



# TRUSTEE REPORT 2017



AXA UK Group Pensions newsletter

For active members of the Defined Contribution (DC) Section in the UK & Ireland

Your investment options



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Latest Scheme news



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Summary Funding Statement



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## Scheme grows by £110 million over year

The Trustee produces a full set of financial accounts each year, which show 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 below.

### A word from the Chairman



It is a pleasure to present the latest update from the Trustee of the AXA UK Group Pension Scheme to the members of the Defined Contribution (DC) Section.

In our last issue, we talked about how our focus for 2017 was about improving our existing communications to members. This has included regular communications, targeted email messaging and the Pension Roadshows, as well as the refreshed pensions website. Whilst this is an ongoing process we hope that you have found the regular updates useful and informative. Why not visit the new AXA pensions website now? Go to [pensions.axa-employeebenefits.co.uk](http://pensions.axa-employeebenefits.co.uk).

This year we launched a new 2017 Section for new joiners, but as we reported at the time, existing DC active members can switch to this section if they want to. For more information on the 2017 Section and what it might look like for you, there are details inside.

You'll see the main headline this year is the growth in the Scheme. This is taken from the Trustee's formal Report and Accounts, showing you the payments into and out of the Scheme over the year.

We featured an article last year that there is now a requirement to report on how the Scheme meets the governance standards set by the Pensions Regulator. The scoring is on a scale of 1 to 5, with 5 being the best rating. We're pleased to say that the Value for Member rating has improved this year from 4.3 to 4.5.

Finally, there have been some changes to the Trustee Board. Ben af Forselles completed his second term of office at the end of October and Yvette Lloyd left AXA in October; both have resigned as Member Nominated Directors (MND). Ken Smith, who recently retired from AXA, was appointed as an MND with effect from 25 October 2017. We also appointed both Anna O'Donoghue and Nirali Patel as MND in January 2018.

I hope you find this new look and feel Trustee Report interesting and useful in helping you to understand how the Trustee is managing your Scheme. If you have any comments or suggestions for what you would like to see covered in future issues, please get in touch with us using the details on the back page.

Stephen Yandle | Chairman of the Trustee

### Need some jargon busting?

We've tried to ensure this Report is as easy as possible to understand, but if there are any terms inside that you don't understand, refer to the FAQ section of the AXA pensions website where you will find an article called 'jargon buster': [pensions.axa-employeebenefits.co.uk/en/frequently-asked-questions/jargon-buster](http://pensions.axa-employeebenefits.co.uk/en/frequently-asked-questions/jargon-buster)

### Summary

Value of DC Section on 1 April 2016	£492 million
+ Money in less money out	£40 million
+ Net return on investments	£70 million
= Value of DC Section on 31 March 2017	£602 million

## £69.5 million

### Total money in

Company contributions	£58.8 million
Members' contributions	£2.5 million
Transfers in	£7.6 million
Other income	£0.6 million

## £29.2 million

### Total money out

Retirement and death benefits	£3.4 million
Payment to leavers	£25.8 million

During the year, confidence was strong in investment markets due to economic growth in the US and Europe, and strong earnings from companies. As a result, growth markets (such as property and stock markets) continued to perform well. With a modest interest rate rise from the Bank of England and predictions for further small rises next year, defensive assets (e.g. Government bonds) didn't perform so well, but on average over the past three years, have still had strong growth. Overall, this resulted in a period of significant growth for the Scheme.

If you would like to see a copy of the full Report & Accounts, you can request one from **Rebecca Shevill**, Head of Pensions Administration and Trustee Services, using the contact details on the back page.

## Introducing the new AXA pensions website

Last year we reported that the website was under review. We are pleased to report that it is now up and running.

### Five reasons to visit the site now.

1. No password necessary!
2. Age-related navigation, directing you to the information that's relevant to you at each step of your retirement savings journey.
3. Interactive contribution calculator that shows you instantly the net cost of saving more into your pension.
4. Videos to help you understand your pension better.
5. Easy access to news, guides and TargetPlan – the place to manage your DC Account online.

Go to [pensions.axa-employeebenefits.co.uk](http://pensions.axa-employeebenefits.co.uk)





# Investment matters

The Trustee objective is to make available a range of investment options designed to generate income and capital growth, offering an appropriate level of risk and return.

During the year, in line with market movements, most of the investment funds available to you (see below) rose in value, except the UK Corporate Bond and Gilt funds which reduced. However, for anyone considering buying a guaranteed income ('annuity') at retirement, a fall in the price of Government and corporate bond funds means that the cost of purchasing an annuity also falls.

## Invest to grow your DC Account

You have **two** options for investing your DC Account:

### 1. Do it for me

If you don't want to make your own investment choices, your and AXA's contributions are invested in the Scheme's default option, which is the Drawdown Lifecycle Strategy.

Alternatively, you can invest in the Annuity Lifecycle Strategy, which is designed for members planning to secure a guaranteed income ('annuity') at retirement. Both options automatically invest in funds which are considered the most appropriate for your age and the amount of time left until your expected retirement date. As you get closer to retirement, your investments are moved from 'higher risk' funds (which have higher potential for growth) into funds with a lower risk of losing value.

### 2. Leave it to me

If you prefer to make your own investment decisions, you can 'go Freechoice' and choose from a select range of investment funds, provided by BlackRock Life Limited.

These are funds which have been specially created for the Scheme and cover a wide variety of markets, investment types and styles. You can select a mix of funds that suits your personal needs. There are 18 funds to choose from:

Fund	Type	Total Expense Ratio % p.a.	12 month performance* %
Emerging Markets	Active	1.03	37.8
Overseas Equity	Passive	0.19	33.3
Global Equity	Active	0.83	29.7
Global Equity	Passive	0.22	20.2
Socially Responsible Investment	Passive	0.48	31.9
Shariah Law	Passive	0.48	29.3
UK Equity	Active	0.95	12.9
UK Equity	Passive	0.19	21.8
Framlington UK Select Opportunities	Active	1.02	9.5
Property	Active	0.97	1.4
Architas Diversified Real Assets	Active	1.29	n/a
Diversified Growth	Active	0.71	6.5
Architas Multi Asset Passive Moderate	Passive	0.63	15.5
Absolute Return Bond	Active	0.71	1.6
UK Corporate Bond	Passive	0.20	9.1
UK Long Index-Linked Gilts	Passive	0.19	21.8
UK Long Gilts	Passive	0.20	12.2
Cash	Active	0.18	0.3

\* To 31 March 2017. Past performance is not an indicator of future performance; investments will go up as well as down.

## General Data Protection Regulation

On the 25th May 2018, the General Data Protection Regulation (GDPR) comes into effect. This will make significant changes to the existing laws on data protection, giving individuals more rights regarding their personal data and putting more responsibility on organisations which hold and process personal data.

The Trustee of the Scheme is working closely with its internal and third party service providers to ensure that all member data will be held and processed in compliance with the GDPR. The Scheme's privacy notice is enclosed with this newsletter and will also be made available on the Scheme's website at [pensions.axa-employeebenefits.co.uk](https://pensions.axa-employeebenefits.co.uk).

Almost 24,000 members and still growing

On 31 March 2017 there were almost 24,000 members in the Defined Contribution Section of the Scheme.



	2016	2017
Active members	11,050	10,334
Deferred members	11,821	13,587
Total	22,871	23,921

## On the Road(shows)

1,300 people over 20 locations attended this year's Pension Roadshows. If you were one of them, we want to hear your feedback. Some of you said:

- "I am a complete novice when it comes to understanding my pension options. The roadshow was well presented and I felt at ease to ask questions even if I appeared silly. I feel much more in control now than I did before. Thank you."
- "The roadshow itself was incredibly informative, in a jargon-free way and had really good activities which brought some of our options to life."
- "The recent roadshow is the best one I have ever attended. It really helped me to understand retirement options & more!"

We will be running these again during 2018, so keep an eye out for notices of when they are near you.

## Flexible pension access could mean lower savings allowance

When the Government introduced the new pension flexibilities, they also introduced the Money Purchase Annual Allowance (MPAA).

This is aimed to discourage individuals from seeking to abuse the new rules to avoid tax and National Insurance Contributions by introducing a lower Annual Allowance. The MPAA only applies if you have accessed any of your pension savings flexibly and was previously set at £10,000. On 6 April 2017 the Government reduced this allowance to £4,000. If you want to know more about the MPAA and whether this might affect you, visit the AXA pensions website.

## BlackRock DC sell to Aegon UK

BlackRock have decided to sell their UK defined contribution (DC) platform and administration business to Scottish Equitable PLC (a subsidiary of Aegon UK).

This proposed transaction, also known as a Part VII transfer, will be carried out in accordance with regulatory requirements and also requires BlackRock to obtain approval from the Court. The legal approval process for the transfer to Aegon is designed to help safeguard your interests. At this stage we do not have confirmed dates for the process but we expect the Part VII to be completed in 2018.

You will receive more information closer to the deal completion date, but in the meantime, there are no changes to the BlackRock contact information, TargetPlan or your investments in the Scheme.



# Scheme noticeboard

Top news highlights for 2017

## What is the 2017 Section?

In July 2017, we told you that a new section of the AXA UK Group Pension Scheme was open from 1 September 2017\*.

New employees will automatically join this section. However, you can choose to switch to this section if you wish to.

### How does this compare to the 2008 Section?

	2008 Section	2017 Section
Contributions	Based on your age and service; more generous at older ages	AXA matches your contribution plus 3%, up to a limit
Life cover	10 x salary	10 x salary
Total incapacity benefits	1.25% of final pensionable salary for each year of prospective service to age 65	No benefit provided
Incapacity benefits	DC Account used to provide immediate retirement benefits	DC Account used to provide immediate retirement benefits

As all circumstances are different, it's important to understand whether the switch is right for you. **Once you switch you cannot switch back to 2008 Section at any future date.** Visit the AXA pensions website for more information.

\*Northern Ireland employees can choose to switch from 1 January 2018.

## Change is coming

Auto Enrolment legislation change is coming, with the minimum **total contribution requirement** increasing to 6% from April 2018. This does not affect the Scheme as AXA's standard contribution meets the requirements.

## Manage your DC Account online with TargetPlan

Why wait for your benefit statement? You can do everything online! As well as being able to track your investments and contributions, you can model your future retirement income with myPath. You can even add in any other pensions or savings you may have, to create a complete picture of your future. Access TargetPlan via the AXA pensions website to:

- See your current fund value
- See where you are invested and make switches in investments if you want
- See your retirement age, and change it if necessary
- Produce a statement (to see what has been received during a period)
- Use the retirement model to come up with a retirement strategy:
  - (a) What income do you think you'll need?
  - (b) See if you can reach that target and
  - (c) Build a plan to get you there (i.e. extra contributions or increase your retirement age)



## How will you use your savings?

New legislation introduced in April 2015 gives you more flexibility and choice in how you use your DC pension savings at retirement.

You can now use your DC Account after age 55 in different ways, to suit your lifestyle, taking it in any combination of these three ways:



In April 2017, the Government announced that over £10 billion has been cashed in from pension pots since the 'pensions freedoms' were introduced in April 2015, with people choosing to use their savings in a way that best suits their financial circumstances.

It's important to remember that how you choose to use your DC Account when the time comes is a decision that should be made based on your own individual circumstances. If you are starting to consider accessing your pension savings then you may wish to seek independent financial advice and/or take advantage of the Government funded guidance service, Pension Wise.

[pensionwise.gov.uk](http://pensionwise.gov.uk).

## Don't let the scammers sting!

Thousands of people in the UK have lost their life savings after falling for a pension scam.

With 'pensions freedoms' you can access your savings in new ways, and this means scammers will try to lure you with promises of upfront cash and one-off deals.



**Follow the Pension Regulator's five steps on how to protect your pension:**

### 1) If you think you've been scammed – act immediately!

If you have already signed something that you are now unsure about, contact your pension provider straight away. They may be able to stop a transfer that has not taken place yet. Then call Action Fraud on 0300 123 2040 to report it.

If you have doubts about what to do, ask The Pensions Advisory Service (TPAS) for help. Call them on 0300 123 1047 or visit the TPAS website for free pensions advice and information.

### 2) Cold called about your pension? Hang up!

Unsolicited phone calls, texts or emails about your pension are nearly always scams. Scammers will often claim that they are from Pension Wise or other Government-backed bodies. These organisations would never phone or text to offer a pension review.

### 3) 'Deals' to look out for

Beware of unregulated investments offering 'guaranteed returns'. These include exotic-sounding investments like hotels, vineyards or other overseas ventures, and deals where your money is all in one place – and therefore more at risk. Visit the FCA's ScamSmart website to see if the deal you are being offered is a known scam, or has the hallmarks of a scam. Do not be rushed into making a decision.

Scammers will try to pressure you with 'time-limited offers' or send a courier to your door to wait while you sign documents. Take your time to make all the checks you need – even if this means turning down an 'amazing deal'.

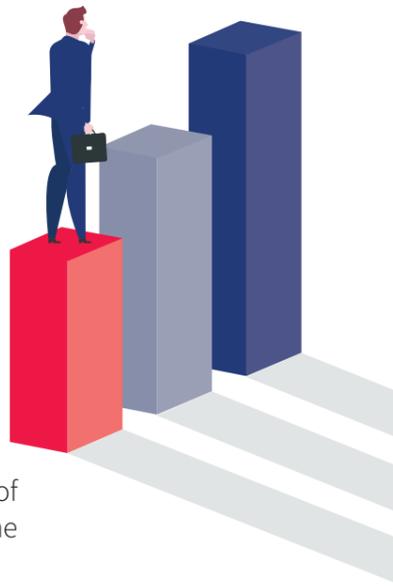
### 4) Using an adviser?

Make sure that they are registered with the FCA. Scammers sometimes pose as financial advisers. Check your adviser is registered on the FCA website and that they are authorised to give advice on pensions. If you deal with someone who is not regulated you may not be covered by the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong. And do not be taken in by smart brochures or websites even if they claim to give warnings about scammers. Professional-looking marketing materials are not a guarantee of a company's authenticity.

### 5) Do not let a friend talk you into an investment

Check everything yourself. People have fallen for scams because they had been recommended by a friend. Do your homework, even if you consider yourself or your friend to be financially savvy. False confidence can lead to getting stung and with a pension, it might be years before you discover you have been scammed.

# Pension shortfall reduced by half in three years



This latest Summary Funding Statement looks at the financial position of the Scheme's Defined Benefit (DB) Section. As you are a member of the Defined Contribution (DC) Section, **it is not directly relevant to you.**

Your pension savings are completely separate from the DB Section. However, the law says we have to send you this statement just in case you ever qualify for an incapacity pension from the Scheme, which would be paid out from the DB Section.

The latest formal actuarial valuation as at 31 March 2015 showed that the assets of the Scheme (which included the value of the asset backed funding arrangement) could be expected to cover around 91% of the liabilities. This represented a shortfall of assets of around £452 million.

As we've told you previously, the Trustee and the Company have agreed a recovery plan to eliminate the ongoing funding deficit. Under this recovery plan, annual deficit contributions of £76 million have been paid into the Scheme since January 2016 (some of which have been and will be received from the asset backed funding arrangement). This recovery plan is expected to eliminate the 31 March 2015 ongoing funding deficit by 31 March 2025. In the normal course of events, these contribution rates will be reviewed as part of the 31 March 2018 full actuarial valuation.

In addition to the above deficit payments, the Trustee has retained funding guarantees from AXA UK and AXA SA to the Scheme to provide additional security to support the recovery plan if the participating employers are not able to make the contributions due, subject to certain limits.

## What is an actuarial valuation?

An actuarial valuation 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 that will come into payment in the future.

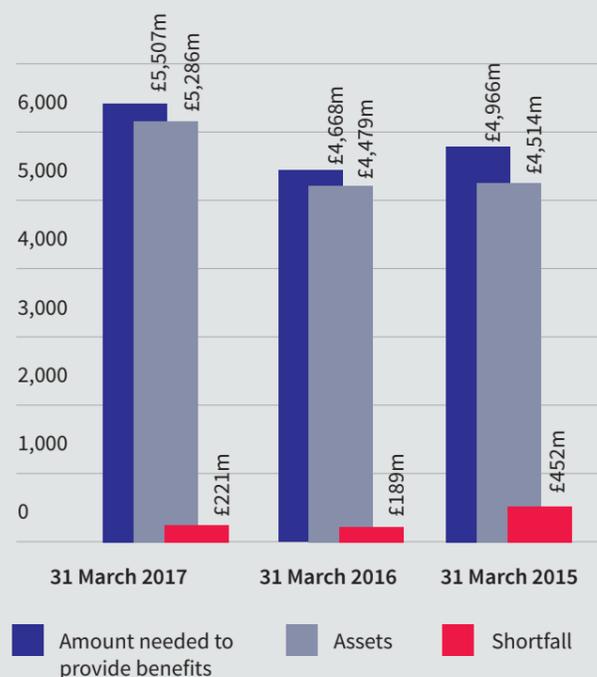
## Change in funding position as at 31 March 2017

The chart opposite shows the results of the 2017 funding update, compared to the results for the 31 March 2015 valuation and funding update as at 31 March 2016. All asset figures include the value of the asset backed funding arrangement.

The main factors contributing to the reduction in the ongoing shortfall over the last year were the fall in expected future returns on the Scheme's assets, as well as an increase in inflation over the period, offset by the greater than expected returns on the Scheme's assets over the period, and the Company's payment of annual deficit contributions.

A formal valuation of the Scheme's finances will be carried out as at 31 March 2018 and we expect to communicate the results of the valuation to you in 2019.

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



## The position if the Scheme was to close

The Scheme is a long-term venture, but the Trustee must look at the funding not just for the future, but also what the position would be if the Scheme was closed, or 'wound up', although there is no current expectation that this will happen. If the Scheme was '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, while the Scheme remains ongoing, 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 funding arrangement, the additional amount needed to ensure that all members' benefits could be paid in full was around £3.1 billion as at 31 March 2017. You should note that if the Scheme was 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 was wound 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](http://pensionprotectionfund.org.uk) or from Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

## The Pensions Regulator

The Pensions Regulator has powers under the 2004 Pensions Act to intervene in the funding of a pension scheme. The Scheme has not been modified by the Regulator, is not subject to any directions from the Regulator and 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 (AXAPTL). During the year there were seven Directors:

### Company appointed

Andrew Bradshaw, Ross Trustees Services Limited  
Dianne Chua  
Stephen Yandle (Chairman of the Trustee)

### Member nominated

Ben af Forselles (resigned 31 October 2017)  
Yvette Lloyd (resigned 24 October 2017)  
Ken Smith (appointed 25 October 2017)  
Anna O'Donoghue (appointed 18 January 2018)  
Nirali Patel (appointed 18 January 2018)

### Independent

David Felder, The Law Debenture Pension Trust Corporation plc

Good bye...

...and a huge thank you to Ben af Forselles who is retiring from the board after six years. We thank him for his dedication and service.

## Keeping in touch

If you have a question about your benefits in the Scheme, please contact BlackRock.

**BlackRock (Aegon), PO Box 705, Peterborough PE1 1ZL**

**Helpline:** 0345 603 4048

**Email:** [axa-pensionsadmin@aegon.co.uk](mailto:axa-pensionsadmin@aegon.co.uk)

If you have any concerns that cannot be dealt with by BlackRock (Aegon), or if you wish to give us your comments or suggestions on this Report, please contact the AXA UK Pension Team:

### Rebecca Shevill

Head of Pensions Administration and Trustee Services  
020 7920 5164  
[rebecca.shevill@axa.co.uk](mailto:rebecca.shevill@axa.co.uk)

### John Manuel

Pensions Manager  
020 7920 5621  
[john.manuel@axa.co.uk](mailto:john.manuel@axa.co.uk)

### Edward Mardle

Pensions Consultant  
020 7920 5162  
[edward.mardle@axa.co.uk](mailto:edward.mardle@axa.co.uk)

### AXA pensions website

[pensions.axa-employeebenefits.co.uk](http://pensions.axa-employeebenefits.co.uk)

## Advisers

The Trustee has appointed the following specialist advisers to help them run the Scheme's DC Section:

### Actuary

Jonathan Howes, FIA Towers Watson Limited

### Independent Auditors

KPMG LLP

### Administrators

BlackRock Life Limited

### Investment Advisers

Hymans Robertson LLP

### Legal Advisers

Travers Smith LLP



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.