



CNC Newsletter #3



Fighting for UK Pensions (Again) 18th December 2020

1 Defined Benefit (DB) Transition

From 31st December 2020 your DB Pension Scheme will be closed to future accrual. Any funds you have accrued will be secured and will continue to receive statutory increases.

From the 1st January 2021 former active members of the DB Pension Scheme will automatically be enrolled into the Rolls Royce Retirement Saving Trust (The Defined Contribution 'Money Purchase' Scheme), with a member contribution of 6% and an Employer contribution of 12%.

2 CNC NDA (Non-Disclosure Agreement)

Although accrual in the DB Pension scheme will stop on the 31st December 2020 and your accrual in the DC Scheme will begin on 1st January 2021, negotiations for the basis of the transition will continue until a conclusion is reached.

The negotiations between the Company, CNC, and the Trustees have now reached a point where confidential information relating to the valuation of the DB Pension Scheme and the Covenant of the Employer (the Company's ability to financially support the Scheme) is being discussed. Therefore, at the request of the Company and the Independent Chair of the Trustee Board, it has been agreed that a small CNC subgroup (covered by an NDA) will continue these discussions into the New Year.

3 Pensions Memorandum of Understanding (MoU)

The Pension MoU is intended to cover both future benefit improvements to the DC Pension Scheme and transitional arrangements for the DB Pension Scheme. This document will not be finalised until the New Year.

- **DC Scheme Improvements**

Setting the terms of reference for any benefit improvement of Total Reward arrangements that include the DC Pension Scheme to ensure and promote good quality long term retirement savings for members.

- **DB Scheme**

The Pensions MOU will include the following benefit changes already agreed with the RRUKEPF Trustee:

- ✓ The eligibility to partial transfer value payments for all members, regardless of whether a share of fund or cash equivalent transfer value is payable, subject to prevailing requirements of the FCA being met in relation to transfer certificates etc
- ✓ The ongoing eligibility to a bridging pension for all retiring members
- ✓ The treatment of any employee subject to a TUPE transfer on a parity basis with employed-deferred members up to 31 December 2023 for the purposes of with consent early retirement factors and transfer value basis
- ✓ Death in Service, Ill health lump sum benefit and pension (Medical Early Retirement) applicable to active members of the RRUKEPF on 31st December 2020 continues to apply until 31st December 2023.

- **DB Transitional arrangements (Yet to be finalised)**

The MoU will also include the following transitional arrangements for all former active DB members who are in employment with the Company on the 31st December 2020.

- Potential enhancements to pension benefits of members as at 31 December 2020
- The basis of any share of fund transfer value (SOFTV) available beyond 31 December 2021
- Provision of with consent early retirement factors beyond 31 December 2023
- Better protection on revaluation for all deferred employees.

The role of the CNC Sub Group covered by the NDA is to finalise the above points with the Company. These negotiations are not conventional - we are in negotiations with the Company, whilst in parallel the Company are also in negotiations with the Trustees. There is no formal relationship between the CNC and the Trustee.

It is important to note that the Trustees are the ultimate decision makers, whose primary aim is to protect the fund and secure those benefits accrued up to the 31st December 2020.

The MoU will not be finalised until early 2021 and recognising our members apprehension, the CNC have requested a 'letter of intent' from the Company, see attached (Appendix 1), committing to reach an agreement on any MoU in the New Year.

4 SOFTV.

Current situation determined by the Company for all DB leavers in 2021, who are of an eligible age (depending on their scheme rules) and entitled to a SOFTV:

Normal Leavers

- The Company have stated SOFTV will stop on 31st December 2021
- Those leaving the Company aged 55 and above (or ex-members of RRPf who are 50* and above) **and not** receiving Voluntary Severance **or** Compulsory Redundancy **must** give the Company at least 3 months' notice (to be received no later than 30th September 2021) to qualify for SOFTV
*Can Take SOFTV at 50 if your scheme rules allow provided you are able to get a bulk transfer (Buddy System) with WPS, however, this is a very complex area of legislation in which certain criteria must be met and must be done in conjunction with a financial advisor.
- SOFTV quotes will be guaranteed within 3 months of members leaving date and valid until 3 months after their leaving date.

Voluntary Severance (VS) or Compulsory Redundant (CR) Leavers

- The Company have stated SOFTV will stop on 31st December 2021 with those leaving on VS or CR with an extended guarantee of SOFTV with final payment by 31st March 2022
- Members leaving on VS or CR during 2021 and wanting to extend their decision-making period must formally request a SOFTV payment by 31st December 2021
- VS or CR leavers who are delaying their decision will have a 12-month decision window, however from the 1st January 2021 onwards the last date to inform the Pension Dept to qualify for a SOFTV will be 31st December 2021
- VS or CR members who pass their 55th birthday (or ex members of RRPf 50th birthday) during the decision window can receive SOFTV provided they have reached that birthday by 31st December 2021.

5 Pensions Administration

We have been assured that there will be an improvement in the support from the Pension Department now the Company have provided them with the correct tools (including mobile phones and call centre software in order to support scheme members).

This is something that should have been addressed several months ago to alleviate the pressure felt by the Pension Department staff and scheme members.

6 Pensions Website

The Pensions Website now only provides estimates to 31st December 2020, we have registered our concerns about the modification on behalf of those members considering leaving Rolls-Royce on VS.

We have been informed that a further upgrade will take place in January that will reflect the closed status of the scheme and provide more appropriate estimates.

7 Money & Pension Service Helpline (MaPs)

An additional financial service has also been provided for those considering leaving Rolls-Royce and taking their pension. MaPs provide guidance on redundancy, budgeting and other financial matters not just pensions.

MaPs was created in 2019 by the UK Government and is funded by the Department of Work and Pensions. It brings together the Money Advice Service, Pension Wise and The Pension Advisory Service into one place, although they are still to change some of their branding. It's completely free and impartial.

You can call them on **0345 602 7021**

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

Thank you for your continued support.

Pensions CNC Subcommittee

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

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 – Letter of intent from Joel Griffin



Rolls-Royce plc
PO Box 31
Derby
England
DE24 8BJ

To: CNC Committee
Derby

17 December 2020

To the CNC Committee

Ongoing discussions regarding RRUKPF transitional arrangements post closure to accrual

We have now closed the statutory consultation process and agreed with the Trustee that the RRUKPF closes to future accrual on 31 December 2020. The Rule Amendment to make the change has been approved and signed. We have also now communicated the closure to members and explained the detail of the consultation outcome.

The final results of the 31 March 2020 funding valuation of RRUKPF are not yet agreed between the Trustee and the Company and discussions are expected to continue into the New Year. As we have stated previously, over the coming weeks we agree to continue to work with the CNC with an objective of delivering a package of benefit improvements which would form part of the 2020 valuation discussions and would only apply to members who were still in service at 31 December 2020 and, therefore, directly impacted by the closure to future accrual.

As you are aware, the matters currently under active consideration include:

- Extension of with consent early retirement factors post 31 December 2023
- Extension of a share of fund transfer basis beyond 31 December 2021
- An uplift to pensions once in payment
- Improved inflation protection to deferred pensions

These are matters that we plan to cover within our ongoing discussions which we remain committed to with the CNC, but any final decisions must ultimately be agreed between the Company and the Trustee.

Yours sincerely

A handwritten signature in black ink, appearing to read "Joel Griffin".

Joel Griffin
People Director, Performance and Reward