

UNITE SLAMS HSBC PENSIONS PROPOSALS

Sham consultation on pensions

Unite is appalled at the bank's blatant flouting of the rules of the game in consultations with the union on pensions.

Unite was called to a meeting at short notice on Monday 9 June 2008 and began to pick up rumours, which were later confirmed, that a full consultation exercise with all staff would go out from the bank less than 24 hours later.

Never before has the bank been so cavalier in ignoring its recognition agreement with Unite the Union and indeed the agreement establishing the National Council of Managers. In First Direct, the meeting took place in the morning of Tuesday 10 June 2008 with the full communication that same afternoon! We can only speculate on the bank's reasons for acting in this way.

Advice

We are taking advice on our options in law in response to this action. These will no doubt evolve over time as the bank receives responses to its consultation from staff and managers and in light of any changes they might be persuaded to make to their proposals.

Response

Unite has been inundated by feedback from members over the way the bank has communicated these proposals and their content. Members are totally opposed to the proposed changes to the final salary scheme. It is critical that members make clear their views to the bank and to the union. We know from feedback to us and your support for our stance as set out in previous newsletters that you see the final salary pension scheme as the most important benefit and are not interested in flexibility if it means you will lose out. Nor do any of our members believe that the price of finally bringing the defined contribution scheme up to a level almost comparable to the other banks should be paid by longer serving staff.

Real loss

These proposals represent a real loss to those in the final salary scheme which can only be partly made up by the sliding scale of contributions up to 5% in 2012 (but then subject to review).

The combination of a lower accrual rate of 80ths and the later pension age of 65 adds up to a 40% reduction in the value of

future pensions accrual for those in the final salary scheme. Given that the bank is contributing 38% of salary to this scheme, the loss therefore averages out at 15%. You can make up some of this loss with the up to 5% contribution which is caused by the lower accrual rate but the cost of making good the impact of the later pension age of 65 and the lower cap of 2.5% on future pensions' increases are much harder to calculate but at least as significant.

Cost

The assumption the bank is making is that final salary scheme members will just be happy and able to make up the difference if they so choose. They glibly say they are proposing to "Share the cost of your DB scheme with you by asking you to contribute". The reality is that this is a pay cut, rising to 5% plus the cost of making good the pension age of 65 for anyone who wishes to retain the pension benefits they thought were guaranteed.

It was deeply offensive to your representatives to note that the bank's table illustrating the impact of the salary sacrifice scheme had a minimum salary of £20,000, way above average pay for clerical staff. It's as though those producing the table did not even realise they were excluding most of those affected! (Since we raised this, they have added a £10,000 minimum.)

Many of you who struggle on low pay and have no prospect of future pay rises due to the performance pay system will simply not be able to afford to make good the loss to your pensions. This stark truth has simply been ignored by the bank which suggests that those behind these decisions have no idea what it is like in the real world for their staff.

Bernadette Fisher & John Nolan,
National Secretaries

Disingenuous

Unite also believes that the bank has been disingenuous in the way it has advertised the value of the flexible benefits package as being based on the current value to each individual of the benefits they currently hold. The implication of this is that individuals should be able to "buy back" their existing benefits at no extra cost. This may be the case for other benefits but it is certainly not the case for those seeking to make up the loss in future accrual value of their final salary scheme. In fact their communications are filled with confusing messages about whether the changes to the final salary scheme are part of or separate from the flexible benefits scheme.

Caution

Members must act with extreme caution in agreeing to any facet of the scheme since the bank has said that it believes that once you join the scheme your contract will have changed to operate in accordance with its rules, including those regarding the final salary scheme.

Feedback

We advise members to make it clear to the bank in their feedback that they object to the changes to the final salary scheme they are proposing and hence to the whole flexible benefits package. Those in the defined contribution scheme should welcome the significant improvements but make clear that they do not believe that these should be being paid for by their longer serving colleagues having to pay so much to try to maintain their final salary scheme.

Unite welcomes the improvements to the defined contribution scheme

Unite however welcomes the changes and improvements that have been made to the defined contribution scheme and in particular the removal of the age restriction on when staff can join the scheme.

This is a clear move in the right direction and something that Unite has been campaigning on for some time. We also welcome the increase in contributions that the bank has proposed to the scheme. Nevertheless, this only brings the improved scheme up to a comparable level with LloydsTSB. It remains less generous than the RBS or Barclays schemes.

Members' Roadshows

Over the coming weeks Unite will be holding a series of roadshows around the country to gain your feedback.

The dates and venues will be sent out in due course once we have finalised everything.

You must continue to make your views heard to the bank and the union so we can take these forward to the bank during the consultation process.

Please copy your responses (and add any further comments) to the union at hsbc@unitetheunion.com

JOIN UNITE

If you are not already a member get behind the union and your colleagues on this critical issue and join us today on line at www.unitetheunion.com

