

APRIL 2013

UNITE

THE UNION IN AXA UK

Are you impacted by the pension proposal?
Talk to your Local Union Rep...

PENSION BENEFIT CUT FOR OVER 2300 STAFF

AXA's plan to close its Defined Benefit (DB) pension scheme and transfer over 2300 long serving employees into the Defined Contribution (DC) pension scheme will have a huge negative impact for the majority of scheme members, reducing the amount of pension many believed the company promised to provide when it employed them. In effect AXA have told long serving employees that they will need to work the equivalent of up to five years extra to maintain their current level of pension benefit.

AXA has stated that there are four basic reasons for them wishing to take this action:

THE PENSION DEFICIT

At first glance the £1 billion deficit figure is quite alarming, however it is a huge red herring when it comes to the decision to close the scheme. Yes, the deficit is huge. However, regardless of whether the scheme is closed or kept open the £1 billion deficit will still exist

and still need **AXA** to fund it. Closing the scheme has no impact whatsoever on the existing pension deficit.

THE MARKET PLACE

AXA have stated that DC pensions are now the norm and that the closure of DB schemes is accelerating. Quite why **AXA** should use this 'we're only following the herd' excuse as justification is puzzling, especially as closing DB



schemes in the insurance industry is not the norm. Whilst **Aviva** have, and **Aegon** are, closing theirs, **Capita**, **Co-Op**, **L&G**, **Prudential** and **R&SA** are all keeping their DB schemes open in one form or another.

BENEFIT EQUALITY

That some employees have different benefits based on their original employer and date they joined is a matter of fact. It is quite ludicrous for **AXA** to say it is only fair that DB members switch to DC as other staff are in the DC scheme. Using this logic staff grades should now receive the 15% managers bonus not the 6.5% staff one and the equity (free) shares given to executives should be distributed to all employees not just a select few. That would be fair. Indeed, if this is the company's approach on pensions, then the rules for deferred DB scheme members should be changed so that they all get the same as ex-**Provincial** scheme members which are superior to those of members of other schemes.

THE COST TO THE BUSINESS

Throughout the meetings the company stressed the review was not driven by cost (although it will make savings of over £5 million a year).



However it did throw into the reasoning mix the rising costs and pressures the Op Co's face in a "low margin industry".

Whilst there is an argument that every penny counts when it comes to costs, in the grand scheme of things and in the world in which **AXA UK** operates, £5m a year, whilst not quite small change, is not really of huge consequence. Anyway, the review is not cost driven so...

SO WHY IS AXA PLANNING TO CLOSE THE SCHEME?

The simple answer is risk.

With a DB scheme the risk of whether the investments cover the cost of the agreed pension is with the company and if the investments do not cover the pension, they have to fund the gap. Clearly **AXA** has had its hands burnt historically resulting in the existing deficit.

With a DC scheme, **AXA** has no risk to worry about at all. The issue of whether the the amount of pension will be adequate, based on the amount of money invested, lies solely with the employee. This is clearly attractive to company but leaves the employee with the uncertainty of how they will be able to fund their retirement.

HOW WILL THIS IMPACT YOU?

The company has said it will provide individual illustrations of the impact to members but whilst a handful of members may be better off due to the rules applying to their deferred pension, the vast majority will

find themselves worse off as a result of the planned closure, many by over 20%.

As a basic rule of thumb, the younger you are and the less service you have done, the greater the negative impact. **AXA** provided this table to the Pension Consultation Forum to illustrate the extra years required to get back to the same target pension on retirement that they would have received if the DB scheme remained open:

Age	Years of Service	
	Under 20	Over 20
Over 55	1	1
45 to 55	3	2
Under 45	5	3

WHAT OTHER ALTERNATIVES WERE CONSIDERED?

Unite and the Pension Consultation Forum proposed a number of alternatives to closure of the scheme including increased member contributions, reduced accrual rate, a cash based scheme and a hybrid scheme to name a few.

Appreciating the company desire to reduce risk on future service provision we felt that the hybrid scheme of DB up to £40,000 and DC thereafter was a reasonable compromise, sharing the risk whilst still providing an element of protection to the employee.

AXA rejected this and all of the other proposed alternatives.

We were advised that the company had “no appetite for any additional risk”.

Arguably this position made the all the discussions with the Pension Consultation Forum a sham as there is only one possible outcome that can achieve no additional risk and that is scheme closure.

Unite are extremely disappointed with the company approach and this view was shared by many of the Pension Consultation Forum representatives who attended the meetings. If it is not possible to influence a decision, then consultation is not meaningful. Having meetings on this basis is largely a tick box exercise so the employer can claim it has engaged in consultation.

WHY IS NO COMPENSATION BEING OFFERED?

When companies close DB schemes it is fairly common that the employer compensates the employee for the loss of benefit. **Aviva** did this when it closed its DB scheme and **Aegon** is doing the same.

AXA has said it does not feel it has to.

Unite does not believe this is acceptable and we will continue to engage with the company on this matter.

WHAT IS THE IMPACT ON OTHER BENEFITS?

The planned closure of the scheme will impact other benefits in different ways,



depending on your length of service and original employer. Redundancy, Death in Service and Ill-Health Early Retirement to name but three.

AXA is proposing that an DB related benefits just “fall away” but in some cases this is a farcical position as certain benefits are fundamentally linked to the existence of a DB pension eg. ex-**GRE** Over 50 Redundancy Terms.

We will continue talks with the company over these matters and are hopeful that, given the fact that they state this is not a cost cutting exercise, equivalent benefits can be maintained.

It is certainly unacceptable to **Unite** that from the 1st August it becomes a lot cheaper for **AXA** to make some long serving staff redundant and pay them a fraction of what other employees would get.

However it is important that you let your employee representatives know what is important to you on this score. We will be running a survey over the next couple of weeks so please ensure you make your views known.

WHAT HAPPENS NEXT?

The company have now entered into a 60 day public consultation

period with DB Scheme members. Whilst the Pension Consultation Forum will continue to meet with the company to discuss matters it is vitally important that impacted members make their views known directly both to the employer and the employee representatives.

Unite will be running a survey on the proposed closure of the scheme soon but we encourage all employees, faced with losing what we believe is an important benefit and retention tool, to make their views known (strongly but politely) via the appropriate forums to the leaders in the company (eg. *Our Space*, *Ask Paul* and via email).

Unite do not believe the proposed closure is necessary and that some of the alternative options are practical to alleviating some of the company’s concerns. However, if closure is the final outcome then employees must be compensated for the loss of benefit and protected against the impact on their terms and conditions.

We now need you, whether you are a union member or not, to stand up and make your views known.