



Please note: this is a copy of the communication we sent you in October 2023.

Dear member,

We're fixing inequality in the AXA UK Group Pension Scheme (the Scheme)

In May 2023 we wrote to you about our proposed plan to address sex-based inequality relating to Guaranteed Minimum Pension (GMP) benefits in the Scheme.

Please take time to read the following information to find out what we're proposing and how you may be affected.

What we're planning to do

We are proposing to apply a one-off calculation to equalise for and address any sex-based differences arising from any GMP earned between 17 May 1990 and 5 April 1997. This calculation would identify whether, over a member's expected lifetime, the total value of pension built up between 17 May 1990 and 5 April 1997 is less than the equivalent total value that a member of the opposite sex would be entitled to. If so, an uplift would be applied to the value of the member's benefits to address this inequality. While doing this, we are proposing to simplify benefits in the Scheme through a process called GMP conversion.

The process of GMP conversion would involve converting all of the member's GMP (including any GMP built up before 17 May 1990) into a different form of pension.

Using GMP conversion is expected to simplify a member's Scheme pension (and the future administration of the Scheme) and would remove the obligation to comply with complex legislation which applies to GMPs.

Once we've completed the proposed steps above, we would send you a personalised statement showing you how you've been affected. This would show you how your benefits in the Scheme compare before and after GMP equalisation and conversion, including details of how your benefits will increase in the future, compared to how they increase now.

Even if you are not affected by GMP equalisation, if you built up any GMP in the Scheme (including before 17 May 1990), we may be proposing that certain changes are made to your pension as part of a GMP conversion process.

How you could be affected

If you haven't started to receive a pension income from the Scheme, the amount you're due to receive when you retire may increase as a result of GMP equalisation. It's unlikely the expected amount you receive when you retire would decrease and we would contact you in advance to explain this.

If you've started receiving a pension you could see an increase to your income. You might also receive a one-off payment to make up for past pension payments that would've been higher if you were the opposite sex.

In the future, the rate at which your pension increases each year could be slightly different. This would be reflected in any future quotes or statements you receive.

We won't know exactly how you would be affected until we've completed the review of our data and run the required calculations, which will take some time.

You can find more information about the proposed changes in the Consultation Guide included with this letter.

We'll contact you in the future to let you know if you're affected and how.

Have your say

Before we proceed with GMP conversion, we must consult with all potentially affected members about our proposals, which includes you. This consultation period will run from **the date you receive this letter until 15 December 2023**.

You don't have to give feedback on our plans, and you won't need to take any action if the planned changes go ahead, unless you need to provide us with information about any LTA protection you have, as requested on the right.

You can share your feedback with us using Capita's contact details at the end of this letter.

Learn more

Read the Consultation Guide included with this letter to learn more about GMP equalisation.

Visit the Library section on the Scheme website (pensions.axa-employeebenefits.co.uk/defined-benefit-section) where we've got more general information about GMP equalisation and how you could be affected. This includes an animated video and some FAQs.

Any questions?

If you can't find what you're looking for online or have a question about the content of this letter, contact the Administrator, Capita, on **0370 1234 701** or at AXA-pensions@capita.com. Capita will aim to respond to you within 10 working days of receiving your enquiry.

Yours sincerely,



John Manuel
Head of Pensions Administration & Trustee Services
On behalf of the Trustees of the AXA UK Group Pension Scheme

Do you have lifetime allowance (LTA) protection?

Very few members in the Scheme will have LTA protection (e.g. enhanced protection or fixed protection). If you currently have or are planning to apply for LTA protection from HMRC, please let us know using the contact details for Capita below. It's important you provide this information so we can ensure your benefits are correctly calculated and provided.

LTA protection is something you would have requested to set up yourself. You can check if you have LTA protection and find out how to apply online at gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

If you do have LTA protection but don't let us know, there is a risk that you could lose the protection.



AXA UK Group Pension Scheme (the Scheme)

Your guide to our proposal for Guaranteed Minimum Pension (GMP) equalisation and conversion

This guide is intended for deferred members of the Scheme

Contents

Why we need to make changes	4
Contact us	4
How the planned changes will work	5
How you could be affected	5
What will change	6
What happens next	6
FAQs	7

Why we need to make changes

Since 17 May 1990, UK pension schemes have been required by law to provide equal benefits for males and females built up from this date (subject to certain exceptions).

Until recently, there was uncertainty over whether this obligation covered inequalities in a scheme's benefits which resulted from differences in Guaranteed Minimum Pension (GMP), the calculation of which is set out in legislation and is different for males and females.

In 2018, the UK High Court ruled that schemes like ours must take action to address any sex-based differences arising from any GMP earned between 17 May 1990 and 5 April 1997 (after which it was no longer possible to build up GMP).

The process we need to follow to address this is known as GMP equalisation. While doing this, we are proposing to simplify benefits in the Scheme through a process called **GMP conversion**.

This guide explains what we're proposing, how you may be affected and how you can share your questions and feedback with us during the consultation period, which will run **from the date you receive this guide until 15 December 2023**.

Following the end of the consultation period, we'll consider feedback received before confirming how we're going to proceed in a further communication.

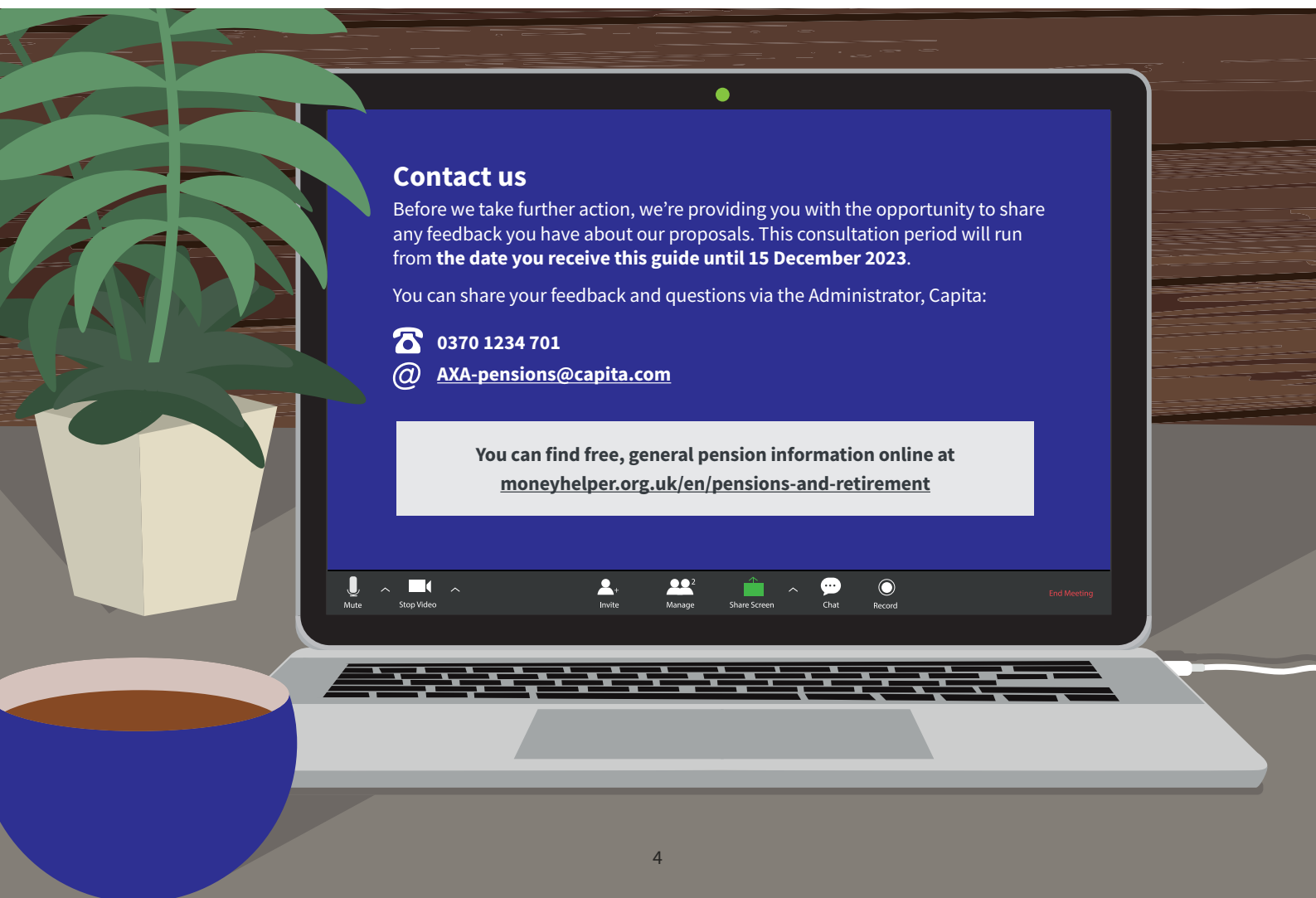


Consulting with you

Before we decide to proceed with GMP conversion, we must consult with all potentially affected members about our proposals, which includes you. You don't have to give feedback on our plans, and you won't need to take any action if the planned changes go ahead, unless you need to provide us with information about any pension tax protections you have (see below). The consultation gives you the opportunity to share any questions or thoughts you may have about our proposal.

Do you have lifetime allowance (LTA) protection?

Very few members in the Scheme will have LTA protection. If you do, you **MUST** share details of your protection with the Administrator, Capita. See page 6 for more information.



How the planned changes will work

Step 1 Equalising past differences	We'll check if you have GMP built up between 17 May 1990 and 5 April 1997. If you do, we'll work out what your current pension would've been if you were the opposite sex for this period. If it works out that you would've been better off, we will adjust your pension record to address this. Reviewing our data and running the required calculations will take several months. See 'What happens next' on page 6 for expected timings.
Step 2 Equalising the future and conversion	We then plan to convert all GMP benefits you have built up in the Scheme into non-GMP pension. We'll do this even if no changes are required to your pension as a result of Step 1. This will remove future sex-based differences in respect of your pension benefits due to GMP built up between 17 May 1990 and 5 April 1997.
Step 3 The outcome	We'll send you confirmation of how you'll be affected in a personalised statement to confirm your revised pension at date of leaving and how it will increase in the future. This will include any corrections or changes to your pension as part of Step 1 or 2.

In the future, when you decide to take your pension (e.g. when you retire), it would include any adjustments to how your pension is made up as a result of the equalisation and conversion process above.

We won't know exactly how you could be affected until we've completed the review of our data and run the required calculations, which will take some time.

How you could be affected

The amount you're due to receive when you retire may increase as a result of GMP equalisation and conversion. It's very unlikely the expected amount you receive when you retire would decrease and we would contact you in advance to explain this.

The proposals may affect the way the pension you built up between 17 May 1990 and 5 April 1997 increases in the future, both before and after you retire, but the total value of your pension will not be reduced. Your pension post-conversion will be of at least equivalent value to your current pension.

The way we work out future increases to your pension may change once it's in payment

In line with the Scheme Rules, different parts of your pension will increase in slightly different ways, and some parts may not increase at all. For most members this is likely to include the following:

- An increase to the pension you built up between the date you left the Scheme and when you retire and start receiving your pension.
- An annual increase once your pension is in payment.

If the changes go ahead, you will be provided with a personalised statement setting out your post-conversion pension. We expect this to be issued in Spring 2024.

Producing personalised statements is a complex process and would take some time. In order to produce such statements, for each relevant member, we would need to review historical data, run various calculations and identify how benefits are affected. It is for this reason that we don't expect to be in a position to issue such statements before Spring 2024.

What will change

The guide we sent you in October 2023 includes additional information on how GMP conversion **may** impact the structure of members' benefits. If you need a replacement copy please let us know using the contact details on page 4.

What happens next

October 2023	<p>Read this booklet to learn about our proposals for GMP equalisation and conversion and send us any comments or questions by 15 December 2023. Comments shared after this will not be included in the next stage of the process.</p> <p>You can find details of how to share your feedback and questions at the end of this guide.</p>
December 2023	<p>We'll consider any feedback on our proposal before deciding whether to proceed with GMP conversion.</p> <p>We'll write to you to share the outcome of the consultation at a later date.</p>
Spring 2024	<p>If we proceed as planned, we will prepare personalised statements to confirm your new pension once the consultation process is complete. Due to the number and complexity of the calculations, this will take a while.</p> <p>If you retire before we've implemented conversion, your pension will, subject to the outcome of this consultation, be equalised and converted in payment (and we would expect to provide you with a personalised statement setting out your post-conversion pension in Spring 2024). The principles followed would be the same as outlined in the guide we sent you in October 2023 – which includes additional information on how GMP conversion may impact the structure of members' benefits.</p>

Do you have lifetime allowance (LTA) protection?

If so, you MUST share details of your protection with the Administrator, Capita, as soon as possible.

At the March 2023 Budget, the Chancellor announced that LTA tax charges will be abolished from 6 April 2023 (and therefore LTA charges are not currently expected to arise in relation to this tax year or future tax years); however, we are taking the opportunity to request that you inform the Administrator of any LTA protections you may have, so that if action does need to be taken to avoid the loss of LTA protection for any members, the Scheme is informed as to which members have such protections.

LTA protection (e.g. enhanced protection or fixed protection) is something you would have set up yourself. We do not expect that most members will have it, as it protects total pension savings of at least £1 million (equivalent to a total pension of around £50,000 per year).

It is your responsibility to tell us about any LTA protection. If you have LTA protection and don't let us know, you could lose your protection and could be subject to additional tax charges.

Please let us know as soon as possible, and Capita will add this information to your record so it can be taken into account should we proceed with our proposed plans.

You can check if you have protection and find out how to apply online at gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

Frequently asked questions

What is GMP?

A member's Scheme pension is made up of different elements. One of these elements can be GMP.

GMP is the Guaranteed Minimum Pension the Scheme had to provide to certain members between 6 April 1978 and 5 April 1997.

During this period, certain members were contracted out of the earnings-related element of the state pension, meaning they built up little to no entitlement to this part of the state pension. At the same time, members and their employer paid lower National Insurance contributions. In return, the Scheme had to provide GMP for members, which was intended to be broadly equivalent to the earnings-related state pension they would have received had they not been contracted out for this period.

The legislation that sets out how GMP builds up, when it's paid and how it increases in payment reflects how the state pension worked at the time. Therefore, because the state pension was unequal for males and females, GMP was also unequal. GMP is calculated differently for males and females and is payable from a set age (60 for females and 65 for males).

Furthermore, because GMP forms part of the Scheme pension, differences in GMP between males and females can lead to unequal overall pensions for members.

What is GMP equalisation?

GMP equalisation is the work UK pension schemes like ours have to do as a result of a UK High Court ruling. It equalises benefits earned in the period between 17 May 1990 and 5 April 1997 to correct for the inequalities of GMPs. The process ensures that GMP built up by 'contracted out' members between 17 May 1990 and 5 April 1997 (the period in which GMP equalisation is required), is adjusted (where necessary) so that both sexes are treated the same way.

Why is it only GMP that you are looking to equalise?

Following the ruling by the European Court of Justice on 17 May 1990, pension schemes (like ours) have been required to provide equal benefits for males and females from the ruling date onwards. However, it was unclear as to whether schemes were required to remove sex-based inequalities resulting from GMP. This was clarified by the High Court in 2018, in a judgment involving the Lloyds Banking Group pension schemes and as a result, schemes like ours must carry out GMP equalisation.

How can GMP equalisation be achieved in respect of future benefits?

In summary, the UK High Court approved two different approaches to equalising future benefits. One approach, involves the ongoing monitoring of the member's own benefits against the benefits they would have received between 17 May 1990 and 5 April 1997, had they been the opposite sex.

The other approach allowed under UK law allows the Scheme Trustee, with the consent of the Company, to do something known as GMP conversion.

What is GMP conversion?

GMP conversion involves a one-off adjustment to benefits, by replacing any GMP benefits with other non-GMP benefits in the Scheme. This adjustment can then account for and remove the sex-based differences in pension benefits arising as a result of GMP built up between 1990 and 1997. This process is called 'GMP conversion'. It removes the requirement for ongoing monitoring of the member's own benefits against a member of the opposite sex and potentially simplifies the future administration of the Scheme, as the rules relating to GMP can be complex (and can restrict how certain Scheme benefits are taken).

What is required for GMP conversion?

The key legal requirements for GMP conversion are that:

- pensions in payment at the date of GMP conversion cannot decrease,
- the value of the pension after the GMP conversion date must be at least the same as the value of the pension before the GMP conversion date (based on assumptions about the future, such as life expectancy, and guidance from our advisers),
- the Scheme Trustee must take all reasonable steps to consult with affected members, and
- the Company gives its consent.

Is it legal to change benefits in this way?

Yes, the Pension Schemes Act 1993 allows GMP conversion. The 2018 High Court ruling confirmed that achieving GMP equalisation as part of a GMP conversion exercise is lawful.

What is the Company's view?

Implementing GMP equalisation via GMP conversion requires Company consent, and the Company has confirmed it supports converting GMP into non-GMP pension.

Could GMP conversion not proceed as planned?

Yes. In the event this occurs, you would be informed of this outcome.

Will this change how much my pension goes up by every year before I have retired?

Yes, before conversion, the GMP part of your pension would have increased at a different rate to your non-GMP pension. For the majority of members, the change means all your former GMP benefits will be increased in line with your Pre 6 April 1997 non-GMP pension. See the illustration of a typical member's pension in the guide we sent you in October 2023. If you need a replacement copy please let us know using the contact details on page 4.

What about GMP equalisation in respect of past benefits?

If you're being paid a pension when your GMP is converted, there may also be a one-time payment to make up the shortfall in past payments, if GMP equalisation means you would've received more pension since retirement had you been of the opposite sex.

What is the annual allowance?

The annual allowance is the maximum total increase allowed to all your pension benefits in one tax year before you incur a tax charge. It covers increases to any defined benefit pensions you have, as well as contributions made by you and an employer to any defined contribution pension schemes you belong to. The annual allowance provisions will not usually apply in relation to a pension scheme where you became a deferred member prior to 6 April 2006 and have remained a deferred member since then.

If you go above the annual allowance, you may have to pay a tax charge on the excess known as an 'annual allowance charge'. For the current tax year, the annual allowance is £60,000 for most people. If you take money out of a defined contribution pension pot, for example, as a taxable cash lump sum, you will generally have a reduced annual allowance. This is known as the money purchase annual allowance. The Government announced in March that it would be increasing the money purchase annual allowance to, £10,000 with effect from 6 April 2023.

There is a special reduced (or 'tapered') annual allowance for high earners. Currently, this is only expected to apply to you if, broadly, both your taxable income for the year is over £200,000 and your taxable income plus the pension contributions, paid by you and your employer, are over £260,000.

You can find out more at pensions.axa-employeebenefits.co.uk/contributions (select 'Contribution limits').

Why could GMP conversion affect my annual allowance usage?

Ordinarily, the Administrator would have to calculate the increase in the value of your pension over each tax year. This is known as your 'pension input amount'. Your pension input amount is then tested against your annual allowance. As noted above, an annual allowance charge may be due on any pension input amount above your annual allowance.

For certain deferred members, legislation deems the pension input amount to be zero, meaning that no calculation is required by the Administrator and no annual allowance charge can arise.

However, due to a technicality in the legislation, GMP conversion is likely to mean that the pension input amount is no longer deemed to be zero. Therefore, the Administrator DOES have to calculate the pension input amount and test it against your annual allowance. Although rare, in some cases the pension input may exceed your annual allowance incurring an annual allowance charge in the tax year of conversion.

Tax can be a complicated area to understand, and it is your personal responsibility to ensure you pay the correct amount. Neither the Scheme Trustee nor its advisers are able to provide you with tax advice. If you need help understanding how this affects your personal tax circumstances, you may wish to contact a professional adviser. You can find a regulated financial adviser in your area by visiting moneyhelper.org.uk and searching for 'retirement adviser'. Or you can call MoneyHelper on: 0800 011 3797.

Would GMP conversion change how much my pension goes up by every year after I have retired?

Yes, your future pension increases could change as a result of GMP conversion. However, our aim is to base each member's pension increases on the existing pension increase structure. The main change is that:

- currently, when you reach GMP payment age (60 for women and 65 for men), your pension will be split between GMP and non-GMP. These elements increase in payment differently; whereas,
- after GMP conversion, there will be no need to split your pension at GMP payment age.

Are all members affected?

No. Only members with a GMP part to their pension are affected by GMP conversion and only those with GMP built up between 17 May 1990 and 5 April 1997 are potentially affected by GMP equalisation. Most members will see little or no overall change to their pension.

Why now?

Like most UK pension arrangements with GMPs that need equalising, we've been considering the approach to GMP equalisation since a ruling by the UK High Court in 2018.

The process to review and adjust pension benefits is complex, with many factors involved. We wanted to be clear that the proposed approach was right for the Scheme and for our members. Now we have what we need, we're sharing our plan with you for consultation before any final decision is made to proceed with GMP conversion.

This booklet outlines the proposals for GMP equalisation and conversion. It's intended for consultation only and is not legally binding, nor does it create any benefit entitlement. The provisions governing the Scheme are set out in the Scheme's Trust Deed and Rules, which override this guide. The benefits provided by the Scheme are subject to HM Revenue & Customs' rules.

Neither the Scheme Trustee nor its advisers are able to provide you with financial advice. Nothing in this document or accompanying materials is intended to be or should be considered financial advice.