

AXA considers pension cuts



AXA have approached Amicus with a set of possible “considerations” for changes to the defined benefit (final salary) pension scheme. The company has told us that it wants to save £8.8 million per annum in costs arising from funding the scheme and reduce the deficit by £100 million.

AXA also wish to transfer more of the “risk” associated with the cost of providing defined pension benefits from itself to the scheme members.

The nine final salary pension scheme “considerations” put forward by AXA, that could be adopted either independently or in a combination, are:

- 1. Increase retirement age to 65:** members either work until age 65 or receive a reduced pension for their future service benefits if they retire before this.
- 2. Move from Final Salary to Defined Contribution:** effectively the end of the final salary scheme, members would have their existing pension preserved and future pension would be on a money purchase rather than defined benefit basis.
- 3. Reduce annual benefit accrual rate:** pension would accrue at a lower rate than $1/60^{\text{th}}$ of final salary for each year of future service e.g. at $1/70^{\text{th}}$ or $1/80^{\text{th}}$.
- 4. Move from Final Salary to Career Average Basis for existing final salary members only:** a complicated option to explain, this would impact members who have salary rises in excess of RPI. Pension is accrued annually then revalued to retirement by RPI, rather than all based on the final salary at retirement.
- 5. Cap annual pensionable salary increases to RPI:** again impacting members with salary increases in excess of RPI, as from the date of introduction pensionable salary would never increase by more than the rate of RPI. As with option 4, the greater the salary increases achieved, the greater the impact.
- 6. Reduce cap on annual pension increases for future service:** the maximum rate by which pension can increase whilst in payment would be lower. The impact of this depends on the future rate of RPI.
- 7. Increase member contributions:** members will pay a higher percentage of their salary into the scheme.
- 8. Remove Clawback from GRE section for future service:** this is a positive proposal that would remove an inequity for GRE section members, who are the only part of the scheme to have their benefits reduced by the State Pension Adjustment.
- 9. Bonus Salary Sacrifice Scheme:** this would allow members to use some, or all, of their bonus as pension contributions.

The triennial review of the final salary pension scheme is now underway. The position of **Amicus** is that there can be no meaningful discussion of any proposed changes until this report is available and the state of the pension scheme and the need for any action can be accurately assessed.

Our primary concern is to maintain the final salary scheme and our own proposals include extending this scheme to all employees.

We have no intention of being rushed into agreeing any changes and will consult with our members in due course.

“Pensions as important as salary”

Steve Folkard, head of pensions and savings in AXA recently told the national press that *“there is broad recognition among employers and their staff that pensions and other benefits are as important as the salary”*.

Hopefully those employers include AXA...