



# 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](https://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.

The following questions and answers are in response to feedback and questions received between **3 March** and **3 April 2020** as part of the 60-day consultation process.

## **1. How does the current coronavirus situation impact this consultation? Is there a risk in making the transfer at such a volatile time for the markets?**

We are closely monitoring the situation and are working with LifeSight and our advisors on the impact of the coronavirus pandemic on the proposed changes and any possible transfer. No decision will be made about the proposals until after the consultation period is closed on 10 April. We will write to all members and eligible employees again once the consultation has closed.

## **2. Can you provide more detail on the proposed arrangements for death in service and ill-health benefits and how they will compare in terms of cost to the member? Will the option to flex still exist?**

If the proposals go ahead, death in service benefits would be provided through a stand-alone Life Assurance Trust set up by AXA UK. The Trustee of this Trust will be the Trustee of the AXA UK Group Pension Scheme. The level of death in service benefits you are entitled to would remain unchanged and there would be no gap in coverage between the current and new arrangements and no additional cost impact for members.

Death in service benefits will continue to be calculated in the same way as they are currently, and are based on a multiple of your salary and the value of the assets you have built up in the DC scheme. The benefit (that is the value of the assets you have built up in the DC scheme) would be provided through the Master Trust and the benefit (that is a multiple of salary) would be provided through the stand-alone trust based arrangement. The payment of these will be co-ordinated to ensure that they are, in practice, treated as one lump sum payment.

Your death in service benefits would continue to be paid at the Trustee’s discretion and would not be taxed as part of your estate for inheritance tax or treated as a benefit in kind.

If you are not a member of the Scheme (i.e. you’re a member who has a SIPP) and you are entitled to death benefits (see current Scheme Guide for details), your death benefit entitlement would also continue under the new arrangement.

The option to flex death in service benefits would still be available.

Your eligibility and entitlement to ill-health benefits would not change. However, this benefit would no longer be provided through the AXA Scheme and each individual employer would be responsible for providing this benefit directly.



**3. Would the proposed changes affect my contributions and what would happen to them if I were to leave AXA?**

The proposed changes would have no impact on the contributions made by you or by AXA, with current pension contribution rates continuing as they are today, unless you choose to change your personal contribution. Contributions that you and AXA have paid into the Scheme would remain in your individual pension account whether you stay as an employee or leave AXA in the future; however, if the proposed changes go ahead, they would be held within LifeSight rather than Aegon.

**4. Would there be any difference in costs under the Master Trust if I was to leave AXA and become a deferred member?**

On leaving the business there would be no change to the current deferred benefit entitlement. The costs for a deferred member would be the same as for an active member.

**5. Is there a risk that the value of savings already built up could decrease during the proposed transfer?**

If the transfer goes ahead, a 'prefunding arrangement' would be used to manage out of market costs. Prefunding agreements are routinely used for these kinds of transfers. As a result there would be no out of market costs or transaction costs for members. A full reconciliation would be undertaken post-transition to ensure that the value of the savings transferred match. You would 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.

**6. Would I receive a statement of funds at the date of transfer and would I have access to historical information?**

Yes, as outlined above, you would be sent a final transition statement including a final value in the old DC section and your new opening balance in the Master Trust. LifeSight would also inherit historical contribution date for the previous three tax years and would make that available for members to view online. LifeSight do not take on full transactional histories.

**7. How quickly from the date of receipt of the monthly pension contribution by LifeSight would the money be in our pension account? How does this compare with the current DC scheme?**

There would be no change to the time it takes for contributions to be paid and invested. Contributions have to be paid to the pension arrangement in accordance with legislation and the Lifesight Trustee would have overall responsibility to ensure this happens within the statutory deadlines.

**8. Why do our existing pension savings in the DC section need to transfer to the new scheme?**

We regularly review the benefits that we offer employees and want to ensure that the pension scheme is flexible, future-proofed and suitable for the different ways that members of the DC section the Scheme can now take their pension benefits at retirement. In addition, we must ensure we keep pace with the continuous changes in the pensions landscape, resulting in increased regulation of DC arrangements like the DC section of the Scheme. It is this context, coupled with the new regulatory regime that has been introduced for Master Trusts, that we believe now is the right time to propose these changes.

**9. I currently choose to 'self-select' my investment funds, will I need to make new selections and will I have access to specific fund information to help me decide?**

We are currently agreeing with LifeSight what bespoke range of funds should be offered to AXA members and how the transition to the new funds should work. However, should the proposed changes go ahead, you would still have the same ability to change your investment options between those available under the Master Trust as you can as a 'self-select' member in the current Scheme.



If the proposals go ahead, members will be provided with more information around the investment funds and their options, including what this would mean to self-select options. Sufficient fund information would be provided to enable members to make their choices.

**10. Would our contributions go into a default fund at transfer or will we be able to choose the funds they go into before the transfer? If I have to transfer out of my existing funds, will I be charged for doing so?**

As explained in question 9, we are currently agreeing with LifeSight what bespoke range of funds should be offered to AXA members and how the transition to the new funds should work. Whilst you would be given the opportunity to choose your own investment options, it is likely that your future contributions would start by automatically being invested in the default Lifecycle strategy. Your historical contributions would be mapped to the most appropriate funds in the new funds available. You will not be charged for this.

**11. Are Willis Towers Watson an existing advisor for the AXA UK Group Pension Scheme, and were they involved in making this decision?**

Yes, Willis Towers Watson are an existing adviser to the Trustee of the AXA UK Group Pension Scheme; however, they were not involved in making the decision to propose the changes and, in fact, have been subject to a detailed selection process in order to be selected as our chosen Master Trust provider should the decision go ahead.

We have appointed LCP, an experienced and highly-rated pensions consultancy to manage the process and to make recommendations on providers; as a result, we have been advised by an independent consultant throughout.

**12. Why was LifeSight selected as the chosen Master Trust provider?**

Having undertaken the robust and detailed selection process, LifeSight were selected on the basis of fees, administration processes and the quality of their communication.

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. Willis Towers Watson 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.

**13. Does this mean Willis Towers Watson would be making all investment decisions on behalf of the AXA pension scheme, and, if so, what controls are in place to ensure that conflicts of interest are managed?**

No, Willis Towers Watson would not be making any investment decisions on behalf of the AXA pension scheme. As explained in the main guide, Master Trusts are governed by their own Trustee Board who are responsible for overseeing the whole Master Trust, not just one participating employer. Just as the current AXA Scheme, a Master Trust's Trustee Board is independent and operates separately from the company that runs the Master Trust and any of the participating employers. LifeSight is no different, with an independent and diverse trustee board with differing but complementary skill sets, acting on behalf of the members.

If the proposal goes ahead, the Trustee of the Master Trust would have ultimate power to invest the assets of the scheme and to determine what investment options are offered to members. We are currently agreeing with LifeSight what funds should be offered to AXA members – this will be a bespoke range for the AXA Section.

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.



**14. Would the move to LifeSight result in a change to the administration charges members pay?**

There would be no additional charges in the Master Trust other than the administration and investment charges, as there is in the existing DC section of the Scheme today. Investment charges would be passed directly to the fund provider with no additional margin being taken by LifeSight. We would expect the overall charges you would pay to be the same or lower than the current charges.

Should the proposed move go ahead, we will provide members with a summary of all charges.

**15. Have Willis Towers Watson had any triggering events regarding their pension schemes?**

No there have been no triggering events.

**16. Why does the Willis Towers Watson website reference £20bn assets under management, whereas the literature you provided only reference £3bn?**

The £20bn stated on the Willis Towers Watson website refers to the value in DC pension assets administered by Willis Towers Watson, not just in relation to their Master Trust, LifeSight, which is c.£3bn and growing as indicated in question 12.

**17. What advice was received in relation to LifeSight's investment performance during the selection process?**

AXA is working with LifeSight in relation to the investment strategy as it wishes LifeSight to adopt the strategy that has been agreed with the current Trustee and which will be implemented in the current Scheme should the transfer not go ahead.

**18. Will the decision be impacted in any way by the recently announced AON and Willis Towers Watson merger?**

There is no concern from AXA that there will be any detrimental impact from the recently announced merger and so, at this stage, it is unlikely to impact the final decision.

**19. You indicate that improved access to the drawdown option at retirement is one of the key benefits of the proposed move for members. Is drawdown not available under the current DC arrangement?**

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 LifeSight Master Trust would be able to facilitate the income drawdown option, therefore making it easier for members to access. It should be noted that there would be no change to the Annual Member Fees (AMF) paid by members accessing the new drawdown option. You would not be charged when making withdrawal payments and would be able to withdraw funds as required. The only restriction would be that the minimum drawdown payment would be £200.

**20. I understand that, under the proposals, it would become possible to access the drawdown option at retirement without moving outside the scheme. Is it possible to do the same for the annuity and cash options?**

As annuities are essentially insurance products which guarantee you an income for life (of which there are many different types available), you would still need to purchase an annuity from outside the LifeSight scheme as you would in the current Scheme. The cash option, however, would be paid through the LifeSight scheme, which is the same as it is currently.



**21. I already have a LifeSight pension account, does having two pensions in LifeSight make the consolidation of them easier at retirement?**

Members would have a single pension account in LifeSight following the bulk transfer. If you have an existing account with LifeSight, that would not automatically be consolidated; however, it is likely that you would have the ability to do so in the future.

**22. Is the Master Trust protected by the Financial Services Compensation Scheme (FSCS)?**

Like the existing DC section of current Scheme, the Master Trust is an occupational, trust-based structure. As a result, neither is protected by the FSCS. Both are regulated by The Pensions Regulator.

**23. Are all participating employer's benefit structures DC arrangements within the Master Trust and is there any risk to the AXA section of the Master Trust if another employer was to become insolvent?**

All of the benefits provided under the Master Trust are DC and there are no DB benefits. On that basis, the insolvency of another employer would not impact your benefits.

**24. Would there be any tax changes for individuals who are automatically enrolled in the Scheme, but earn at a lower point than that at which income tax starts to be taxed?**

Tax relief on pension contributions will be dealt with in the same way as the current arrangements.

**25. How will AXA ensure that the Master Trust complies with any new changes in legislation?**

LifeSight is an authorised Master Trust and is, therefore, regulated by The Pensions Regulator. As a result, it will have to comply with any changes to pensions legislation.

As a registered Master Trust, LifeSight is subject to a robust authorisation and regulatory regime under the supervision of The Pensions Regulator. To obtain authorisation, a Master Trust has to meet and continue to meet stringent regulatory requirements and LifeSight was awarded authorisation after demonstrating it met these standards.

**26. I understand that AXA currently provides certain pension guarantees in the event of a bankruptcy or financial failures and, as a result, retains a large amount of capital to cover it. What are the new guarantees from AXA to their pension fund if this change were to go ahead?**

All of the benefits in the Master Trust are DC benefits which do not, by their nature, involve funding deficits, so the security of members' personal accounts is not impacted by the employers who participate. LifeSight member assets are held by the Trustee on your behalf and can only be used to pay benefits to members.

The guarantees referred to in this question are in relation to the DB section of the Scheme and have no benefit to the DC section.

**27. What would happen to my pension savings in the Master Trust if AXA was to cease trading in the UK or completely?**

All of the benefits provided under the Master Trust are DC, so by their nature they are fully funded. LifeSight member assets are held by the Trustee on your behalf and can only be used to pay benefits to members. As a result, if AXA were to cease trading or leave the UK business arena, your benefits would remain in LifeSight and would not be affected.



**28. Would AXA UK Plc be set up separately to all the other AXA entities in the Master Trust and, if so, why?**

All AXA entities would participate in the same section of the Master Trust and would be subject to the same terms and conditions. AXA UK Plc is the Principal Employer so would have some specific responsibilities as is the case under the current Scheme.

**29. How will AXA's governance of the new Master Trust work and how will performance be monitored?**

The Trustees of the Master Trust have a fiduciary duty to act in the best interests of members in the same way that the Trustees of the current AXA scheme do. They are also responsible for ensuring that the administration of the Master Trust is up to standard. If anyone involved in providing services to LifeSight failed or was unable or unwilling to provide services (for example, the administration team at Willis Towers Watson), the Trustee would appoint new providers. If this happened, your LifeSight account would still remain invested.

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. At this stage, as the proposed changes have not yet been agreed, the mechanism and selection process for this committee is yet to be finalised.

Investment performance will be monitored by the LifeSight Trustee and we have agreed that information will be shared with AXA to enable us to also monitor performance. It is our intention to closely monitor the performance of LifeSight to ensure that the arrangements continue to be appropriate for members.

In the unlikely event that there was a problem, we would work with the LifeSight Trustee to resolve any issues that arise and, ultimately, could move to a different provider if we were dissatisfied with the service.

**30. How will the Trustee be able to look out for the interests of a range of disconnected employees and is there a risk that decisions can be unfairly influenced by participating employers holding a majority stake in the Trust?**

The LifeSight Trustee has a fiduciary duty to act in the best interests of all members and, as a result, there is no risk that decisions made are unfairly influenced by one or any number of participating employers in the Trust.

**31. To what extent will the Master Trust have the ability to tailor things to meet the membership needs of AXA?**

Whilst Master Trusts operate with one Trustee and a single trust structure, they have multiple sections relating to different employers. Each of the separate sections of the Master Trust has their own bespoke requirements and benefit structures and, as a result, Master Trusts do provide the ability to tailor certain parts for each employer. In AXA's case, this would include elements such as the contribution rates paid by employees and by AXA and the investment funds provided to AXA members.

**32. How will you respond to the feedback received during the consultation and do members have to accept the proposals for them to go ahead?**

Whilst we cannot respond to all questions and feedback directly, we will review all feedback received and will provide answers to the most common questions in the form of these FAQs. Once the consultation has closed, we will fully consider all feedback received and will provide a summary of our response to the consultation in a future communication.

Members do not need to agree to the proposed changes for AXA to make a final decision; however, 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).

We won't make a final decision about whether to proceed with the proposed changes until after the consultation period is over and we, along with the Trustee of the Scheme, have reviewed all of the feedback we receive.



**33. Is the LifeSight website secure and what assurance can Willis Towers Watson provide that it adheres to security best practises such as adoption of OWASP standards?**

Yes, the LifeSight website is secure with an annual penetration test performed by an independent third-party.

---

Last update as at 6 April 2020