Frequently Asked Questions

This document should be read with the information booklet "A guide to the proposed changes" which has been sent to you and can be downloaded from **pensions.axa-employeebenefits.co.uk/mastertrust** (please note that you will need a password to access this area of the website which can be found in the email and letter sent to you about these proposals).

For the purposes of this FAQ, the term "AXA" shall be read to refer to the company in the AXA Group which is your employer. The full list of employing entities in respect of these proposals are: AXA UK Plc, Architas Ltd, AXA Assistance (UK) Limited, AXA Travel Insurance Ltd, AXA Business Services (Private) Limited, AXA Global Healthcare (UK) Ltd, AXA Group Operations UK Ltd, AXA Group Services Limited – Ireland, AXA ICAS Limited, AXA Investment Managers Limited, AXA Liabilities Managers (UK Branch), AXA Partners Services Limited, AXA PPP Healthcare Group Ltd, AXA Services Ltd, AXA Strategic Ventures Europe, Health-on-Line Company UK Ltd, PPP Taking Care Limited and The Permanent Health Company Limited.

1. Why is this happening?

Your pension arrangements are a very important part of your benefits package. Like all companies, AXA regularly reviews the benefits that it offers its employees. We want to ensure that we're offering a pension scheme that's flexible, future-proofed and suitable for the different ways that members of the Scheme can now take their pension benefits at retirement.

Following a recent review of the current arrangement, which we undertook with our specialist advisers and the Trustee, we've decided that now would be the right time to introduce a new scheme that is able to offer you high quality online facilities, a strong range of investment options and easy access to a wider range of options at retirement.

The pensions landscape has changed significantly in recent years, resulting in increased regulation of DC arrangements like the DC section of the current Scheme. A Master Trust provides the opportunity for participating employers, like AXA, to contract the operation and governance of our DC pension plan to external experts, significantly reducing time, cost and risk, without sacrificing quality.

2. Do I need to do anything?

You don't need to do anything if you don't want to; however, we would encourage you to read the materials you have been sent to understand the changes we're proposing and, if you would like to provide feedback about the proposed changes during the consultation period, you can send an email to our dedicated consultation inbox at **axamastertrustuk@axa-uk.co.uk**.

Please do not use this email address to ask questions about your specific circumstances. If you have specific questions about your pension please contact the AXA UK Pensions Team at **pensions.uk@axa.co.uk**. We will consider all feedback and will provide regular updates to these frequently asked questions throughout the consultation period.

The consultation period will run from 10 February to 10 April 2020. We'll write to you again in April 2020 once the consultation period has ended and a final decision has been reached.

3. What is a Master Trust?

A Master Trust is a type of trust-based pension scheme in which multiple employers can participate. There is one trustee and a single trust structure but there are multiple separate sections which relate to different employers (who are generally not associated with each other). Each of the separate sections of the Master Trust has its own bespoke requirements and benefit structure. Although many different employers participate, membership is set up and administered separately for each organisation, so AXA would have its own section in the Master Trust.

AXA UK Plc would continue to be involved in the governance of the new arrangement and would set up a governance committee with responsibility for monitoring the investments and administration of the Master Trust in the interests of AXA members.

A Master Trust is subject to a high level of governance and a strict regulatory regime. It has to go through a detailed authorisation process with the Pensions Regulator and as part of that it has to prove that it meets various standards in relation to its systems, processes and finances. Once the Master Trust is authorised it is then subject to continued supervision from the Pensions Regulator which is designed to ensure that the Master Trust continues to meet the authorisation standards and ongoing criteria.

More information about Master Trusts can be found in the information booklet you have been sent.

4. If the changes go ahead, who will provide the new Master Trust and why were they selected?

Having undertaken a detailed selection process, we have decided that, should the proposed changes go ahead, the new Master Trust would be LifeSight, provided by Willis Towers Watson (WTW).

LifeSight is a growing Master Trust provider with 12 existing participating employers of a similar scale to AXA. It has a clear plan to grow the assets under the Master Trust but with a focus to on-board quality employers rather than simply increasing quantity of employers/assets. Assets are currently c.£3bn and it has publicly stated that it expects this to grow to c.£10bn over the next two years. WTW administer pension schemes for many large DC clients and therefore have extensive experience in this area. The Lifesight administration team have consistently achieved high service levels to date (over 95%). There is an independent and diverse trustee board with differing but complementary skill sets, acting on behalf of the members. The support at retirement is comprehensive and easy for members to use. LifeSight offers both guidance and free financial advice for all members, via an independent third party provider.

Formal selection is subject to successful satisfaction of the employee consultation.

You can read more about LifeSight in the information booklet you have been sent or by visiting **www.lifesight.com**.

5. Is the Master Trust safe?

The Pension Schemes Act 2017 introduced a new regime for the authorisation of master trusts which came into force from 1 October 2018. To become authorised the Pensions Regulator (TPR) must be satisfied that the scheme meets the following criteria:

- the persons involved in the scheme are fit and proper;
- the scheme is financially sustainable;
- each scheme funder meets specified requirements;
- the systems and processes used in running the scheme are sufficient to ensure that it is run effectively; and
- the scheme has an adequate continuity strategy.

Members should take comfort from the extensive regulatory regime that sits around the Master Trust and the fact that The Pensions Regulator is responsible for their supervision.

6. What will happen to the money I have already saved in the DC Section of the Scheme?

If the proposals go ahead, the Master Trust arrangement would replace the DC section with no impact on the level of pension savings you have already built up in the Scheme.

The pension savings you've already built up in the Scheme would stay there until they are also transferred to the Master Trust. If AXA decides to proceed with the proposed changes, the Trustee will write to you about transferring these benefits into the Master Trust. It is anticipated that this transfer would be made shortly after 1 May 2020.

7. What options will I have at retirement?

Both the current Scheme and the proposed Master Trust are DC pension schemes.

In a DC pension scheme, you have your own personal account. While you are contributing, you build up a pot of money in that account which you can use to provide you with benefits once you retire. AXA also makes contributions to your account, which helps it grow. The money in your account is invested, with the aim of helping it to increase in value. The value of your account will fluctuate over time in line with how your investments perform. You can choose where your account is invested from a range of options.

At retirement, you can choose what kind of income you want your account to provide:

- An Annuity (a guaranteed income for life): You could use the value of your account to buy an annuity. This is an insurance product which guarantees you an income for life. There are different types of annuity available.
- Drawdown (flexible income as and when you need it): You could enter into a drawdown arrangement. This is where your account remains invested and you withdraw money from it as and when you need it.
- Cash: You could take the whole or part of your account as a cash lump sum.

Whatever option you choose, you can take up to 25% of the value of your account (or the part of your account that you are using) as a tax-free cash lump sum. The rest of your money is taxed as income as you receive it. You can also choose a mix of the options – for example, buying an annuity with some of your account and using the rest for drawdown.

While the options you have at retirement would not change as a result of the proposals, one of the key benefits of the proposed move to a Master Trust for members would be the improved access to all of the retirement options above. Under the current DC section of the Scheme, in order to take up the drawdown option, members have to transfer to a drawdown arrangement outside of the Scheme as it does not provide this option. The Master Trust would be able to facilitate the income drawdown option.

8. Can other pensions be transferred into the Master Trust just as they can be into the current scheme?

Yes, you can transfer in other pensions whilst an active member of the Master Trust and also if you leave employment and become a deferred member. This would be subject to the requirements and rules of the Master Trust.

9. Will my contribution rates change?

If the proposed changes go ahead, your current pension contribution rates (yours and AXA's) would be unaffected and would continue as they are today, unless you choose to change your personal contribution. The only change would be that any future contributions would go into the new pension arrangement under the Master Trust.

10. Would bonus sacrifice still be available?

Yes, if this option is currently available to you, it would still be available under the proposed Master Trust. Any bonus sacrifice made in March 2020 would be invested in the current Scheme but would then be part of the bulk transfer of existing savings into the new Master Trust.

11. Can I change my investment funds under a Master Trust? What investment choices will I have?

The investment options under the proposed Master Trust are currently being considered. However, you would still have the same ability to change your investment options between those available under the Master Trust.

The Master Trust Trustee has overall responsibility on the management and monitoring of investment performance. However, should the change go ahead, there would also be an AXA internal governance process put in place to monitor these.

Further details on the potential investment choices will be provided later in the consultation process.

12. What does this proposed change mean to my current individual fund valuation, my future expected fund growth and my expected future benefits? Does this proposal change, add or reduce risk to expected future benefits?

Members would see no change to their fund value or future growth expectations purely as a result of the move to the Master Trust. Members should be aware that fund values fluctuate, but any such fluctuation will be entirely in line with current arrangements based on the investment choices the member makes.

13. What happens to your account over the transition period? Will you still be able to access your details and make choices, or will there be a time period where you are essentially locked out?

Should the proposed change go ahead, there will be a period whereby you will not be able to access your account. This will be whilst the bulk transfer is taking place. We would not expect this to take any more than three weeks.

14. What if you are due to retire during the switch-over? Could there be a delay in you being able to access your pension?

We would monitor this area closely with the intention to ensure that there would be no delays.

15. What will happen to the ill-health benefit that I am currently entitled to under the Scheme?

If the proposal proceeds, the DC section of the Scheme will be closed so that no future benefits will be payable from it. This would include your current ill-health benefit. The Master Trust cannot replicate this benefit so instead we would put in place alternative arrangements to preserve your eligibility and mirror the level of cover currently provided under the Scheme.

16. What will happen to the death in service benefits that I am currently entitled to under the Scheme?

If the proposal proceeds, the DC section of the Scheme will be closed so that no future benefits will be payable from it. This would include your current death in service benefits. The Master Trust cannot replicate these benefits so instead we would put in place a stand-alone death in service trust to preserve your eligibility and mirror the level of cover currently provided under the Scheme.

17. I also have a deferred pension in the Defined Benefit (DB) section of the Scheme, what will happen to that?

If you have a deferred pension in the DB section of the Scheme it would be unaffected by these proposals and would remain deferred in the DB section until you take it. The existing Trustee of the Scheme (AXA UK Pension Trustee Ltd) would remain in place to govern the DB section as they do today.

18. What happens if an employee leaves the Company and how does this compare to the existing DC section of the Scheme?

The rights under a Master Trust are the same as the existing DC pension arrangements under the Scheme as each member holds an account in their own name. If an employee leaves the Company, they would have the option to either leave the account invested with the Master Trust or they can transfer to another registered pension arrangement either immediately or at some point in the future.

19. Can a Member still take a CETV?

Members will have increased options under the Master Trust at retirement. In addition, they retain the current right to take a CETV at no cost.

20. Are voluntary contributions impacted?

Voluntary contributions would be included in the transition. If you are one of the very few members with an old With Profit arrangement this would remain in the Scheme.

21. What method of tax relief will apply (relief at source, net pay arrangement or salary sacrifice)?

There would be no changes to how tax relief is currently applied under the Scheme.

22. Should the changes go ahead, can you confirm that there are no tax implications for the employee for the separate provision of the additional benefits like death in service?

The alternative arrangements put in place to provide benefits such as death in service would be set up under Trust and the tax treatment would be the same as under the current arrangements.

23. I qualify for tax protected status under the current Scheme, what will happen to that?

This wouldn't change under the proposed Master Trust. If you currently qualify for tax protected status, you would continue to do so in the Master Trust.

24. Why is there a 60-day consultation period about the proposed changes?

Legislation requires employers to consult with active and prospective members of an occupational pension scheme before deciding to make a change such as this to that scheme. A prospective member is anyone who is eligible for membership (with or without employer consent).

25. How will you ensure that the value of my current savings in the DC section of the Scheme matches what is transferred into the new Master Trust?

A full reconciliation would be undertaken post-transition to ensure that the value of the savings transferred match. You will also be sent a final transition statement including a final value in the old DC section and your new opening balance in the Master Trust.

Last update as at 10 February 2020