

New Severance & Retirement Arrangements

In my last Newsletter I reported on the changes the Bank were proposing to make in order to comply with the requirements of new legislation that will make different treatment on the grounds of age illegal. The new legislation, which comes into effect on the 1st October 2006, will have a number of significant implications including its impact on the right to continue working beyond age 60 and on discriminatory severance and retirement arrangements.

The Union's Executive Committee has now had an opportunity to consider the Bank's full proposals and has decided to seek further negotiations on the following set of improvements:

- Protection for final salary scheme members who would have expected to retire early and who now will be affected adversely by larger actuarial reductions levied on pensions paid early.
- A facility under the new terms for severance payments to be staggered over two or more tax years at the individual's volition. Currently only the first £30,000 of any severance payment is free of tax. Staggering amounts in excess of this figure over two or more tax years, would help to reduce the tax paid.
- Spouse's pension to be harmonised on the TSB basis of 2/3rds of the member's pension, both for death in service and retirement.
- State pension clawback to be removed from the Lloyds scheme with pensions in payment to be increased to the level at which they would have been paid had clawback not previously applied.
- The definition of 'pensionable salary' to include bonuses and other taxable benefits.
- Minimum Annual Increases of 3%.
- Defined Contribution (PIP) Pension Scheme membership to start at age 18 rather than 25.

- Removal of the age limit (30) at which the Bank will match extra employee contributions up to 2%.

Under the Bank's proposals there would be no augmentation of pension for early retirement – either through the payment of non-actuarially reduced pensions 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 Benefit Schemes (Final Salary Schemes) it will not be possible to augment pensions by making extra pension payments to staff in the Defined Contribution Schemes. The Bank says that it does not want to treat the two groups of staff differently and therefore proposes not to do anything for the staff it could help – those in the Defined Benefit Schemes.

This seems to us to be an unnecessary stance and one that leaves the Bank open to the criticism that it is dressing up a cost saving as a point of principle. We will be meeting the Bank to continue our negotiations on this issue.

In any event, in aggregate the overall cost to the Bank of the proposed changes is considerably less than the cost of the current arrangements and will provide it with savings running into many millions of pounds. Whilst we are supportive generally of the changes being proposed, warts and all, it is unacceptable that the Bank should use the meeting of its legal obligations as a way of saving money particularly when at the outset of our negotiations it said its proposals would be cost neutral.

I will keep members informed of developments.

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