

# Pensions Scheme Deficit Eliminated in 6 Years

In previous Newsletters we have commented extensively on the Bank's Pension Scheme deficit, how best it might be eliminated and over what time period they could be achieved. According to the Bank's latest Report and Accounts, Lloyds TSB has an accounting deficit of £2.9 billion or £2 billion net of tax.

The Pensions Regulator's approach to dealing with pension deficits is a simple one: the deficit should be treated as an unsecured loan to the employer. If the deficit is a loan then the role of Pension Fund Trustees (who have to protect the interests of a pension scheme's members) is to seek to recover that loan, from the employer, over a reasonable time period. According to the Regulator "It expects that shortfall will be eliminated as quickly as the employer can reasonably afford with Trustees taking account of the employer's business plan."

The Pensions Act 2004 makes it clear that Lloyds TSB and the Trustee Directors must agree a written Statement of Funding Principles. That statement must record the decisions by the Trustee Directors as to the method and assumptions used for calculating the assets needed to pay member benefits when they fall due. The Trustees must also agree a Recovery Plan with the Bank. Such a plan must set out over what period the deficit gap will be closed and provide details of the payment of additional employer contributions. If the Trustee Directors don't reach agreement with the Bank then

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the Regulator can impose a Recovery Plan and impose penalties.

Following a period of intensive discussions, the Bank and the Trustees have agreed the Statement of Funding Principles and the Recovery Plan and part of that agreement was disclosed to the Stock Exchange yesterday. The Trustees and the Group have agreed to fund the schemes' actuarial deficit of £1.5 billion over a period of 10 years, in line with the timescale set by the Regulator. The Group has also said it will continue to make additional contributions and if its total deficit contributions continue at the same levels as in previous years that should see the accounting deficit of £2 billion eliminated over 10 years and the actuarial deficit over 6 years.

The exact details of the contributions to be made by the Bank have still to be finalised. The Trustee Directors are required to provide

LTU with a copy of the Statement of Funding Principles and the Recovery Plan, detailing the contributions the Bank will make over the next few years, and those will be examined closely by our own Actuary. However, on the basis of the

information we have seen thus far the Union is content that the Trustees have agreed a plan that is in the best interests of pension scheme members and will see the actuarial deficit eliminated in a reasonable timescale.

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# Sacked From India?

The Bank has announced plans to offshore the work of more than 150 Human Resources staff to India.

Senior management has said it will be linking up with the offshoring specialist company Xansa, to progressively transfer HR jobs to India over the next 13 months. Though seven HR functions are due to transfer - ranging from the Staff Information Service to HR Resourcing - the most surprising function affected is the HR Call Centre.

The transfer of the HR Call Centre to India is particularly contentious, since it is this function that provides guidance to line managers on such key staff issues as:

- **Disciplinary Proceedings and Dismissals**
- **Grievance & Harassment Proceedings**
- **Management of Long-Term Sickness and Contract Termination**
- **Underperformance and PIP's**
- **All other matters concerning staff rights and entitlements.**

Many staff will be astounded that the Bank should transfer to India such an important function involved in dealing with employment matters. It is particularly disappointing that, rather than treating staff as its 'most important asset', the Bank has chosen yet again to cut costs at the expense of quality.

LTU has told the Bank it objects to this latest decision to offshore work to India for two fundamental reasons:

- 1. Because it is unethical to ditch the jobs of existing UK-based staff merely because the Bank can replace them with lower paid workers in India.**
- 2. Because it is unacceptable that all other Lloyds TSB Staff should be forced to endure the same deterioration in service that has already been forced upon customers over the last two years.**

LTU doesn't accept that the motivation behind this decision to offshore work to India is for any other reason but to slash costs. Experience of offshoring elsewhere in the Bank has shown considerable service quality issues ... and many members report that the situation is getting worse.

This has in particular been the consequence of language, comprehension, cultural difficulties and the disruptive effect of very high staff turnover in India.

## Powergen Pulls Out Of India

Powergen has become the latest company to announce that it is pulling its Call Centre out of India because of serious service quality concerns. It is following in the footsteps of Abbey bank and the new Lloyds TSB Chairman - Sir Victor Blank's - previous company, Great Universal Stores.

In a welcome example of the sort of openness and honesty that Lloyds TSB's Senior Management could learn from, Powergen's

Managing Director Nick Horler said the company was returning 980 jobs from India to the UK because:

**“When customers contact us they need to be confident that their query will be fully resolved quickly ... we’re simply not prepared to achieve savings at the risk or expense of customer satisfaction.”**

and that:

**“we believe that we can best achieve industry-leading customer service by operating solely from the UK.”.**

With more and more companies appreciating the importance of not blindly pursuing cost savings at the expense of quality, it is high time that the Lloyds TSB Board re-evaluated its own discredited Offshoring Strategy. Particularly as over the two years since Lloyds TSB started transferring work to India, **the Bank has lost its position as the leading provider of current accounts to the Royal Bank of Scotland ... a company that prominently markets the fact that it only operates UK call centres.**

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## Balanced Scorecard - Forced Distribution?

Earlier this year I reported on our negotiations over a new ‘5 Point’ rating system the Bank was to use to define different levels of performance. Whilst we welcomed the changes we did warn that the new system was not a cure all and that we still had reservations over the definitions to be used to differentiate performance; the target setting process; whether staff could achieve what was being asked of them; whether if staff met their objectives they would actually get the ratings they expected and what financial rewards they could expect to receive for achieving defined levels of performance. On those aspects the Bank’s Balanced Scorecard Performance Management System still failed to ‘Meet Expectations’.

And of course because there is no proper link between appraisal and pay, staff will have no idea what if any pay rises they would get even if they manage to exceed all their objectives.

Of no less concern is the growing belief that many staff will not get the ratings their performance justifies but rather ratings that are constrained to meet the Bank’s expectations of

ratings distribution. In other words that the Bank will operate a forced distribution ratings system.

As members will know the Bank has made clear its expectation that the new system would produce overall ratings as follows:

<b>Outstanding</b>	<b>5%</b>
<b>Exceeded</b>	<b>15%</b>
<b>Met</b>	<b>60%</b>
<b>Partially Met</b>	<b>15%</b>
<b>Not Met</b>	<b>5%</b>

The problem of course is that when the Bank talks of an expected distribution, that is what it gets because an expectation becomes a requirement and staff do not get the ratings their performances merit. Instead they get ratings that in aggregate match what the Bank has suggested it wants. We dealt with a large number of cases at the beginning of the year where staff were being told by their managers that their end of year appraisal ratings would have been better if less staff in their units had performed well. As we said at the time, in an organisation that

aspires to high performance this system is plain crackers. But we have had similar comments already under the new system!

**Although the Bank has gone to great lengths to persuade us that it does not have an institutionalised approach to ratings and would, like LTU, expect an individual's rating to be justifiable based on performance, the Bank has a lot of work to do if it is to convince staff that this new system will operate fairly in practice.**

**At the very least we would expect the Bank to take action against managers at whatever level who seek to manipulate ratings to meet the Bank's expectations.**

## Half Year Ratings - LTU Advice

Half year interim reviews under the new '5 Point' rating system should be completed over the next few weeks and the key points members should note are as follows:

- **staff should receive full written appraisals of their individual Balanced Scorecard objectives for the half-year and**
- **should receive ratings of their overall achievement against those objectives**
- **there should be no surprises. If the Balanced Scorecard system has been followed properly staff should be aware of how they have performed and the ratings they receive should not come as a surprise. It would be unacceptable to suddenly learn that your performance has deteriorated or that you have been given new objectives for the period under review that you were not previously aware of**

- **staff who are rated as 'Partially Met expectations' should ensure they are made aware of what will be required to bring their performance up to the required standard in order to get a higher rating.**

LTU has already received calls from members concerned that they must perform at 135% to achieve an 'exceeded expectation' rating but would be marked as 'partially met' at 99% or would be marked as 'partially met' if they failed in just one aspect, such as lending.

To reiterate, all members are entitled to have their contributions assessed individually against the objectives set out in their individual Balanced Scorecards. This should look at whole job performance and not just Sales results or other outputs. Ratings should then be applied in relation to that assessment and not against any predetermined distribution.

Any members who feel that they have been rated unfairly should first ask their managers for a full explanation of the reasoning behind their ratings and question any ratings that were not discussed fully with them during the period being reviewed.

Members should contact LTU if they believe that the appraisal process has not been followed correctly and especially if;

- **their ratings are lower than they expected and insufficient or incorrect justification for a rating has been provided**
- **they are being marked down due to just one aspect of their Scorecards – especially if they have exceeded expectations in other areas**
- **they feel that their ratings have been reduced to enable their managers to meet any suggested ratings distribution.**

Members can contact one of LTU's independent professional full time officials either by calling

our 24 Hour Advice Line on 01234 262868 or by email at 24hours@ltu.co.uk

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# Regulated Salesforce

## **“Another Slap In The Face” “Job Centre Here I Come” “Jon Pain’s ‘Get Out Of Jail’ Card”**

These are just some of the comments we have received from Financial Advisers following the Bank's decision to implement the phased roll-out of the integrated mortgage process. Further comments from Financial Advisers are set out on the pages overleaf. It would be fair to say that the announcement has been greeted with dismay and uncertainty about the future,

We are aware that a number of Financial Advisers, who currently sell a lot of protection business, recently went to Edinburgh to be congratulated on their performance by Ian McLaughlin and Scottish Widows. When the subject of the integrated mortgage process pilot was raised during a question and answer session, the response from the Senior Management team was to dismiss the possibility of a national roll-out on the basis that the pilot had been inconclusive. Those FA's who attended the Edinburgh Conference now believe that either Ian McLaughlin and his colleagues believed what they were saying at the time was correct or they were being economical with the truth.

On the basis of our dealings with the Bancassurance Director thus far, we don't believe he would intentionally mislead FA's: if anything he's been more open about the future of the regulated salesforce than any of the previous incumbents in his position. So we can only conclude that the roll-out of this pilot is being driven from elsewhere.

The many hundreds of calls our Advice Line has received would seem to indicate that FA's will

wait to see how the roll-out impacts on them, what protection they will be offered whilst they try to change their business mix and what effect, if any, the additional sales opportunities will provide. If they are not convinced that they have a future in the Bank they will seek alternative employment. That could have a devastating impact on the Bank's bancassurance business.

There are the conspiracy theorists out there who believe, understandably when you put together all the changes that have happened over the last few years, that the Bank's ultimate game plan is to reduce the size of its regulated salesforce without having to pay out any redundancy costs. Time will tell whether that is correct.

Our discussions on the roll-out of the integrated mortgage process are continuing and I will keep members informed of all developments.

“How short sighted! Mortgage Arrangers are not sellers. They are providers. Customers do not request reviews of all other needs and these additional sales will be lost! The ‘Protection 4 Life’ (Nipon) product will potentially reduce sales rewards also. Accidental Death policy is of no gain to the FC either”.

**“No investments to people with assets over £100k!**

**No mortgage protection!**

**I'm an FPM - Why?**

**I rely quite heavily on protection written for mortgages - so effectively another pay decrease!!**

**Job Centre here I come!!”.**

“Another ‘slap in the face’ for all our hard work after only recently having to re-adjust with the SFPM roll-out. As a top performing FPM I have

questioned my future career prospects more in the last 12 months than I have in the previous 18 years of working for the Bank.”.

**“I have been ‘headhunted’ by a number of other Bancassurers and if the Bank do go ahead with a national roll-out, the next time I receive a call about working for another company I will go for an interview. I am a Level E FC. Does the Bank really want to lose sellers like me?”.**

“I am an FPM who has recently lost his >100k investment branch. I have been moved to a branch with a very strong MA to compensate for this - now it looks like this will be gone as well. I will have to leave. I was told that on the back of my lost FPM business - I would be given ‘something’ back to compensate me and now they are taking more off me.”.

**“With the protection ‘Net Clawback’ still in place, and the 25%/50% Mass Affluent question looming; it seems a strange time to launch a National Roll-out that has yet to be proved a success. C&G’s strategy looks questionable as it is. The Bank admits 50% of MS could be on PIPs by Q3, how will this motivate a tired and frustrated population.**

- 1. With regard to Net Clawback. What happens to policies sold to replace others; who gets the clawback?**
- 2. Who will do all the underwriting chasing? Who will contact the Doctors and chase the medicals? The MS?**
- 3. This is ‘not’ a pilot; it’s a National Roll-out. So if the Bank is so confident it’s the way to go, why is it not going nationwide NOW?”.**

“This would have a massive impact on my business. At least 50% of my business comes from the MA, and I do cross-sales with a lot of these customers. My MA is so busy trying to hit the

Branch’s hefty mortgage target that adding the protection sales as well will not help her.”.

**“A good move, this will provide a seamless service for the customer and enable the Mortgage Specialist to refer customers having a full knowledge of their customers, and their ‘health’, the associated sales from this will be a benefit not only for the MS but also FC/FPM, ie S&I and Pension business.”.**

“I was part of the pilot run in Leeds where FC’s did mortgage applications and life cover, the results were a success for FC’s proving we are able to sell mortgages and life and a flop for MA’s. Why take more business from us, it’s difficult as it is with the introduction of mass affluent.”.

**“Often other needs and opportunities are triggered via FA referrals, ie Income Protection for example. If the Mortgage Specialists do Life cover only, I can see these other opportunities being lost or customers having to be booked back in with an FA/FPM - in this case FA/FPM’s may as well do ‘the works’.”.**

“Seems to me that this roll-out is predetermined and flies in the face of the true pilot evidence over recent years. There is no real driver other than the fact that MDTA % penetration is well down this year. That is because SW can’t price appropriate to the market rather than the current process. It might provide Jon Pain with a get-out-of-jail card to save his job though.

1. Can you publish full pilot results please?
2. Can you establish what size headcount reduction will follow for Regulated Sellers and publish?”.

**“I have to say I will be amazed if my Mortgage Adviser sells the expected penetration level of mortgage products required. It is another nail in the FPM coffin. People will leave and the general standard will suffer again.**

**Is the title FPM only a name now?**

**What differentiates us from FA's?**

**Does the bank actually think Mortgage Advisers will get help and advice from us when they are taking money directly from our pockets?"**

"Having just worked out the impact on me, 40% of my business would disappear. Potentially reducing my Level to 'C' (£500 pm loss) and what's more this could impact on my pension (based on last 3 years worked basic). Potentially another £2,500 loss on my pension for life! After 26 years at LTSB - where's the incentive to stay!"

**"Have we not tried this before and as a company fell flat on our faces. I am an FA who is currently achieving high penetration levels, and have for a number of years, and more than 50% of my business is MDTA and cross sales from these customers. I feel business will be lost, premiums will drastically reduce. MA's are not specialists in discussing critical illness. Policies may be sold but majority of these will be life only. We have problems as a company with referral rates. Not only have they (MA's) got to sell mortgage protection but**

**they will also need to refer. This will NOT happen. Other seller populations will also lose out on cross sales on the mortgage referrals they make."**

"The Bancassurance Director says he remains committed to the FA and FPM salesforce. He seems hell-bent on ensuring that we cannot interview any customers and I'm sure he will soon find it difficult to find any FA's prepared to work for him. The regulated head-hunters are aware of the position in LTSB and are actively targeting his salesforce now - this will bring them great joy!"

**"I was subjected to the IMP pilot. Prior to this, over the preceding 4 Quarters, I averaged 9,000 DTA issued points. During the pilot, my DTA issued points dropped to 3,223 which I believe cost me a bonus of several hundred pounds. The pilot was not a success. In my branch the MS had an NTU rate of 33%. Would the quality of the sale be different if the sales process were different?"**

**The 'failure' of the pilot was demonstrated by the fact that our Local Director 'pulled it' before the end of the trial period. I think that says it all. I now worry greatly for my FA colleagues around the country."**

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## LTU Free Benefits - IPP scheme

Following a review of the LTU Free Benefits IPP scheme we are introducing some new procedures for dealing with claims. There will also be some changes in the rules and revised terms will be sent to members later in the year. In the meantime any member wishing to receive a copy of the rules should telephone LTU on or email us at 24hours@ltu.co.uk.

One important new requirement is that members off work due to sickness for over 3 months must contact the LTU office as soon as possible and a failure to do so could result in a reduction in the benefit payable or a delay in a claim being settled or rejected entirely.

**NICK HOLT**  
Assistant General Secretary

**STATEMENT TO MEMBERS AS REQUIRED UNDER THE TRADE UNION AND LABOUR RELATIONS  
(CONSOLIDATION) ACT 1992 AS AMENDED BY THE EMPLOYMENT RELATIONS ACT 1999**

**REPORT OF AUDITORS**

Set out below is the report of the Auditors as contained in the accounts of the Union for the year ended 31st December 2005.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF  
LLOYDS TSB GROUP UNION**

We have audited the financial statements of Lloyds TSB Group Union as of 31<sup>st</sup> December 2005, which comprise the Balance Sheet, Income and Expenditure Account Cash Flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the Financial Reporting Standard for Small Entities.

This Report is made solely to the Union's Members, as a body. Our audit work has been undertaken so that we might state to the Union's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Union and the Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

The Union's Officers are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) in accordance with s36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether caused by fraud or other irregularity or error. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Union's Officers, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Union as of 31<sup>st</sup> December 2005, and the results of its operations and its cashflows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practices applicable to Smaller Entities.

HOPE AGAR  
28<sup>th</sup> April 2006

27 St Cuthberts Street  
Bedford MK40 3JG

HOPE AGAR  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

**FINANCE**

In accordance with the Trade Union and Labour Relations (Consolidation) Act 1992 as amended by the Employment Relations Act 1999 we set out the following statement.

1. Contributions and subscriptions for 2005 £3,077,291.
2. Other income £55,155.
3. Total income £3,132,446.
4. Total expenditure £3,072,211.
5. Salaries and benefits paid to Officers. The salary and benefits paid to the Union's General Secretary were as follows: Salary £108,354, Employers NI contributions £16,510, Car and fuel benefit £21,586, Pensions and life assurance benefits £25,498

**STATUTORY STATEMENT**

We are required by the Trade Union and Labour Relations (Consolidation) Act 1992 as amended by the Employment Relations Act 1999 to include the following statement in this circular to all members. The wording is as prescribed by the Act.

"A member who is concerned that some irregularity may be occurring, or have occurred, in the conduct of the financial affairs of the Union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct.

The member may raise any such concern with such one or more of the following as it seems appropriate to raise it with: the officials of the Union, the trustees of the property of the Union, the auditor or auditors of the Union, the Certification Officer (who is an independent officer appointed by the Secretary of State) and the police.

Where a member believes that the financial affairs of the Union have been or are being conducted in breach of the law or in breach of Rules of the Union and contemplates bringing civil proceedings against the Union or responsible officials or trustees, he should consider obtaining independent legal advice".