

8th March 2005

Group IT

Distributed Services Outsourcing - Terms Agreed

Since my last Newsletter the outsourcing of Distributed Services to Fujitsu has been put back until 1st May 2005. LTU have also been involved in further discussions with the Bank and Fujitsu on a number of the outstanding transfer terms over the last few weeks. I am pleased to say that LTU has reached agreement on the following transfer terms.

Pensions

Those staff who are currently members of the LTSB No 1 and No 2 Pension Schemes will be able to join a Fujitsu Final Salary Pension Scheme. The Fujitsu Scheme will be a 1/60th's scheme and individuals will be required to make a contribution of 5% of basic salary. However, to reflect the non-contributory nature of the existing LTSB Pension Schemes, individuals joining the Fujitsu Scheme will receive a non-pensionable allowance of 5% to cover contribution costs. Those in-scope staff who are currently members of the Bank's Pension Investment Plan will be able to join the Fujitsu Defined Contribution (Money Purchase) Scheme.

Sharesave Scheme

As members will be aware, Fujitsu do not operate a Sharesave Scheme and our discussions thus far have been around the appropriate method of compensation for the loss of current and future benefits. The compensation methodology we have agreed will apply to existing members of the Sharesave Scheme and will be calculated for each scheme as follows:

Example: (£250 per month into the 2003a 5 year scheme with an indicative share value of £5.08)		
Total potential funds available	$£250 \times (60 + 5.7)$	£16,425
Total potential shares	total funds / option price	5783
Pro-rata non-contributed months	31/60	2988
Additional Share Value	$£5.08 - £2.84$	£2.24
Compensation Payable		£6,693

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In respect of compensation for future schemes we have agreed that a one-off payment of approximately £1,200 will be paid to all staff.

Partnership Shares

Compensation for Partnership Shares will be paid to all participating staff as at 1st January 2005. Compensation will be based on a maximum contribution rate of £30 per month multiplied by the length of the contract. For example, a member of staff making the maximum contribution payment of £30 per month would be entitled to a compensation payout of £1,800, which will be subject to tax and national insurance.

Severance Terms

Unlike in previous outsourcings, we are pleased that Fujitsu have agreed to honour the existing sets of severance terms, including the 1997 terms post the 2007 harmonisation, for the duration of the commercial contract.

Free Shares, Bonuses and Banking Benefits

Given that Fujitsu are unable to offer Free Shares and don't provide banking benefits we have had to produce a number of alternative benefits equivalent, as far as possible, to the benefits being lost. The alternative benefits are:

- **Membership of the Fujitsu's Medical Insurance Scheme for all staff from the date of transfer.**
- **Access to Fujitsu's Sick Pay Scheme, which provides benefits which are greater than those available in the Lloyds TSB and C&G schemes.**
- **Access to Fujitsu's 'Share in Success' annual bonus, which last year produced a payment of 5%. The first potential payment under the Fujitsu Scheme will be in June 2006.**

In addition to the issues set out above we have also reached agreement on the following areas:

- **The current Flavours Scheme will not continue in its present format. However, staff will continue to receive the payment of 4% of basic salary paid as a monthly allowance.**
- **As in previous outsourcings, those staff with a preferential mortgage as at the 1st January 2005 will receive a compensation payment based on the maximum benefit reported from their last three years' P11D benefit.**

There are a number of issues still outstanding and these will be the subject of further discussions with Group IT and Fujitsu. In the meantime, members with any questions on our discussions can contact the Union's Advice Team on 01234 262868 or email me at Mark.Brown@ltu.co.uk.

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