



CNC Newsletter #1



Fighting for UK Pensions (Again) 9th November 2020

Background

Over the last 20 years, the Pensions Central Negotiating Committee (CNC) and Trade Union structures have battled to protect and improve the various pension schemes in Rolls-Royce.

We are now in a crucial situation where the Defined Benefit (DB) Scheme is closing and, from the 1st January 2021, everyone will be a member of the Defined Contribution (DC) Scheme.

It is therefore vitally important that everyone understands the current situation in the DC and DB pension schemes (irrespective of which one you are currently a member of) regarding the negotiations the CNC are having, the decisions which are being taken and the behaviour of the Company.

As we have reported recently, the CNC recognise the current financial climate and have been prepared to make difficult decisions – including not contesting the initiation of the *force majeure* clause to enact closure of the DB scheme.

The CNC have also been realistic in their objectives of improving both the terms of the DC Scheme going forward and the fair transition of the DB Scheme closure.

After initial consultation meetings the CNC agreed to remove some proposals from our list (National TU Newsletter 8). The reason for this was that after the Company supplied the financial cost of our proposals the CNC decided there were more important and realistically achievable items to focus on. In fact, the Company thanked us for being pragmatic.

DC Scheme

Pensions experts will tell you that we need to aim for between 20 – 25% total contributions of income in order to receive reasonable pensions outcomes.

In 2018, as part of the Total Reward package, we negotiated some changes to the DC Scheme. The CNC's objective was always to use the probable future closure of the DB Scheme to improve the DC Scheme.

We must therefore revisit our promise to address the outstanding issue of contributions for members who are over 40 years old. This will benefit members of all ages and must therefore be included in any settlement going forward.

Recognising the current financial position of the Company we proposed a transition arrangement to address this situation (National TU Newsletter 8). As we have communicated previously, we are prepared to negotiate a reasonable transition for any DC Scheme improvements so the Company can realise greater cost savings in the current financial climate.

DB Scheme

From the moment the Company communicated their intentions, the CNC could have legitimately fought against the closure of the DB Scheme. However, because of the financial position of the Company the CNC decided the best course of action was to work with the Company with the objective that DB members get a 'fair transition deal'.

You may recall that in 2018 you agreed (as part of the Total Reward package) the Company could take a £145m contribution holiday to assist their financial situation at that time, which they have conveniently forgotten about. To date this money has not been repaid.

The CNC DB Scheme transition proposals are to ensure equality in application across all scheme members - for example a 5% uplift and existing 'with consent factors' going forward. This would also be consistent with existing arrangements agreed with managers on 1st March 2020 (surprisingly no force majeure was applied). We're not asking for removal just equality.

Negotiations

As a reminder, the Company and CNC have already agreed to the following for the DB Scheme closure transition:

- Pre 1997 pension contingency increases guaranteed up to 31st March 2024, subject to Trustee agreement
- Bridging Pension Option maintained, subject to Trustee agreement
- Partial Transfer Option, subject to Trustee agreement
- Unreduced Benefit Underpin for Death in Service/Medical Early Retirement (MER) until 31st December 2023, subject to Trustee agreement.

The CNC have informed the Company that our remaining priorities are:

For the DC Scheme

- An improved contribution structure of the DC Scheme for all existing and future members.

The only response from the Company on the DC Scheme is attached at Appendix 1.

For the DB Scheme

- A 5% uplift on DB pensions accrued up to 31st December 2020, for Works & Staff employees. The CNC is simply asking for parity with what managers received in March 2020
- 'With Consent' early retirement factors maintained in the DB Scheme, post-closure. Again, the CNC is simply asking for parity with what managers received in March 2020
- Share of Fund Transfer Values [SOFTVs] in the DB Scheme maintained from age 50 or 55 as per current scheme rules post-closure.

The Company have not satisfied our proposals, instead they have made their own proposals to the Trustees which fall well short of our expectations.

Failure to Agree

On Friday 6th November, the CNC registered a formal Failure to Agree (FTA) with the Company. A copy of this is attached at Appendix 2.

We will provide further updates when the FTA has been heard.

And Finally

You will have seen (or experienced at first hand) how the Company has handled the COVID crisis regarding furlough, redundancies and site closures. They are now using the pandemic as an opportunity to attack everyone's pension.

We know they will do the same to employment terms and conditions for those of us that remain in a job, if we allow them to.

We must all be prepared to fight every single unfair attack.

Stay strong and remember the only source of fact and truth is via these newsletters.

Thank you for your continued support.

Pensions CNC Subcommittee

Steve Hibbert	Ian Wilson
Tam Mitchell	Bryan Huish
John Firth	Jon Hopkins
Mahf Khan	

All our communications can be seen using the following Link:

<https://unitetheunion.org/campaigns/rolls-royce-play-your-part-in-rebuilding-our-economy-dont-slash-jobs/>



Appendix 1 – Company Response

From: Griffin, Joel
Sent: 05 November 2020 08:01
To: Hibbert, Steven; Mitchell, Tam
Cc: Brown, Fiona; Pestereff, Suzanne
Subject: Future DC contribution levels
Importance: High

Tam, Steve,

You have asked for a written response on behalf of the Company in respect to the proposals made by the CNC regarding future improvements to the Defined Contribution pension arrangements.

The proposals made by the Company are that with effect from 1 January 2021, all former RRUKEPF members would be enrolled into the Rolls-Royce Retirement Savings Trust at the standard level with employees contributing 6% and the employer contributing 12%. This level of employer contribution is at the upper quartile of employer contribution for large UK employers. We have shared the industry benchmarking data with the CNC during our recent discussions. As you know, it is essential that we carefully control all of our operating costs and accelerate our goal to achieve a level of breakeven cashflow as early as possible. In the circumstances, we are unable to consider any improvements to the current standard level of benefit provided by the Rolls-Royce Retirement Savings Trust.

In the Trade Union newsletter of 4 September, I note that it contained a proposal by the Trade Unions that former members of the RRUKEPF continue to receive preferential pension benefits over the next three years compared to other employees who have joined the Company from 2007. This is not a proposal that the Company would support.

Notwithstanding the above, we do commit to reviewing the competitiveness of our Total Reward arrangements at regular intervals and, subject to affordability, continue to promote good quality long term savings arrangements to support our people. These include retirement savings and share plans. Right now, we are at the start of what is expected to be a three year journey to return our business to profitable growth. Subject to us making strong progress on our commitments to our stakeholders (e.g. returning to a strong investment grade credit rating) we will review our Total Reward arrangements in consultation with the Central Negotiation Committee.

Joel Griffin

People Director – Performance & Reward

Appendix 2 – Failure to Agree



UK Pensions CNC Failure to Agree (FTA) 6th November 2020

The Sub-committee of the Pension Central Negotiating Committee (CNC), after consulting with the full CNC gives formal notice of a Failure to Agree (FTA) concerning the 'terms' of the closure of the Rolls Royce UK Pension Fund.

The Pensions CNC informed the Company (5th Oct) that the four priorities for the Works and Staff members were;

- Improved structure of the Defined Contribution (DC) Scheme
- A 5% uplift on DB pension built up to 31st December 2020
- With consent retirement factors maintained beyond 31st December 2020 applied on retiring from active service post scheme closure
- Share of Fund Transfer Values [SOFTVs] maintained post scheme closure for age groups of 50 or 55 as per rules of legacy schemes

The Company have not delivered and have fallen short of the expectations of their employees including its refusal to discuss an improved DC structure for all.

Tam Mitchell Steve Hibbert
Ian Wilson Bryan Huish
John Firth Jon Hopkins
Mahf Khan