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# PENSIONS

## Members speak out

91% of those responding to our member survey have said yes to be balloted for industrial action on the bank's proposals for the final salary scheme. From the detailed feedback we have received, managers as much as clerical staff feel strongly enough to consider taking strike action. For many, this is the first time in their careers with the bank they have been prepared to consider withdrawing their labour.

The Unite national committee in HSBC, together with the managers' representative body the NCM, is now calling on the bank to think again about its proposals.

## Growing anger

Unite has been overwhelmed by the growing anger members are expressing about the bank's plans. Many of you write of your gradual realisation of just how damaging they are for you now and for the rest of your lives in retirement.

Key concerns now revolve around the fact that there is nothing in the proposals to enable members to plan beyond 2012, only two years after the change to the normal pension age from 60 to 65. Others are horrified at the radical cut that will be made to pension they will accrue from April 2010 whether they thought they were going to retire at 60 or 55. And perhaps the most terrifying element of all is the cut in the cap on inflation (which kicks in at the earlier date of Jan 2009) when all of the predictions for inflation in essential goods like food and power are so dire.

## Flexible benefits a smoke-screen

Many of you have told us that you feel the flexible benefits issue is a smoke-screen for the pensions' changes. Indeed, you are confused as to why a statutory consultation exercise on pensions is allowed to be changed by any employer in this way to include other non-related elements.

When you have had time to draw breath you are then asking us how the bank can talk of flexible benefits as a "benefit" when your pension is contractual anyway and there is no new money in the form of a benefits pot being offered to you in the proposals.

**Bernadette Fisher and John Nolan,
Unite National Secretaries**

## Defined contributions scheme

It would be wrong for anybody to imagine that members of the final salary scheme resent the significant improvements the bank is proposing to the DC scheme. What they cannot accept is that they should be expected to effectively pay to bring the newer scheme barely up to scratch with similar schemes in the other banks. More fundamentally, members in the two schemes do resent the threat to the stability of their contractual terms these proposals represent. If the pension scheme can be so drastically cut, is anything safe?

Many members of the DC scheme are as worried as their DB colleagues that the improvements to the scheme could be taken away at any moment, since they can see that nothing is guaranteed anymore in the bank's eyes.

## Market competitive

The bank's stated goal in these proposals is "to make sure that all elements of our total reward package are market competitive and sustainable in the longer term". In our view, these proposals do anything but achieve this.

John Woodhams in his July Newsletter cites 15 comparators. We do not know who these are but would make a number of observations. Firstly, none of the other major UK clearing banks (the likely competitors for the employees affected) – Barclays, RBS or LTSB – requires a contribution to the final salary pension scheme by its staff. None has reduced accrual from 60ths, introduced an actuarial reduction for retirement at 60 or reduced the cap on inflation increases from 5%. Nor has any made proposals to this effect. Similarly, it has always been the case that the majority of the major insurance companies has required scheme members to make a contribution to their pension. Indeed, pay and benefits schemes have been designed with this in mind. We acknowledge that Aegon UK has reduced benefits in its scheme in 2008 but do not see it as of comparable stature to Hsbc.

Our conclusion is that these proposals in fact make the overall pay and benefits package of employees in the scheme significantly less attractive. Indeed, many members have told both the union and the bank that if these proposals are introduced it will be the final trigger for them leaving to work for a competitor. The potential flight of longer serving, experienced, often managerial, employees from Hsbc that these proposals, if implemented, would trigger is a significant risk in terms of the bank's market competitive advantage which appears to be absent from the bank's considerations.

The situation for DC members is hardly different. The new proposals bring the scheme up to a comparable level to LTSB but below RBS and Barclays. None of these schemes gives members the security in retirement that any long-term employee of a major finance sector employer deserves. That's why we will be proposing a range of improvements to these proposals for the DC scheme.

## Sustainable

Sustainability is a two way street. For the proposals to be sustainable, they must be so for both the member and the employer. The bank has not suggested in any of the literature that it is unable to pay for the continuing cost of the DB scheme due to hardship or impending financial collapse. Indeed, the half yearly results have shown "surprisingly strong results in Europe, particularly the UK" according to Michael Geoghegan the CEO.

These results have been achieved on the back of the hard work and prudence in lending practices of UK employees. It is ironic that it is that same prudence on the part of DB scheme members in planning for their own retirements which is being blown apart by the bank's proposals.

We would argue that the cost of funding the scheme is sustainable for a bank of the size and wealth of HSBC. In contrast, it is not for our members. Many have given us examples of the impact of the 5% contribution on their family budgets and how it threatens their ability to pay for such basic things as the mortgage and child-care.

In retirement, the picture worsens especially if (unlike the bank's literature) you take into account existing issues like non-pensionable service, the impact of part-time work and clawback by the bank's scheme of the state pension. These can only be exacerbated by lower accrual, the reduction for leaving before 65 and the very real risk of higher inflation. For many members, the choice between hardship now and hardship later is simply not sustainable.

## Speaking with one voice

We are very grateful for and moved by the strength of feeling that your feedback both in writing and at meetings across the country has shown. You have responded enthusiastically to the union's call for unity in opposition to the bank's proposals and are prepared to put unprecedented effort and commitment into the detailed feedback you are sending to the bank and the union. What's more, you have shown great courage in sacrificing your anonymity in getting the message across to your employer that HSBC needs to think again. There can be no doubt that the sheer number of emails you have sent to the bank – 6000 as at July 25th – is having an impact at Canary Wharf and so it should. Any caring employer would be devastated that its proposals have caused such a drastic impact on the morale of its longer serving and most experienced employees at all levels in the bank.

That's why it's critical that you keep the feedback going to the bank right up to the close of the consultation. It is for the bank to show that it is sincere in saying that these are proposals and that it will listen to its employees and their representatives. And don't forget to copy us in at hsbc@unitetheunion.com

## Next steps

**The union and the National Council of Managers will now move to the next stage of preparing our proposals to put to the bank in our forthcoming meetings during August.**

**Your Unite National Committee has decided that the outcome of the consultations will be put to members in a further home address consultation exercise. This is on the assumption that the bank is prepared to engage in meaningful dialogue with us and make significant changes to its proposals for the better. The alternative, if the bank is not prepared for genuine negotiations, is to ballot for industrial action.**

**So go to www.unitetheunion.com and register to ensure your address and other records held by the union are correct as well as to sign up to our email list.**

**Substantial improvements we will be seeking are:**

- **A flexible benefits' pot to give meaning and value to the concept.**
- **A move towards guaranteed income in retirement to members of the current DC scheme, especially those who give long service to the bank.**
- **Protection of the value of pensions accrual for DB scheme members into the future, significantly beyond 2012.**
- **Removal of clawback of the state pension in the DB scheme.**
- **Real protection of the value of pensions in the face of higher inflation.**
- **Acknowledgement by the bank of the right to retire on a non-reduced pension at 60 (or 55 for some employees) in accordance with contracts of employment.**
- **Removal of (or genuine compensation for) the bank's proposal for a contribution by DB scheme members.**

# Union support

As Graham Goddard Unite Deputy General Secretary said in a recent press release,

*"The bank's proposals are out of all proportion and will cause real hardship to our many low paid members during their employment, let alone when it comes to an end. HSBC has made massive profits over the years. The pension fund has been built up with the hard work of our members over many decades and the cost to the bank of keeping it going at the current rate is a drop in the ocean for HSBC, especially in light of the strong half year results for the UK. We are asking the bank to back off from these plans for the scheme in forthcoming negotiations with Unite. That way the tragic drop in morale the bank has seen in the many thousands of emails it has received, as well as the very real threat of industrial action, can be avoided. Think again HSBC."*

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