

JULY 2013

# UNITE

THE UNION IN AXA UK

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## 15% COMPENSATION OFFER FOR PENSION CLOSURE

**Defined Benefit (DB) Pension scheme members in AXA UK received a letter over the weekend outlining a new pension proposal from the company. This followed a series of intense negotiation meetings where Unite in AXA pressed for major changes to the original proposal which would not only see the closure of the DB pension scheme without compensation, but also have considerable negative impact on other benefits such as redundancy and ill-health early retirement.**

Using the feedback DB scheme members provided via our survey, as well as that posted on *Our Space*, we were not only able to convince the company that their original proposal was unacceptable but that major changes had to be made to make it palatable to a population of mostly long serving employees, many of whom were very angry.

Unfortunately the company is still pressing ahead with its plan to close the DB scheme in respect of future service.

This is not something we are convinced is wholly necessary and, as previously stated, **Unite's** preference would have been for a hybrid scheme which would have shared the risk between employer and employee.

However, **AXA** were not prepared to budge on this, the possibility of the deficit increasing from its current £1 billion was something they were adamant they would not entertain under any circumstances.



Once this became clear our efforts turned towards addressing the concerns members expressed on impacted benefits as well as persuading the company to compensate employees for the loss of the DB scheme.



## COMPENSATION

**AXA** had stated that it felt that given the fact that the company's Defined Contribution (DC) scheme is at the top end of the market, compensation was not only unnecessary but too costly to consider. This position was not acceptable to **Unite**. Whilst we understand the need for **AXA** to manage costs it was our opinion that **AXA** could use some of the savings it will be making from the scheme closure to help compensate for its loss.

Eventually the company agreed to compensate members in the DB scheme and has offered a total of 15% of your pensionable salary (to be paid into the DC scheme or taken as cash over) the next three years.

Whilst no compensation will make up for what is being lost by the closure of the DB scheme, what has been negotiated is better than other deals in the finance sector.

**Aviva** and **Friends Life** only offered their employees 10% whilst **Aegon** staff only received a flat £500.

## REDUNDANCY

The impact on employees redundancy benefit as a result of the DB scheme closure was one of much concern to impacted members, especially in business areas currently undergoing review exercises which may result in compulsory redundancies.

The company initially planned to remove the partial non-discounted pension element when the scheme closed but has been persuaded to honour the benefit for a five year period, gradually phasing it out by the end of 2018.

This is a topic that can be very confusing and it does not mean that in 2018 you cannot take your pension before your normal retirement date (NRD) if made redundant. All it means is that the part of it which is currently not subject to reduction for it being taken before your NRD no longer exists.

For example, an **AXA Life** employee age 57 with 30 years service earning £35,000 made

redundant now would get an annual pension of £16,639. The removal of the non-discounted element would mean that the pension would be £13,255 if the individual decided to take it upon redundancy and not wait until their NRD.

The subject of redundancy is made more complicated for ex-**GRE** and ex-**AXA Life** (pre October 2011 start) employees whose over 50 (**GRE**) / over 55 (**AXA Life**) redundancy terms have the redundancy payment currently received (in addition to their pension) calculated on potential future service not total past service (as it is for all other employees). Whilst this has a logic with a DB scheme in place, it is a nonsense without one.

By way of an example, using the same age 57 employee above being made redundant now, if they were ex-**AXA Life** they would receive the £16,639 pension and a redundancy payment of £13,634.

If they had started with **GRE** instead they would receive the £15,943 pension (discounting started earlier in Insurance than it did in Life) and a redundancy payment of £36,010.

If they had started work with **Provincial** they would receive the same £15,943 pension but a redundancy payment of £61,398 (calculated entirely on total past service).

Confusing, but also extremely worrying...

Unless our 57 year old decides to take their pension early (with the reduction that would entail,

something they may not have budgeted for in their retirement plans) the redundancy payment could be all they have to live on whilst they attempt to find a job to take them through to their NRD.

After prolonged negotiations with **AXA** management on this topic, the company has agreed that all employees would have their redundancy payment calculated on length of service on their banked terms and current accrual rates.

This would mean that our 57 year old example would now get a redundancy payment of £65,966 if he was ex-**AXA Life** or £70,000 if he was ex-**GRE**. A huge improvement from what they would have received if the terms had remained as originally proposed by **AXA**.

Additionally the individual could take a full discounted pension of £13,255 or wait until their NRD and take the pension without any discount.

During the five year phase out period of the non-discounted pension element any individual in this population will have the choice of taking the current terms or the new ones.

## ILL-HEALTH

Following consultation and feedback the company has agreed to keep the current ill-health benefits in place rather than remove them as originally proposed.

As this would have impacted all employees, not just those in the DB scheme, this is good news.

Management have indicated that they may wish to review the arrangements sometime in the future to provide a more worthwhile benefit which we would welcome.

## DC PENSION GUARANTEE

Following the announcement by the company that it proposed to close the DB scheme, many employees expressed concern that reduction in the current DC scheme was possible.

During our negotiations we pressed the company hard to consider giving our members some comfort regarding any future reduction in the DC Scheme.

We have succeeded in securing a guarantee from the company that it will not reduce the value of the DC Scheme for members for the next five years, except in circumstances outside of its control.

We see this as giving members significant reassurance regarding the current value of their DC Scheme benefit.

## BALLOT

In conclusion whilst we would have preferred not to see the DB Scheme close, we have worked hard to make the company improve their initial proposal, offer compensation and put some protection around valued related benefits.

We have succeeded in negotiating significant improvements to the company's original offer on behalf of our members. Whilst we would have liked more, the improved offer is likely to cost **AXA UK** in the region of £20m and we are of the view that this is the best offer that can be negotiated in the circumstances.

**Unite in AXA** will now be ballot union members in the bargaining unit who are directly impacted by the closure of the DB scheme on whether they accept the companies final offer.

The ballot will commence on Wednesday 10<sup>th</sup> July and run for two weeks. Local union reps will provide members entitled to vote with a ballot paper.

