to help you stay safe from pension scammers:

- **Know who you're talking to.** Genuine organisations won't contact you out of the blue. And even if you've approached an adviser directly, you should still check their credentials. You can use the IFA register at **www.fca.org.uk/firms/financial-services-register** to check that they are registered. You can also confirm that an individual adviser definitely works for the company they say they're part of by checking the details on the register to confirm.
- **Know your pension.** Take time to understand your pension options and the associated rules. Pensions aren't usually accessible until you're 55 (set to increase to 57 from 2028), but a common scam involves fraudsters claiming they can help you access your benefits earlier. Heavy tax charges can apply if you claim your pension earlier than the minimum retirement age, so make sure you understand the options available at retirement and familiarise yourself with the rules that HMRC sets out.
- **Take your time.** Don't feel rushed or pressured into making a decision. Read and digest all the information you're given and take the time to speak to a regulated financial adviser.

You can find out more information on the ScamSmart website – an FCA hub for information on how to avoid investment and pension scams. Visit **www.fca.org.uk/scamsmart** for more information.

You can report a scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or by using the reporting form at **www.fca.org.uk/consumers/report-scam-us**

New transfer regulations

Due to the increased risk of pension scams, new rules came into place on 30 November 2021 that require Trustees and pension providers to prevent pension transfers if they believe the circumstances to be suspicious. To help protect you from pension scams, this new legislation now allows pension providers to express their concerns about your transfer under two categories, red flags or amber flags.

Red flags

If your pension provider identifies any red flags while carrying out additional checks, they can now prevent the transfer from going ahead. This helps to protect your pension benefits from being lost.

Amber flags

This means you could be at risk of being scammed, so you'll be referred for a free Pension Safeguarding appointment with MoneyHelper.

Examples of when either a red or amber flag may be raised are when a member is:

- Not providing sufficient information in relation to the transfer when requested to do so.
- Being given financial advice from a company without the appropriate regulatory permissions.
- Receiving an unsolicited request to transfer funds from their pension or feeling pressured to do so.
- Wanting to transfer to a receiving scheme with high-risk, unregulated investments and/or which charges fees that are unclear or noticeably high.

It's important to remember that these regulations have been introduced to make transfers safer. The extra checks involved may also make transfers slower, so please be patient if you're going through the process.

Contact us

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

Capita, PO Box 555, Darlington, DL1 9YT

axa-pensions@capita.com

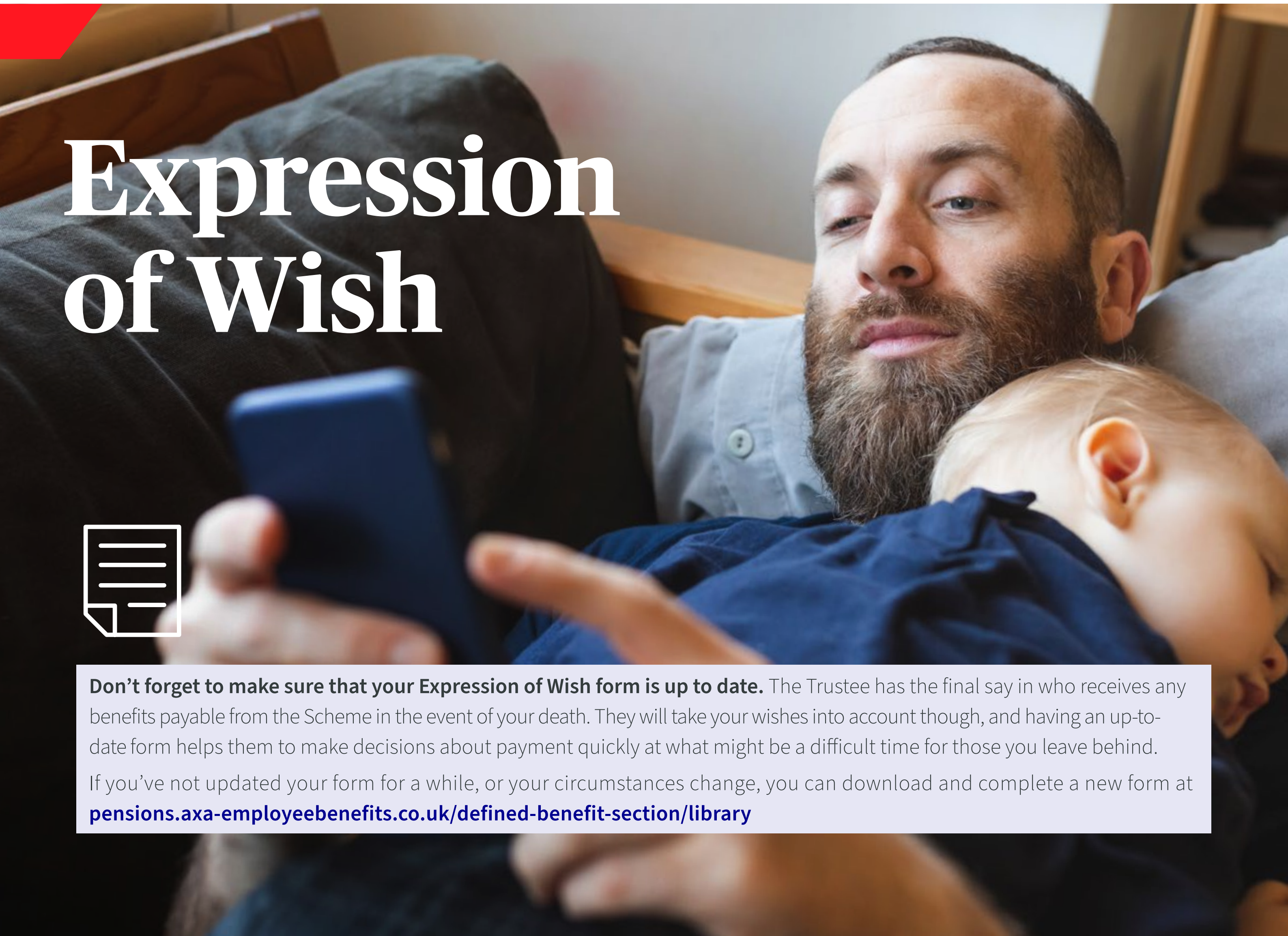
0370 123 4701

You can find out more about the Scheme on our updated website which has a modern, user-friendly feel with improved accessibility:
pensions.axa-employeebenefits.co.uk/defined-benefit-section

From there you can also log on to the Member Online Portal to see your benefits and update your details.

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

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



Expression of Wish

Don’t forget to make sure that your Expression of Wish form is up to date. The Trustee has the final say in who receives any benefits payable from the Scheme in the event of your death. They will take your wishes into account though, and having an up-to-date form helps them to make decisions about payment quickly at what might be a difficult time for those you leave behind.

If you’ve not updated your form for a while, or your circumstances change, you can download and complete a new form at **pensions.axa-employeebenefits.co.uk/defined-benefit-section/library**