

LTU Rejects New Terms & Conditions

LTU has rejected the Bank's new harmonised terms and conditions of employment.

When the LTSB/HBOS deal was announced we said the Union's role was to protect the interests of our members and ensure that they were not hurt in the rush to extract the maximum out of the takeover.

If these proposals are implemented then staff and their families will be hurt, not just now, but for the rest of their lives. There is no Trade Union which could ever contemplate signing up to an agreement which cuts to shreds its members terms and conditions of employment. **LTU will not do that.**

The Group's proposals are as follows:

- Through the issuing of new contracts the Bank will limit pensionable pay increases each year to 2%, or inflation if less, or your pay increase whichever is the **lowest** with effect from April 2010. In future pay rises will only be paid to members of staff on the understanding that they accept that part of the increase will be non-pensionable.
- To introduce a new money purchase pension scheme for existing staff in 2011. Existing scheme members will be able to carry on contributing 2%, which is what most of them pay at the moment, but if they do the contributions from the Bank will be reduced significantly.
- Withdraw protected family health insurance from 3,000 LTSB Managers with effect from 1st January 2011.
- Reduce overtime rates for 41,265 staff in Bands 6-8 through the use of a new working window of

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8am to 8pm Monday to Saturday.

- Limit the protection of the Lloyds TSB mobility clause when it comes to determining where staff can work.
- Withdraw status cars for Managers who do less than 12,000 business miles per year and make them take a cash allowance instead.
- Reduce sick pay entitlement for staff with less than 4 years service.
- Withdraw life event leave, the holiday banking scheme and out of season holidays from implementation of the new terms and conditions.
- Remove the Health Screening benefit for Managers in Bands 2-4 from 1st January 2011.

LTU will be balloting members in the next few weeks on the Bank's proposals with a clear recommendation from the Union's General Council that they should be rejected. Members with any questions on this Newsletter can contact the Union's Bedford Office on 01234 262868.

New Grading Structure

All existing grading structures will be replaced by a new one based on the current Lloyds TSB banding structure.

There will be 7 broadbands, see Table 1 below, in the new grading structure and numbers will be replaced with letters, A-G, with 'G' being equivalent to Band 2 and 'A' Band 8. There are some changes to the grade breakpoints but the majority of staff will be automatically readacross into the new grading structure based on their current band. Staff who have been involved in one of the Waves of integration will need to confirm with their line management the Hay Job Evaluation Score for their new role in order to determine their new Band.

Band	Heritage		New Grading Approach	Market Benchmarking Approach	Parameters
	LTSB	HBOS			
G	2	5.2, 6.1	Broadband	Clusters (Functional)	Guidance on parameters i.e. minimum and maximum but not strict
F	3	4.2, 5.1			
E	4	3.3, 4.1			
D	5	3.1, 3.2	Uppers and Loweres		Policy defined parameters i.e. minimum 85% / maximum 120%
C	6	2.1, 2.2	Broadband	Clusters (Location)	Policy defined parameters i.e. minimum 90% / maximum 120%
B	7	1.4			
A	8	1.1, 1.2, 1.3			

at the top of the 'upper' levels will see their pay managed progressively downwards over the next few years. That at a time when pensionable pay increases are going to be limited to 2% or RPI whichever is the lower.

Furthermore, there will be some staff, particularly in IT, who applied for roles as part of integration with an indicative grading and could now find themselves actually in a lower graded role following the readacross exercise. Staff in that situation need to contact the Union's Bedford Office.

There will be a number of staff on non-standard grading structures including LTSB

The Bank is proposing to remove the 'upper' and 'lower' levels at Bands 2 and 3 with pay being managed by Line Management with information from HR on market positions for the different functional markets. Our concern with this approach is that some Managers

Wealth Planning and Financial Planning Managers, Wealth Direct Sales IFA's and Scottish Widows Direct Sales IFA's and they will need to be readacross to the new structure following a grading review exercise. Mortgage Advisers will be readacross into Grade C.

New Pay System

The mechanics of the pay system will remain very similar to the zonal pay system that currently operates in Lloyds TSB. The salaries for staff in Bands A-C (8-6) will be managed against local market data based on the location of the branch/office where they work.

Branch/office locations will be grouped into 5 clusters, which will operate very similar to local markets.

Each heritage location in Lloyds TSB and HBOS will be readacross into one of the clusters, see Table 2 opposite, and that will determine how staff pay will be managed over the next few years. Cluster 2 is the national rate.

Staff who find themselves in Cluster 1 will see their salaries being managed to below the national market and inevitably staff will not want to work in those locations.

Cluster	Market
5	National Data + 20%
4	National Data + 10%
3	National Data + 5%
2	National Data
1	National Data - 5%

You could find a situation where all the staff in a Local Director Group are in Cluster 2 but one Branch, because of geography, is in Cluster 1. Notwithstanding mobility, not many staff will want to stay in a Branch where basic pay is being managed downwards. The salary scales for the new clusters will be announced shortly and a list of locations for each cluster will be posted on LTU's website.

Following the move to clusters and the harmonisation of market rates there will be a significant number of Lloyds TSB staff (26% of staff in Bands 8-6) who will be positioned below the new minimum salary levels for their Bands and those staff will receive increases, inclusive of their 2010 pay increases, to take them to the minimum of the scales.

That is unacceptable. Staff should receive the increase to take them to the new minimum salary levels and then should receive pay increases based on their performance. Under the Bank proposals a member of staff who has received an 'outstanding' performance

rating in 2009 will get the same increase as a member of staff who receives a 'met' rating. **That is simply not fair.**

Pay 2010

Members will be aware that LTU agreed a 3 year pay deal with the Bank. That deal consisted of a pay pot based on market movement plus 1%.

This year that formula will produce a total pay pot of 2%. How that pot is divided up is still subject to further discussions with the Bank and will be covered in a separate Newsletter to members.

Terms and Conditions

Our Terms and Conditions negotiations with the Bank are divided into two phases. The first phase cover issues such as working hours/overtime, mobility, annual leave, sick pay, retirement ages, pensions, pay and grading. The second phase which will commence next year will cover job security, voluntary severance/voluntary early retirement terms and sickness absence management policy amongst other things.

The details of the Bank's proposals for phase 1 of our discussions are set out below:

Hours Of Work - To Change?

The Bank is going to introduce a working window of Monday to Saturday 8am to 8pm for the calculation of overtime. The new contracts of employment will not specify current work patterns and our concern is that over a period of time the Bank will try to move to more flexible working within the working window, which we understand operate in HBOS, through the back door. Staff will be pressured into changing their hours of work. It will not happen immediately but once the working window concept is embedded the Bank will begin the push to get staff to become more flexible with their working hours particularly with regards to Saturday and late night working which the Bank piloted last year. That hasn't gone away. **Rather than relying on Line Managers to confirm that existing hours of work will remain unchanged we will provide members with a form of words which they can send to the Bank once they have received their new contracts of employment.**

Overtime - Reduced

As we have said previously the Bank is going to use a working window for the payments of overtime of

Monday to Saturday 8am - 8pm. **Any overtime carried out during those hours will receive only the normal hourly rate rather than 1.5. Sunday and Bank holiday working will only be paid at 1.5 rather than double time. Whilst we appreciate that for some staff the payment of overtime has always been a thorny issue the fact is that 41,265 staff are going to be worse off as a result of the Bank's proposals.** IT staff in Bands D and E will still be able to claim overtime but it will be at the new, lower rates.

Mobility Protection - Removed

Currently staff who are required to move branch/office at the Bank's request can reasonably refuse that move if it's more than 25 miles and takes longer than 1 hour and 15 minutes by public transport. Even with moves within those parameters the Bank is under an obligation to take into account personal and domestic circumstances.

The Bank has never liked the defined reasonableness criteria contained in the mobility policy and the harmonisation of terms and conditions gives it the cover to remove it once and for all. **It's axiomatic that if the Bank doesn't like it then it must be good for members and its removal will result in hundreds if not thousands of staff being moved around branches like migrating wildebeest at the whim of the Bank. What is 'reasonable' will be at the sole discretion of the Bank. That is unacceptable.** The Bank is trying to buy off staff with the introduction of a new travel cost allowance but in the past the Bank has in most cases anyway been prepared to reimburse staff to move. But cost has never been the issue and the Bank knows it.

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Bank Slashes Pensions For 55,000 Staff & Their Families

The Bank has decided that the best way to meet the challenges of integration and to drive the business forward over the next few years is to devalue the very benefit which has kept most staff working for Lloyds TSB and HBOS.

The very staff who are the DNA of Lloyds TSB and HBOS and who helped build those organisations over many years, have, not to put to fine a point on it, been sold down the river by journeymen most of whom will be here today and gone tomorrow.

If you have a pension pot of millions then a significant reduction in your pensionable salary is something you can manage but for staff it is going to cause real hardship either now, through trying to make up the shortfall in their pensions through AVC's or paying into a second pension, or later when they eventually retire and are able to see the big difference between the pension they receive and what they would have received had the Bank honoured its commitments to staff.

When that time comes, staff will feel that they have been defrauded, morally if not legally, of their rightful pension entitlement.

So rather than looking on their employment with fond memories they will feel a burning resentment that the Bank has robbed them and their families.

Bank Proposals

The protections of the No 1 Pension Scheme means that the only way the Bank could change benefits for everyone was through changes to basic salary and the definition of what constitutes pensionable pay.

The Bank will seek to enforce those changes through the use of new contracts of employment which will be issued next year.

The Bank's proposals are:

- To limit pensionable pay increases with effect from

Table 4: Comparison Of Current Rates & The New Rates

LTSB					
No. of Members	Member Rate	Age 25-30	Proposed Rate	Difference	Age 30-
15,621	2%	6.5%	6%	-0.50%	8.5%
552	3%	7.5%	8%	+0.50%	9.5%
2,333	4%	8.5%	10%	+1.5%	10.5%
650	5%	8.5%	13%	+4.5%	10.5%
396	6%	8.5%	13%	+4.5%	10.5%
245	7%	8.5%	13%	+4.5%	10.5%
535	8%	8.5%	13%	+4.5%	10.5%

April 2010. Thereafter pensionable pay will only increase by 2%, or inflation (Retail price Index), or your pay increase whichever is the *lowest*. In future if a member of staff is awarded a salary increase of 5% then anything over 2% or RPI if less will be non-pensionable. In effect going forward staff will have a new pensionable salary and a basic salary.

- Life cover will be based on the full basic salary and not your pensionable salary.
- It will be a condition of future pay rises that not all the increase will be pensionable. Staff who refuse to accept that condition will not be offered the pay rise. Before the new contracts are issued LTU will be writing to all members explaining to them how to respond to the condition laid down by the Bank.

Pension Misery For The Many

Members will recall that in a previous LTU Newsletter we asked Lane, Clark and Peacock, one of the leading firm of Actuaries in Europe, to estimate based on a number of assumptions the potential loss in value that members of the Lloyds TSB Pensions Schemes would suffer if certain benefits were ceased or changed. We asked them to look at ten typical jobs across the Group and we have asked them to revisit their findings based

Table 3: Projected Pension Benefit Losses Per Annum

Salary Levels	Period to Retirement			
	5 years	10 years	15 years	25 years
£20,000	£1,000	£2,000	£3,000	£5,000
£40,000	£2,000	£4,000	£6,000	£10,000
£80,000	£4,000	£9,000	£13,000	£20,000

Company Rate

Age 45	Proposed Rate	Difference	Age 45+	Proposed Rate	Difference
6%	6%	-2.5%	10.5%	6%	-4.5%
8%	8%	-1.5%	11.5%	8%	-3.5%
10%	10%	-0.5%	12.5%	10%	-2.5%
13%	13%	+2.5%	12.5%	13%	+0.5%
13%	13%	+2.5%	12.5%	13%	+0.5%
13%	13%	+2.5%	12.5%	13%	+0.5%
13%	13%	+2.5%	12.5%	13%	+0.5%

on the proposals now put forward by the Bank. We will publish the results of that research next week.

Benefit projections provided to the Union by the Bank, which are set out in Table 3 above, show that a member of staff earning £20k per annum with 25 years left to retirement, of which there are up to 12,672 staff in the Lloyds TSB No 1, No 2 and HBOS Pension Schemes, will see their pension benefits reduced by £5k per annum.

If that person lives until 80 he or she will see their total benefits reduced by at least £100k.

Using the same calculations, someone earning £40k will see his or her pension benefits reduced by £200k and someone earning £80k per annum will see total pension benefits slashed by some £400k. Even the member of staff earning £40k with 5 years left to retirement will see their pension benefits reduced by £2k per annum and if they live until 80 then their total benefits will be reduced by £40k.

They have no chance whatsoever of making up that shortfall and as a result of the Bank's desire to cut costs, retirement plans are going to be shelved.

Naked Opportunism

The Bank has taken the cynical decision to use the current economic and banking crisis as an opportunity to cut costs. It is desperately opportunistic and will be resisted strongly by this Union and its members. We will not stand by and see our members' futures being sacrificed by the Bank jumping on the most dubious of bandwagons.

Many of the problems companies have had with pension funding stemmed directly from the fact that in the 1990's they started taking money out of their pension funds. Other issues have made pension funding more difficult now, such as increased longevity, but there's little doubt that employers' pumping-up their profits, and therefore Top Executive income from bonuses and share options, by stopping funding in the good years, has been a key factor. Maintaining contributions then would have made pension funds much more secure now.

Employees should not pay for that greed.

PIP Members Worse Off

For members of the PIP schemes the Bank is proposing, subject to Trustee approval, to move them across to a new scheme in 2011. This new scheme will be contracted-in, with no minimum age limit, automatic enrolment and with a default contribution of 3%.

Of the 20,332 members of the LTSB PIP schemes, 15,621 pay the default contribution of 2% and the Bank makes a contribution of between 6.5% and 10.5% dependent on age. Under the new scheme those 15,621 members of the LTSB PIP schemes can either maintain their 2% contributions or increase them to 2.5% in year 1 and then increase them to 3% thereafter in addition to paying increased National Insurance contributions.

Those who keep their contribution at 2% (plus National Insurance which will mean an extra 1.5%), which will be the majority of staff, will see their contributions from the Bank reduce by 0.5% for those aged 25-30, 2.5% for those aged 30-45 and 4.5% for those aged 45+.

The Bank is offering staff the opportunity to save more and get more but knowing full well that in the present climate most staff will not be able to afford it.

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Status Cars - Removed

Managers who do less than 12,000 business miles a year will lose their entitlement to status cars and will instead be forced to take a cash allowance following the transition period. Managers who do more than 12,000 business miles will be able to keep a status car but it will be from a restricted list of manufacturers.

Under the terms of the transition arrangements some Managers will be able to keep their status cars until they come up for renewal but there will be a number of changes to the way the car scheme operates. For the first time Managers in Lloyds TSB will have to pay £250 for 'own fault' incidents. There are currently 130 LTSB Managers who work reduced hours but are entitled to the full time equivalent benefit regardless of whether they take the cash or car. Those Managers will be able to carry on with that benefit for a period of 4 years and then it will be removed.

As if to add insult to injury, and if you didn't laugh you would cry, the Bank will require all those who drive on Bank business, even if they are using their own car, to obtain a 'permit to drive'. That assessment will involve the Bank scrutinising your license to check on your penalty points and a check on the road worthiness and age of your vehicle. The assumption here is that if you've decided to buy a cheap car for business use, and use the remainder of the cash allowance to cover the loss of your final salary pension, then the Bank could determine that the said car does not give the right impression and force you to change it for a better model or ultimately lose your job if you don't.

Family Medical Cover - Withdrawn

There are 3,000 Lloyds TSB Managers who currently receive family medical cover and that will cease from 1st January 2011. Thereafter they will be entitled to individual cover only. There are currently 530 staff in C&G who receive protected individual cover and that will also cease on the 1st January 2011.

In Lloyds TSB Managers in Bands 2-4 who are 50+ are entitled to receive free health screening biannually. This benefit is currently available to 6,000 Managers. The Bank is proposing to remove this benefit from 1st January 2012. Managers will be entitled to receive one more screening before the benefit is removed. We understand that Senior Executives in the Bank will keep the benefit so it seems that you can put a price on your health and it costs £270 per year. We think that is a small price to pay but the Bank doesn't. In the grand scheme of things it's small change but says a lot about what the Bank thinks of its Managers.

Holidays - Better For Some

We looked and we looked and eventually we found it. Some good news for staff in Lloyds TSB but not for everyone. The Bank are proposing to make changes to the current holiday entitlements with effect from 1st January 2011. Table 5 below shows that 23,200 staff in heritage Lloyds TSB will get additional 1-3 days holiday per year. 2,900 staff all at Band 5 will lose between 1-2 days holiday.

The Bank has also said that the holiday banking scheme, life event leave, which about 1,000 staff use every year, and Out of Season holidays, which currently only apply to staff in Offshore Banking will be removed with effect from 1st April 2010. Holidays already banked will be honoured and staff will be able to take it in the normal way.

Table 5: Holidays Winners & Losers

LTSB		No. of Days Impacted	No. of Staff Impacted
Band	Service		
8	3 yrs < 5 yrs	+1 day	1,300
8	5-9 yrs	+2 day	3,300
8	10-19 yrs	+1 day	2,700
7	3 yrs < 5 yrs	+1 day	800
7	5-9 yrs	+2 days	2,200
7	10-19 yrs	+1 day	2,000
6	< 3 yrs	+2 days	2,600
6	3 yrs < 5 yrs	+3 days	1,000
6	5-9 yrs	+3 days	2,400
6	10-19 yrs	+2 days	1,900
6	20 yrs	+1 day	3,000
5	< 3 yrs	-2 days	1,900
5	3 yrs < 5 yrs	-1 day	1,000
Total Number of LTSB Staff impacted positively			23,200
Total Number of LTSB Staff impacted adversely			2,900

Sick Pay - Reduced

The Bank is proposing to introduce new sick pay provisions, the details of which are set out in Table 6 overleaf.

Those staff with less than 4 years service in the Bank will see their sick pay entitlements reduced. In HBOS all staff will see their sick pay entitlements reduced significantly.

New Sick Provisions

Service	Full Pay (HRS)	Half Pay (HRS)
> 6mths	SSP	SSP
6-12 mths	20 days (140)	SSP
1-2 yrs	40 days (280)	20 days (140)
2-4 yrs	80 days (560)	40 days (280)
> 4 yrs	130 days (910)	130 days (910)

Bonuses - Increased?

The Bank is proposing to introduce a new Group bonus scheme for all staff not covered by specific business schemes. The current on target bonus awards for staff in Bands 8-4 are 2.5%.

In future those on target bonus awards will increase to 5% for staff in Bands 8-6, 10% for Band 5, 15% for Band 4 and 20% for Band 3. These are discretionary bonuses and are subject to individual, Divisional and

Group achieving all their performance objectives. If they don't then there will be no bonus pots.

Territorial Allowances - Consolidated

Staff in Bands F and G will have their London Allowance consolidated into their salary but it will be pensionable for future service only.

The South East Allowance will also be consolidated into pay for all staff at the point the new terms and conditions become effective but again it will be pensionable for future service only.

For members of the PIP Schemes the London Allowance will cease to be pensionable in the new DC Scheme.

LTU will be issuing a separate Newsletter to staff in London in the next few weeks.

LTU To Ballot Members

LTU has shown its willingness over many years to agree changes that at first sight may not seem palatable to our members but we have gone along with those in the interest of the long-term prosperity of the Bank.

However, when a set of proposals is so one-sided and detrimental to the long-term interests of our members and the Bank, then we have no choice but to oppose them and to do so vigorously.

The success of this merger is not a forgone conclusion. Takeovers fail because one side of the organisation feels that they have lost out in terms of appointments and benefits and that eventually leads to resentment which becomes corrosive and de-stabilising.

That is what's going to happen if the Bank's proposals are implemented.

LTU has said that its policy on the new Terms and Conditions will be decided by members in a ballot but like any responsible Trade Union we would give a clear recommendation on how members should vote.

LTU's General Council is recommending to members that they reject the Bank's proposals.

LTU's ballot will go out to members in the next few weeks.

In the meantime, we would like to hear from members about what they think of the Bank's proposals and you can do that as follows:

- **contacting the Union's Bedford Office on 01234 262868**
- **emailing us with your views at 24hours@ltu.co.uk.**
- **Registering your views and debating the Bank's proposals with fellow members of staff using LTU's eForum at www.ltu.co.uk/eforum.**

Mark V Brown
Assistant General Secretary

To join call 01234 262868... today!

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Membership Application

LTU, St John's Terrace, 3-7 Amphill Street, Bedford MK42 9EY Tel 01234 262868 Fax 01234 262821 www.ltu.co.uk 24hours@ltu.co.uk

Title

Surname

Forename(s)

Home address

Postcode

Date of birth

Payroll number

Branch/Office/Dept

Location code

Home telephone

Work telephone

Personal Email address

Work Email address

Job title

Pay band

Date of joining group

Vassar Smith Fund

The Vassar Smith Fund is a registered charity which provides support and financial assistance to current, retired and former members of staff and their dependants.

If you would like to contribute to the Fund tick this box to make a monthly contribution of 10p or, if you would like to donate more simply write the amount you would like us to add to your subscription in the same box.

Subscription Category... 2009

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Lloyds TSB Group Union, St John's Terrace, 3-7 Amphill Street, Bedford MK42 9EY

Originator's Identification Number

8 3 0 2 7 1



1. Name and full postal address of your Bank or Building Society

To: The Manager

Address Bank or Building Society

Postcode

4. Bank or Building Society Account Number

5. Lloyds TSB Group Union reference no.

6. Instructions to your Bank or Building Society. Please pay Lloyds TSB Group Union Direct Debits from the account detailed on this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this instruction may remain with Lloyds TSB Group Union and, if so, details will be passed electronically to my Bank/Building Society.

Signature(s)

Date

The Direct Debit Guarantee This Guarantee should be detached and retained by the Payer.

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To join call 01234 262868... today!