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.

The following questions were submitted between **10 February** and **3 March 2020** as part of the 60-day consultation process.

1. Is there a reason why AXA is proposing these changes now?

As explained in the main guide, AXA regularly reviews the benefits that it offers its employees and 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 DC section of the AXA UK Group Pension Scheme (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.

2. Why has AXA decided on an external pension provider rather than finding an internal solution?

Having reviewed the existing AXA arrangements and recent developments in the market, we concluded that a Master Trust offers the best overall pension solution. We believe that members would benefit from the new arrangement – especially in the information that they can access and the retirement options provided. For completeness, we should add that AXA is no longer a life assurance provider and does not provide any type of pension arrangement, however, this was not the driver to our decision to look at an externally provided Master Trust. A Master Trust provides the opportunity for participating employers, like AXA, to contract the operation and governance of our DC pension plan to experts, significantly reducing time, cost and risk, without sacrificing quality.

3. Will AXA benefit financially from this move?

As explained above, a Master Trust provides the opportunity to contract the operation and governance of our DC pension plan to external experts which does have a time and cost saving for us. However, having undertaken detailed due diligence, we believe that this is also the best pension solution for our members and that the new arrangement would provide a number of advantages as explained in the guide.

4. What impact would this have on members?

If the change were to go ahead, the DC section of the current Scheme would close on 30 April 2020, with members' existing DC section savings transferred to the new Master Trust arrangement in the following months. Once complete, this would mean that no further benefits are provided to members from the DC section of the Scheme, with members building up future DC savings in the new Master Trust arrangement instead.

There would be no impact on the level of pension savings members have already built up in the Scheme. Current pension contribution rates (paid by the member and AXA) would also be unaffected and would continue as they are today, unless the member chooses to change their personal contribution.

5. Do members need to agree to the proposed changes?

Members to 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.

6. Does this apply to pension benefits built up in an AXA arrangement outside of the United Kingdom?

This is a UK arrangement for UK based employees only.

7. How would AXA make sure that the Master Trust is administered to the same standard as the existing scheme?

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 AXA Scheme currently 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 also 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. In the unlikely event that there was a problem, AXA would require for matters to be remedied and, ultimately, could move to a different provider if it was dissatisfied with the service.

8. How secure is LifeSight?

AXA has selected LifeSight as it is a large and highly regarded Master Trust provider. LifeSight is a registered Master Trust and 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.

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 other employers who participate. LifeSight member assets are held by the Trustee on your behalf and can only be used to pay benefits to members.

9. Can you tell me more about the other companies paying into LifeSight?

Unfortunately, we are unable to name the other companies paying into this Master Trust. While a Master Trust has one Trustee and a single trust structure, there are multiple separate sections which relate to the different un-associated employers, so each employer section will have its own bespoke requirements and benefit structure. This allows employers and members to get the benefits of a Master Trust arrangement whilst retaining autonomy around the design of their specific arrangements.

10. What is AXA's current pension deficit and what will happen to this if the Master Trust goes ahead?

DC arrangements do not have a pension deficit and any deficit in the AXA Scheme will only relate to the Defined Benefit (DB) section. AXA will continue to meet their obligations in relation to the DB section of the Scheme.

11. What safeguards are there for protecting funds in the Master Trust in the event that either AXA or Willis Towers Watson become insolvent?

Your DC pension account should be unaffected by any insolvency of AXA, Willis Towers Watson or another participating employer. Insolvency issues arise in DB schemes but do not apply in the case of DC schemes.

12. Will there be any additional charges?

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. 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.

13. Can I keep the money I've already built up in the current DC section of the Scheme?

Yes, there would be no impact on the level of pension savings you have already built up in the current DC section of the Scheme, with those savings remaining in a personal account in your name. If AXA decides to proceed with the proposed changes, the pension savings you've already built up in the DC section of the Scheme would be transferred to the Master Trust in the following months.

14. Will my death in service benefits change?

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.

These 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 a stand-alone trust based arrangement (that is registered as a pension scheme with HMRC). 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 will 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 will also continue under the new arrangement.

15. I'm a member of the 2008 Scheme, will my age-related contributions change?

There is no intention to change the contribution structure of the Scheme, so, for members on age-related bands, contributions would continue to increase along the same bands in the Master Trust. However, as part of its general policy, AXA keeps all benefits under periodic review. Tax relief would also be applied in the same way as it is currently (i.e. contributions would be subject to tax relief at source).

16. Can I pay Additional Voluntary Contributions (AVCs) into the new Master Trust arrangement?

Yes, AVCs will continue to be permitted.

17. Will bonus sacrifice continue to be available?

If bonus sacrifice is currently available to you, it would still be available under the proposed Master Trust and the same terms and conditions would apply. 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.

18. What happens if I leave AXA?

If you leave AXA you'll become a 'deferred' member. If you leave before the proposed changes went ahead, the savings you've built up would remain invested in the current DC section of the Scheme until those savings were transferred over to the new Master Trust arrangement. These would then remain invested in the new LifeSight Master Trust until you choose to take your benefits at retirement or transfer out to another scheme). There would be no additional charges in the Master Trust as a deferred member, other than the administration and investment charges which apply to active members. If you leave after the proposed changes were to go ahead, your savings would remain invested in the new LifeSight Master Trust as above.

19. Can you give me more information on the investment options in the Master Trust and how these compare to the current funds available?

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. Under the rules of the Master Trust, the Trustee can ask a member to select one or more investment funds and shall invest their funds as the member selects (subject to the power to change the investment options). AXA is currently agreeing with LifeSight what funds should be offered to AXA members – this will be a bespoke range for the AXA Section. Members will be provided with more information around the investment funds and options if the proposed changes were to go ahead.

20. Can I transfer my existing assets into another pension provision, such as a Self-Invested Pension Plan (SIPP) instead?

You can transfer your existing assets into another pension provision (although AXA would not pay contributions into this) and then build up new benefits in the Master Trust. LifeSight does not charge members to transfer out.

21. Will I still be able to consolidate pensions within the new Master Trust?

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.

22. Can I still access information about my pension via TargetPlan?

Yes. However, if the proposed changes go ahead, this would be replaced by the LifeSight online service. Should the proposals go ahead, we will write to you to confirm the date at which TargetPlan would no longer be available.

23. How would the new drawdown option work?

One of the key benefits of the proposed move to a Master Trust for members would be improved access to all of the retirement options available to members. 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.

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.

24. Can I still purchase an annuity when I retire?

Yes, LifeSight offers access to the full open market. There would also be a greater level of support provided to members approaching retirement.

25. When would I be able to access my pension savings?

The earliest you can access your pension savings is age 55 – this would continue to apply under the Master Trust.

26. Will pension seminars continue to be provided?

We will continue to run Pension Roadshows under the proposed Master Trust and expect to hold these towards the end of this year.

Last update as at 3 March 2020