

19th April 2005

Lloyds TSB Group IT

# Fujitsu Outsourcing Terms Agreed

I am pleased to announce that following further discussions LTU has now reached agreement on the transfer terms for those staff moving from Lloyds TSB Group IT to Fujitsu on the 1st May 2005.

In my last Newsletter we explained that LTU's IT Negotiating Committee had managed to secure access to the Fujitsu defined benefits scheme, compensation for the loss of the various sharesave schemes, continuing access to the Lloyds TSB severance terms beyond 2007, more generous sick pay arrangements, more transparent bonus arrangements and free medical insurance for all staff transferring to Fujitsu. Those terms are discussed in more detail below and on page 4 of this Newsletter. The remainder of the agreed transfer terms are set out overleaf.

## No Deductions For Tax and NI

The Share Options, Partnership and Matching Shares Schemes and the Mortgage Interest Benefit cannot be replicated by Fujitsu. In my last Newsletter I explained that following discussions, the Bank had agreed to make a compensation payment to those eligible staff transferring to Fujitsu but those payments, the calculations of which are explained in more detail below, would be subject to tax and national insurance.

I am pleased to say that following further discussions with LTU, the Bank has agreed to make the compensation payment to staff free of tax and national insurance. This is a significant enhancement to the transfer terms and will mean that a higher rate tax payer, with a compensation payment of £9,000, will not lose up to half of that payment in tax and national insurance. This extra compensation payment can be used to offset against any financial / pensions advice required or losses on the PIP scheme.

## Pensions

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.

All Lloyds TSB members joining a Fujitsu scheme will have the option of transferring their benefits.

To join call 01234 262868... today!

# Summary of Fujitsu Transfer Terms

<b>ARRANGEMENT</b>	<b>TRANSFER TERMS</b>
<b>Service</b>	Service with Lloyds TSB will be retained for all statutory and service related benefits.
<b>Pay Day</b>	Fujitsu pay date is 23rd monthly. The annual pay review date, which LTU will continue to be involved in, will be 1st April.
<b>Grading Strategy</b>	Staff will be classified by means of job families, referred to as Professional Communities. Each employee will be allocated to a specific role and level within the relevant Community. There are 16 Professional Communities within Fujitsu Service, and you will be advised of your Community shortly after your transfer.
<b>Mobility</b>	Existing terms and conditions will remain. Fujitsu have confirmed that all staff will remain at their current locations at date of transfer and no movement will take place for at least 3 months following transfer. Staff and LTU will be consulted should any location changes be needed. Bristol location change to be confirmed as soon as possible.
<b>Flexible Benefits</b>	Fujitsu Services' flexible benefits 'Personal Choices' will be offered to all staff. The monthly 4% payment will continue as a separate payment after the transfer.
<b>Territorial Allowance</b>	Contractual entitlement will transfer and will continue to be paid as a non-pensionable allowance, subject to tax and NI. If a member of staff relocates out of a Territorial Allowance area then the resulting change to the benefit will be handled in accordance with the existing Lloyds TSB policy.
<b>Medical Insurance</b>	Fujitsu Services administration is handled by AXA PPP. Employees contractual entitlement to medical cover will continue. Staff in Bands B, C, D and E entitled to and opting for a higher level of company paid cover will have that protected. Those staff who are currently not entitled to cover will be offered company paid single cover from the transfer date. Staff will have the option to increase their level of cover to include family members but that will be based on Fujitsu rates.
<b>Mortgage Subsidy</b>	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.
<b>Shift Allowance / Overtime</b>	Existing payments and contractual entitlements will transfer, subject to any of the changes agreed as part of our review of those payments.
<b>Severance</b>	Lloyds TSB Severance Terms will continue to apply until 31st December 2006. All staff will then become subject to current LTSB harmonised severance terms. This is subject to any changes due to legislative requirements at the time.  Employees in the DB scheme will remain entitled to an unreduced pension if they are made redundant at the age of 50 or over.  C&G members will retain their current terms. The Lloyds TSB and C&G Job Security Policies will transfer to Fujitsu.

<b>ARRANGEMENT</b>	<b>TRANSFER TERMS</b>
<b>Hours of work</b>	Contractual entitlement transfers.
<b>Sick Pay</b>	The Fujitsu Services sick pay arrangements are better than those in Lloyds TSB and will apply as follows:  < 1 year's service - 13 weeks 1 to 4 years' service - 26 weeks 5 to 9 years' service - 39 weeks 10+ years' - 52 weeks
<b>Holidays</b>	Your existing contractual entitlement transfers to Fujitsu.  The holiday year runs from 1st January to 31st December. Can purchase or sell up to 3 days through 'Personal Choices'. Can carry over up to 5 days to be used in the first 3 months of the following year. From date of transfer holidays will be managed in days.  Those eligible and have not taken their life event leave on date of transfer will continue to be eligible and can book this leave as per the Lloyds TSB policy.
<b>Union Recognition Agreement</b>	As the largest Union, LTU's recognition agreement with Lloyds TSB will transfer to Fujitsu.
<b>Notice Period</b>	Retain Lloyds TSB notice periods.
<b>Grievance / Disciplinary Performance Improvement</b>	The processes used by Fujitsu and Lloyds TSB are similar and the Fujitsu Services' policy will therefore apply. Members remain entitled to representation from LTU at all stages of the proceedings.
<b>Death in Service</b>	Life Assurance scheme payable at 4 times salary. This will apply following transfer.
<b>Equal Opportunities / H &amp; S / Smoking Policy</b>	The processes used by Fujitsu and Lloyds TSB are similar and the Fujitsu Service policy will therefore apply.
<b>Parental Leave</b>	Existing arrangements / contractual entitlements will transfer to Fujitsu.
<b>Paternity Leave</b>	Staff are entitled to 2 weeks paid paternity leave to be taken within 6 months of the birth of the child. This time is paid at basic pay.
<b>Other Benefits</b>	Season ticket loans will be reviewed on an individual basis.
<b>Car Scheme / Car Scheme Loans</b>	For staff who have opted out of scheme the existing payments will continue. Individual discussions will take place for those staff with a company vehicle to ensure that a vehicle of a similar level will be provided.  Car loans will continue to the end of the term.
<b>Performance Management</b>	)
<b>Competence Framework</b>	) Fujitsu Service standards will apply from transfer.
<b>Professional Qualifications</b>	)
<b>Training and Development</b>	)

## Sharesave Scheme

Fujitsu do not operate a Sharesave Scheme and the compensation methodology we have agreed will apply to existing members of the Sharesave Scheme and will be calculated for each scheme as follows:

<b>Example: (£250 per month into the 2003a 5 year scheme with an indicative share value of £5.08)</b>		
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

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.

## 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. Employees in the final salary pension scheme will continue to be entitled to a non-actuarially reduced pension if they are made redundant at the age of 50 or over.

C&G members will retain their current severance, subject to any legislative changes.

## 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 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.**

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.

**Mark V Brown**  
Assistant General Secretary