

25th March 2010

ALL MEMBERS IN HBOS

Pensions And Terms & Conditions

Lloyds' decision to impose severe reductions in the benefits of staff in its final salary pension schemes was made despite the clearest possible rejection in its own consultative exercise and overwhelming votes against acceptance in LTU's ballot.

The Bank's move will have surprised no-one in Lloyds TSB but has caused evident shock in parts of HBOS, where many staff and the Accord union clearly believed that this sort of thing would never happen.

Imposition of a change is an employer's equivalent of industrial action but unlike action by a trade union the Bank has not had to conduct a secret ballot beforehand. **What democracy there was, a 'write in and tell us what you think' consultative exercise in which over 7,000 took part, has been ignored completely.**

Not surprisingly we've received a large number of calls for an industrial action ballot.

Deferring Terms and Conditions Just a Tactical Ploy

The Bank's stated intention of carrying on talking about new terms and conditions whilst imposing the pension change should fool no one. This is about trying to separate the two issues to make it more likely that there will be some acceptance of the new terms and conditions: nothing more.

T&C's - The Key Issues

Pensions Misery For 65K Staff

Lloyds will hope to divide opposition by gaining support for the new terms from at least some staff in the final salary schemes and most people in the defined contribution schemes.

However, the reality is that pensions constitute a critical part of overall employment benefits and are obviously an integral part of any new set of terms and conditions.

And pensions are an issue for everyone, not just longer serving staff with final salary pensions: the time bomb that is an impoverished retirement is ticking away for everyone who joined the Bank after the final salary schemes were frozen.

So all terms and conditions issues, including pensions, will have to be judged together.

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Terms & Conditions - The Key Issues

Whilst our negotiations on terms and conditions are set to continue over the next few weeks, the key issues are still the same.

Pay Management

Up to 45% of staff in Levels 1 and 2, which equates to approximately 18,277 HBOS staff, will see their basic salaries progressively managed downwards over the next few years.

Following the harmonisation of market rates there will be a significant number of HBOS staff, and the same is true for LTSB, who will be positioned above the maximum salary levels for their Bands. Some 5,954 HBOS staff are above the maximum salary level and the vast majority of those will get no increases for the next few years. Information provided by the Bank shows that when compared to the market data some 31% of HBOS staff are paid in the 'Market' plus zone and again some of those staff will see their salaries being actively managed downwards against the market rate, regardless of the size of the pay pot, over the next few years.

Overtime Removed For Level 3's

Currently Level 3 HBOS staff can claim overtime but under the new harmonised terms and conditions that eligibility is being withdrawn. Some 10,579 staff will not be able to claim overtime after the six months protection period has expired.

Lloyds TSB has never operated the 'working window concept' and as a result of that Lloyds staff have enjoyed significantly better overtime rates than are available in HBOS. Rather than levelling downwards the Bank should be levelling upwards and providing HBOS staff with the benefits which heritage LTSB staff have enjoyed over many years.

Status Cars - Removed

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

Family Medical Cover - Withdrawn

Medical cover is being removed for HBOS Level 2 and staff with family cover linked to the contributory pension scheme.

Staff in Band D and above will be eligible for company-paid cover only following the introduction of the new terms and conditions. 9,600 HBOS staff will be forced to use the new 4% flex cash allowance, which Lloyds TSB staff have had for many years, to fund alternative medical cover for themselves and their families.

Holidays - Reduced

The Bank is proposing to make changes to the current holiday entitlements with effect from 1st January 2011. Table 1 shows that 16,300 staff in heritage HBOS will lose between 1-2 days holiday per year.

Table 1: Holidays Winners & Losers

HBOS		No. of days impacted	No. of Staff impacted
Level	Service		
Level 1	3 yrs < 5 yrs	-1 day	4,700
Level 2	< 3 yrs	-2 days	2,000
Level 2	3 yrs < 5 yrs	-2 days	1,500
Level 2	> 5 yrs	-1 day	8,100
Total Number of HBOS Staff adversely impacted			16,300

The Bank has also said that the entitlement to a shopping day for HBOS staff in England and Wales will cease from 2010. 44,600 staff will lose 1 days holiday in addition to those already detailed above.

Bonuses - Reduced?

The Bank is proposing to introduce a new Group bonus scheme for all staff not covered by specific business unit schemes.

In future on target bonus awards will reduce from 10% to 5% for Levels 1 and 2. Whilst these are discretionary bonuses and are subject to achievement of individual, Divisional and the Group performance objectives, up to 40,617 staff will see significant reductions in their overall bonus earnings over the next few years.

Pensions Misery For 65,000 Staff

The Bank's decision to impose the changes to the Pension schemes will lead to misery for thousands of HBOS staff.

£116k Worse Off

Members will recall that LTU asked Lane, Clark and Peacock, a leading firm of Actuarial advisers, to look at ten typical jobs across the Group to determine the potential loss in pension benefits members would suffer if the Bank's proposals were implemented.

The average loss in pension benefits for this group of ten typical individuals would be £116,300. The Local Director and Senior Manager Commercial Banking who were coming towards the end of their careers in the Bank would lose pension benefits of £191,000 and £133,000 respectively. Those staff who expect promotions in the future are going to be hit particularly hard by the Bank's imposed pension scheme changes and many of those will no doubt leave for higher basic salaries elsewhere.

Staff Carry Inflation Risk

Members of the final salary pension schemes will also see their pensions exposed to inflation for the first time.

At the moment we are in a period of low inflation but that's not going to last forever. **The Bank of England published an implied inflation curve which suggests that inflation will be 3.1% over the next 10 years and 3.7% over the next 20 years.** If inflation is higher than the 2% pensionable cap proposed by the Bank then the value of pensions at retirement will be significantly eroded.

If the Bank of England is right and inflation averages 3.7% then the real value of pensions for Lloyds Banking Group staff will be reduced dramatically.

The Bank has always carried the inflation risk and the value of your pension at retirement was protected as long as pay kept pace with inflation rises. However, **in future because your pensionable pay would be capped at 2%, any salary or promotional increases above that figure will be lost.**

Industrial Action Ballot

A leading employment lawyer famously described the law on trade union ballots on industrial action as "a minefield shrouded in fog" and the analogy was perfect. Seeing where you are going and avoiding trouble is hard and this has created fertile ground for lawyers.

The fact is that the law was designed deliberately to make it very difficult to begin industrial action even where it is supported by a clear majority of a workforce. Virtually every possible obstacle that could be put in the way, without breaching international conventions, has been so that employers are easily able to launch legal complaints to slow down or stop action even without much real justification.

For that reason it's essential that any LTU ballot with

an industrial action option is carried out very carefully indeed.

Over the next few weeks we will continue confirming members' work details and pension scheme status as essential preliminary moves for a further ballot.

Timing Of A Further Ballot

The Union's Executive Committee has decided the broad terms for a further ballot and we will be making the necessary preparations to allow a ballot to take place. Its timing will depend on what happens on terms and conditions in the coming weeks.

Ian Partridge
General Secretary