

# Investment Management Reorganisation

Since the beginning of the year Wealth Management has been reviewing the structure and work of the Investment Research and Investment Services teams. The review has taken longer than initially expected and Wealth Management will be informing staff today about the way forward for the two teams.

The key changes are as follows:

- **The work undertaken by the Collectives team will transfer to SWIP by the end of 2006. Four staff, 1 Band 3 and 3 Band 4, will be transferred across to SWIP under TUPE. Pages 11 and 12 of this Newsletter deals with the legal provisions of TUPE. The terms on which the staff will be transferred will be subject to further negotiations between LTU, Wealth Management and SWIP.**
- **The Investment Research and Investment Services teams will be combined under a new Head of Investments and will continue to be based in Haywards Heath.**
- **The remaining staff affected by this reorganisation will go through a selection process for the new roles in the Investment Management team.**
- **Wealth Management has said that 10 staff will be displaced as a result of this reorganisation and its aim is to redeploy as many staff as possible. If redeployment is not possible, staff are covered by the Job Security Policy and will be entitled to a choice of severance terms.**

Staff rights and entitlements are explained inside.

STAFF ANALYSIS				
Band	Current heads in Investment Research and Investment Services	Future heads Investment Management	Selection Method	Surplus
2	2	1	Preference Form / Desk Top Selection	1
3	4	2	1 TUPE to SWIP Preference Form / Desk Top Selection	1
4	15	4	3 TUPE to SWIP 1 ring-fenced (Ian Wilson) Preference Form / Desk Top Selection	7*
5	2	3	Preference Form only 1 vacancy at this level	1 Vacancy
6	5	4 Incl. ring-fence role	Preference Form / Desk Top Selection 1 ring-fenced (Karen Irvine)	1*
7	3	2	Preference Form / Desk Top Selection	1

Wealth Management aim to appoint either one of the Band 4 or Band 6 staff into the B5 vacancy.

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## Key Issues For Staff

For all staff in Haywards Heath affected by this announcement, there are a number of key issues and considerations.

### Preference Exercise

During the next few days staff will be asked to complete Preference Forms indicating how they would prefer to be treated following the announcement of this reorganisation.

**They will have the opportunity to express an interest in leaving Wealth Management on the agreed voluntary severance terms or indicate that they would prefer to be considered for alternative roles.**

Though the Preference Exercise will help shape how staff will be treated - and it is likely that many staff seeking Voluntary Severance will be satisfied - there are no guarantees.

In fact, each year LTU advises and assists many staff who either want to avoid compulsory redundancy or else are 'forced' to accept alternative roles that they do not consider suitable.

Wealth Management has said that staff have until 24th October to complete and return their Preference Forms.

### Which Severance Terms?

As a consequence of new Age Discrimination legislation, the Group's Severance Terms changed on 1st October 2006.

The most notable affects of these changes will be:

- **For younger, shorter service staff, the new Severance terms are poorer than the terms they are replacing.**
- **For all staff over age 50, the new Severance Terms element is considerably more generous BUT staff will no longer be able to receive a non-actuarially reduced pension.**

**However, for Wealth Management staff who take severance or redundancy as a result of this reorganisation, special transitional arrangements will apply. Under these**

arrangements those staff leaving will be able to choose which terms are most beneficial to their own personal circumstances.

## Avoiding Compulsory Redundancies

**LTU will be insisting that Wealth Management must make every possible effort to find redeployment opportunities for all those staff wishing to remain employed by Wealth Management before it contemplates making anyone compulsorily redundant.**

The Union believes that if Senior Management is genuinely committed to working closely with LTU and if proper periods of job search are allowed, then the number of staff who will be made compulsorily redundant can be reduced.

LTU will be insisting that, in order to avoid the need for compulsory redundancies:

- **All Wealth Management staff affected by the reorganisation and who are interested in voluntary severance, should be automatically offered severance terms.**
- **To avoid compulsory redundancies, the Voluntary Severance Register should be promoted in Haywards Heath.**
- **A guarantee that no Wealth Management staff are made compulsorily redundant before all opportunities for redeployment and bumping are exhausted.**

## Avoiding 'Forced Redeployment'

**LTU will also be making every effort to ensure that staff are not forced to accept roles they do**

**not consider acceptable.**

This is often the biggest challenge - typically giving rise to the most difficulties and complaints during Bank reorganisations. The section 'Suitable Alternative Employment' (on pages 5 and 6) spells out precisely what type of roles staff can and cannot be required to accept.

**The attitude of Senior Management will be key in deciding whether it will attempt to squeeze 'square pegs into round holes', or offer staff severance terms when they really don't accept the alternative roles being offered.**

**However, it is correct that if members of staff are found genuinely suitable alternative roles, they have no alternative but to accept those roles - unless they are willing to risk forfeiting their severance payments. It is equally correct that if a suitable role cannot be found, staff are legally entitled to receive a severance payment.**

## Job Security Appeals Procedure

**Where staff feel they have been treated unfairly during a reorganisation like this - either through being pressurised into accepting an unsuitable alternative job or having been told they are being made compulsorily redundant - they can pursue a Job Security Appeal with full representation from LTU.**

Many Job Security Appeals have centred on the time the Bank has allowed for making job searches for alternative employment and/or the efforts made by Pathways to find such alternative employment.

## 4

This procedure, which has been used successfully by a number of LTU members, means that staff can have their cases presented by experienced Union Representatives in front of Panels consisting of an equal number of senior Union and Bank Officials.

It is up to the Appeals Panel to decide whether staff have been treated fairly and, where it believes this hasn't been the case in terms of redeployment, it can decide that staff should either be offered a different role or offered Severance Terms instead.

In relation to members facing compulsory redundancy, the Panel can insist that a longer period of job search should apply.

Any members concerned about their own job

security should speak to one of LTU's experienced Officials during their visits to each affected office, or telephone LTU's 24 Hour Advice Line Service on 01234 262868.

### Members Only

This is the very last chance for staff affected by Wealth Management's restructuring to join LTU.

Once implementation begins, any staff who are not already members will be refused representation.

This is a particularly important consideration in respect of Job Security Appeals, since without professional representation the prospects of resisting compulsory redundancy or 'forced redeployment' are considerably slimmer.

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# Suitable Alternative Employment Explained

Members should be aware that during any reorganisation such as this they have a number of legal rights and entitlements under the Bank's Job Security Policy.

In particular, staff whose jobs are redundant have a legal right to be offered 'suitable alternative employment' if it is available. If suitable alternative employment is not available, they must be offered the Bank's Voluntary Severance Terms as an alternative.

'Suitable Alternative Employment' would be:

- **A position at the same Band or level of seniority (see 'Transfer To A Lower Grade')**

- **Within the skills, competencies and experiences of an individual, subject to adequate training**
- **A 'proper job' rather than one of only a short-term nature**
- **With the same working patterns**
- **Within recognised mobility parameters.**

It may be possible that staff are offered temporary secondments or projects, but these would be treated as 'suitable alternative employment' only if there was a real prospect of the individual continuing in the post for the foreseeable future.

Where members of staff are offered genuinely 'suitable alternative employment' they cannot unreasonably decline the alternative jobs.

## Travel & Mobility

In some cases staff may be concerned that they could be offered alternative jobs that are some considerable distance from where they live.

The guidelines agreed between LTU and the Bank specify that normally staff should be expected to transfer only where;

- **The journey from home is no more than 25 miles, or;**
- **The journey time for staff travelling by public transport is no more than 1 hour 15 minutes.**

The Bank must also take into account the "personal and domestic circumstances" of staff, for instance their child or family care responsibilities, when considering asking them to transfer.

## Trial Periods

Members accepting new jobs or agreeing to consider positions that are not deemed 'Suitable Alternatives' by the Bank, should be offered trial periods of between four and twelve weeks before they confirm final acceptance of any new positions. It is essential that members establish the right to trial periods in advance of taking up new positions and get it clearly understood in writing that if they deem a job to be unsuitable and no further job is offered, they can take Severance. This decision can be made at any time during the trial period.

## Job Size & Duties

Any members considering accepting an alternative job should:

- **Ask for the Hay Job Units score for the new job. Members must remember the fact that if two jobs are in the same Band it doesn't mean that the salaries attached to them will be managed around the same Market Indicators. This can and will affect the salaries actually paid. Members must check the job sizes of alternative jobs to establish whether the same Market Indicators apply.**
- **Ask for a clear description of the responsibilities and tasks of the new job and, where necessary, find out what training will be provided by the Bank.**

## Transfer To A Lower Grade

Under certain circumstances staff might be asked to accept a lower grade. It is important to note, however, that:

- **This must be no more than one Band lower than their current job.**
- **Their current salary will be protected and managed using the Band and Pay Zones applicable to their new job.**
- **If they are above the mid-point of the market zone for your new job they can expect to be managed at their current level (adjusted for general market movement) for a period of three years, subject to satisfactory performance.**

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- **Anyone downgraded from Band 3 to Band 4, Band 4 to Band 5 or Band 5 to Band 6 must be offered Voluntary Severance as an alternative.**

It is important that any staff facing the prospect of being downgraded should discuss their circumstances with LTU's Advice Team.

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# Severance Terms - Transitional Arrangements

The Group had to introduce new Severance Terms with effect from 1st October in order to comply with new Age Discrimination legislation.

However, we have agreed that staff who leave on voluntary severance or are made compulsorily redundant, will be entitled to benefit from Transitional Arrangements.

**In these circumstances, staff will be able to**

**select whichever Severance Terms - out of their existing and new entitlement - is most beneficial to them. In the majority of cases the previous entitlement will serve staff best.**

Over the following four pages members have the opportunity to compare the new Severance Terms (pages 6 and 7) against their existing entitlement.

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## The New Severance Terms

Under the new regulations, Severance Terms must be based on either the statutory redundancy payments formula or be a flat rate amount per year of service regardless of age.

For this reason the statutory route has been chosen as that allows some differentiation for age, a wider definition of a week's pay and can be multiplied by a factor as long as the factor is consistently applied. The proposal is to use a factor of 4.

The severance calculation formula including the multiple will be as follows:

- **Two weeks' pay for every year of service under the age of 22**
- **Four weeks' pay for every year of service aged 22-40 and**
- **Six weeks' pay for every year of service aged 41 and over.**

Only the last 20 years service is used in the calculation and payment is capped at 104 weeks' pay.

A week's pay will be defined as follows:

- **Basic salary (in addition for sales staff, where Personal Sales Related Pay (PSRP) is payable, PSRP will be averaged over the previous 12 months)**
- **Territorial Allowance**
- **Car Limit**
- **Shift Allowance**
- **Contractual Overtime (regular, rostered, pre-determined).**

The calculation of a week's pay is uncapped.

The first £30,000 of any payment remains tax-free.

Severance payments will apply to all staff aged between 16 and 65.

Payments will be

based on service to date of termination and will be rounded up to whole years based on age at last birthday. For example, service of 12 years 1 month at date of leaving would be rounded up to next whole year - 13 years.

The new terms came into effect on 1st October 2006 although there will be transitional arrangements for staff leaving the Bank through Voluntary Severance/ Early Retirement after October.

## Early Retirement

Under the new arrangements there is no augmentation of pension for early retirement – either payment of non-actuarially reduced pension for staff in the Defined Benefit Schemes or extra pension payments for staff in the Defined Contribution Schemes.

Whilst it will still be possible to provide non-actuarially reduced pensions as part of an early retirement arrangement for staff in the Defined Benefits Scheme (Final Salary Scheme) it will not be possible to augment pensions by making extra pension payments to staff in the Defined Contribution Schemes. The Bank has said it does not want to treat the two groups of staff differently and therefore has chosen not to do anything for the staff it could help - those in the Defined Benefits Scheme.

### **NEW LLOYDS TSB SEVERANCE TERMS**

**2 weeks' pay for every year of service under age 22**

**4 weeks' pay for every year of service aged 22 to 40**

**6 weeks' pay for every year of service aged 41 and over**

*Only the last 20 years' service applies.*

*Capped at maximum of 104 weeks.*

New actuarial factors will apply for pensions drawn early. These will be 6% per annum reduction for deferred pensioners and 4.75% per annum reduction for

retirement from active service. The current rates are 4.2% and 3% respectively.

Staff aged 50 taking severance will therefore have the choice of:

- **taking their full severance and leaving their pension to be drawn at age 60**
- **drawing an immediate pension and sacrificing some or all of that severance payment to mitigate the actuarial reduction (if part or all of the severance payment is waived in this way there is no tax liability)**
- **taking their full severance payment and draw an immediate actuarially reduced pension.**

Female staff who joined Lloyds Bank before the July 1974 will retain their rights to retire at age 55 with a non-actuarially reduced pension.

# Lloyds Heritage : Pre-1997

The following VS/VER Terms apply solely to staff who joined on Lloyds contracts on or before 31st December 1996.

Voluntary Severance (VS) applies to staff under 50 and Voluntary Early Retirement (VER) to staff aged 50 or over. Payment will be made in accordance with the table on the next page and calculations opposite. Exactly the same terms apply for Voluntary Severance and Compulsory Redundancy.

For leavers under VS, a preserved pension based on the length of pensionable service at the date of leaving will be calculated to be taken at age 60.

Leavers under VER will, in addition to the severance payment, receive a non-actuarially reduced pension based on the length of pensionable service at date of leaving.

Points to note when calculating Severance Payments:

- The amount of Territorial Allowance (London and South East) to be added will be that currently payable (including any payments under wind-down schemes).
- Bands 1-4 should add an amount for the Car Benefit they receive based on the value of 12 times the monthly limits set out by the Car Scheme.
- The first £30,000 of payment will not be subject to Income Tax.

#### Payment in Lieu of Notice:

- The notice period commences from the date the individual signs to accept the Bank's offer.
- A minimum of 8, and a maximum of 12, weeks' salary will be paid on the basis of 1 week for each year's service, and is payable for any period of unexpired notice at the individual's date of leaving.

## WORKING OUT YOUR REDUNDANCY PAYMENT

<b>Step 1</b>	<b>What Is Your Basic Salary</b> <b>Add Your Car Benefit</b> <b>Territorial Allowance</b>	
		-----
	<b>TOTAL A</b>	-----
<b>Step 2</b>	<b>Divide Total A by 52</b>	
	<b>TOTAL B</b>	-----
<b>Step 3</b>	<b>How long have you worked</b> <b>for the Bank (rounded up)?</b>	
<b>Step 4</b>	<b>How old are you?</b>	
<b>Step 5</b>	<b>Look at the enclosed Redundancy</b> <b>Table and find the value where</b> <b>your Service (Step 3) and</b> <b>Age (Step 4) intersect</b>	
	<b>MULTIPLIER C</b>	-----
<b>Step 6</b>	<b>Multiplier C (Step 5) by B (Step 2) to</b> <b>find your redundancy Payment.</b>	
	<b>REDUNDANCY PAYMENT IS</b>	
	(C) _____ x (B) _____ = £ _____ (Severance)	

## EXAMPLE

<b>Step 1</b>	<b>Basic Salary</b>	<b>10250</b>
	<b>Car Benefit</b>	<b>-</b>
	<b>Territorial Allowance</b>	<b>3200</b>
	<b>TOTAL A</b>	<b>13450</b>
		-----
<b>Step 2</b>	<b>(Total A) / 52</b>	
	<b>13450 / 52</b>	<b>256.65</b>
<b>Step 3</b>	<b>Service</b>	<b>14 Years</b>
<b>Step 4</b>	<b>Age</b>	<b>48</b>
<b>Step 5</b>	<b>Multiplier (from Table)</b>	<b>86.00</b>
<b>Step 6</b>	<b>86.00 x £256.65 =</b>	<b>£22,244.00</b>

**REDUNDANCY PAYMENT IS**  
**£22,244.00**



# TSB Heritage : Pre-1997

Those staff who joined the Bank on or before 31st December 1996 - and come from the TSB 'heritage' - are entitled to the Severance Terms detailed in this section.

Severance Terms for TSB heritage staff are based upon the age of the member of staff, and the length of continuous service in the Bank, with different calculations applying to those staff who joined the Bank before 31st December 1993, and those who joined between 1st January 1994 and 1st January 1997.

Voluntary Severance (VS) applies to staff under the age of 50. Voluntary Early Retirement (VER) applies to Staff age 50 or over. Exactly the same terms apply for Voluntary Severance and Compulsory Redundancy.

## Staff who commenced TSB employment before 31st December 1993

The maximum amount of redundancy payment is £60,000.

- **Staff aged 18 - 39**  
Three weeks' pay for each year of service.
- **Staff aged 40 - 49**  
Three weeks' pay for each year of service, plus two weeks' pay for each completed years' service between the ages of 40 - 49.
- **Staff aged 50 - 56**  
Two weeks' pay for each year of service.
- **Staff aged 56 +**  
Two weeks' pay for each year of service, reduced by 1/24 for each completed 2 month period of service over the age of 56.
- All payments are made in addition to a basic award of nine weeks' pay, and also in

addition to any statutory entitlements under the Redundancy Payment Scheme.

## Staff who commenced TSB employment between 1st January 1994 and 1st January 1997

All staff are entitled to a minimum of 6 weeks' pay; the maximum amount of redundancy payment is £60,000.

- **Staff aged 18 - 39**  
Three weeks' pay for each year of service.
- **Staff aged 40 - 49**  
Three weeks' pay for each year of service, plus one weeks' pay for each completed years' service between the ages of 40 - 49.
- **Staff aged 50 - 56**  
Two weeks' pay for each year of service.
- **Staff aged 56 +**  
Two weeks' pay for each year of service, reduced by 1/24 for each completed 2 month period of service over the age of 56.
- All payments are made inclusive of any statutory entitlements under the Redundancy Payment Scheme.

## Points to note when calculating Severance Payments

Staff who have changed their working hours from full time to part time, or vice-versa, will have their redundancy payments calculated on a pro rata basis.

Any Territorial Allowance is added to Basic Salary before applying the above calculations.

Payments are based on actual service at the date of termination rounded to the nearest whole year, and the first £30,000 of payment will not be subject to Income Tax.

# Joined After 1st January 1997

All staff joining the Bank since 1st January 1997 are only entitled to the Severance Terms detailed in this section.

Staff who are made redundant will be entitled to receive a lump sum calculated according to a formula based on age and length of service, as the table beneath shows.

## AGE OF EMPLOYEE ENTITLEMENT

<b>&lt; 40</b>	<b>4 weeks' pay per year of service</b>
<b>40 - 49</b>	<b>4 weeks' pay per year of service plus an additional 2 weeks' pay for each year of service between 40 - 49 inclusive</b>
<b>50+</b>	<b>3 weeks' pay per year of service (max 104 weeks) reduced by 10% for each year of service over 50</b>

Service used for the calculation of redundancy payments is actual service for the Bank at the date of termination rounded up to the next whole number of years, and age as at last birthday.

The pay figure used to calculate the redundancy payment will include the following;

- Basic Salary
- Territorial Allowance
- Company Car Limit
- PSRP averaged over 12 months

The total pay figure is then divided by 52 to arrive at a weekly figure. This figure is then multiplied by the factor calculated as above.

The maximum entitlement is 104 weeks pay and the first £30,000 of any payment is free of tax.

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## Legal Protection : TUPE

The Transfer of Undertakings (Protection of Employment) Regulations, more commonly known as TUPE, were introduced in 1981 to help protect the rights of employees where there is a change in their employer.

The main objectives of the law are to:

- **ensure that the recognised unions of staff to be transferred (ie LTU) are informed and consulted on the proposed transfer and its impact on staff.**
- **ensure that the contracts of employment of staff are transferred automatically between employers and their terms and conditions protected.**

The TUPE Regulations provide the following protection for employees transferred between employers:

- *Existing contracts of employment transfer to the new employer. Once the transfer is complete these can only be changed by mutual agreement.*
- *The period of employment with the Bank is treated as continuous service once staff transfer from the Bank to the new employer. Rights and benefits relating to the period of continuous employment remain; such as for redundancy, unfair dismissal, etc.*

- *Any employees who are dismissed for a reason connected with the transfer can claim unfair dismissal.*
- *Where worse terms and conditions are offered by the new employer at the time of transfer then staff may resign and claim constructive dismissal.*
- *If the new employer attempts to impose new terms and conditions by dismissing employees and re-employing them on new terms then the dismissal will be unfair.*

It is particularly important staff bear in mind that the Bank has previously argued that, in terms of remuneration, only basic salary is transferred to the new employer. The Bank may seek to argue that staff are not entitled to an amount equal to the new Flavours scheme or participation in the Sharesave Scheme.

In other words, staff transferred from Lloyds TSB to another employer could, unless LTU successfully negotiated proper compensation, suffer cuts in their spendable income. We hope, however, that it will be possible to avoid this during negotiations.

LTU will begin discussions with Wealth Management and SWIP on the outsourcing arrangements and transfer terms. Staff must remember that there is a legal obligation on the Bank to ensure LTU is provided with full details on future plans, details of the implications of the transfer for staff and, most importantly, it must consult fully with LTU on the transfer terms "with a view to reaching agreement". To ensure staff are represented fully during negotiations, the Union will be seeking at least one member to act as a representative on behalf of staff. This will ensure staff needs and concerns are properly represented. Members interested should contact [Mark.Brown@ltu.co.uk](mailto:Mark.Brown@ltu.co.uk).

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