

March 2010



# RBS PAY & PENSIONS

## MEMBERS OF GROUP FINAL SALARY PENSIONS SCHEMES

Members have been receiving their pay letters since the w/c 1st March and have been advised by the bank that their pay rise is dependent upon them accepting that the pensionable increase will be capped, this year at 1.1%. Members have inundated the union regarding this position.

### Background

When the bank announced the pension changes in August 2009 and the intention to cap pay increases for the purposes of pension at a maximum of 2% or CPI whichever the lower, the bank confirmed a change to the pay mechanism. When communicating with members via the autumn edition of Catalyst on the issue of the pension proposals, UNITE stated:-

*"The bank have also argued that they believe that the proposals represent changes to the pay mechanisms and not the pension scheme itself, averting the need to follow Natwest pension rules to ballot active members of the pension scheme regarding any changes. UNITE understands that any pay increases or promotions would be conditional upon members accepting that their pensionable salary will only increase by a maximum of 2%"*

Following a consultative ballot of members, due to a below expected turnout and the lack of an effective mandate, the RBS National Company Committee decided against seeking authorisation for an Industrial Action Ballot. The bank imposed the pension changes, including the position around acceptance of future pay increases, a position that UNITE did not agree to. A further newsletter from UNITE is due around this; however extensive legal advice is still being taken around the position of objecting to the severance terms changes which has unfortunately delayed our communication to members.

### PAY 2010

Members will be aware that UNITE reached agreement with RBS in terms of Pay 2010, the pay spend and pay matrices; however this did not include any agreement around pay rises being conditional upon the acceptance of the pension cap. These changes were imposed as part of the pension proposals in 2009, which of course were neither agreed nor supported by UNITE. Indeed the consultations and subsequent imposition of pension changes took effect in advance of the start of Pay negotiations.

### BANK'S RATIONALE

The bank argue that the pension scheme rules require that pension is based upon final pensionable salary; however to manage the costs and risks associated with member's retirement benefits the bank's proposals are to limit pensionable pay. To enable the bank to deviate from the pension scheme rules, each year members will be asked whether they accept all pay rises received during the year, including in-grade and promotional, with this acceptance being conditional upon the pension cap. The bank argue that it could not continue the pension scheme unchanged, therefore the ability to seek agreement from individual members of staff to cap the increases to pensionable pay ensures that the scheme could remain open.

### LEGAL POSITION

The bank have made the acceptance of the pay rise conditional upon an employee accepting a cap on the amount of pay rise that will be pensionable. The legal advice received is that subject to individual consent on an annual basis this is an action that the bank can undertake. Implicit acceptance, i.e. allowing the pay rise to take effect without objection is deemed sufficient consent. The bank are in effect limiting the level of increase in pensionable pay which is a contractual matter, not one that requires an amendment to the rules of the pension scheme.

Employees do not have a contractual entitlement to a pay increase. In the circumstances and if a member chooses to decline the pay rise on the basis that they do not wish to accept that only part of the increase will be pensionable, there will be no legal redress available to them. At the time of writing UNITE has formally requested that the bank extend the deadline for acceptance of the pay rise, to enable members more time to consider this advice, particularly as a number of members have only recently received their letters or in some case have yet to receive them. A response is currently being awaited.

## MEMBER'S QUESTIONS

A number of questions have been raised by members in respect of these changes and a number of these have been provided to the bank to answer via a Q&A on Insite. In terms of the most frequently asked, UNITE can confirm the following:-

- Not accepting your rise only impacts this years increase, you will be asked again in future years whether you wish to accept or not
- Accepting your increase only means that you are accepting the pension cap, but no other changes including the reduction in severance terms
- All other benefits within the pension scheme remain unchanged, not accepting your rise does not affect your membership of the scheme

## UNITE COMMENT

As stated UNITE neither support or agree to the position in respect of the pension cap or accepting your pay rise being conditional on accepting the cap; however these issues were imposed as part of the pension proposals. This issue has clearly and understandably caused much consternation amongst members and UNITE have argued that the bank could have communicated this position with staff in advance of pay letters being issued, to have ensured a complete understanding. Also a statement and reminder of the bank's intended approach to pensionable pay could have been included within the UNITE pay communications. UNITE cannot recommend that members decline a pay rise, UNITE were opposed to the pension changes as these capped increases in pensionable pay, not accepting a pay rise would not only result in no increase in pensionable pay, but also no increase in actual pay.

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