Let’s talk

Proposed UK Defined Benefit Pension Plan Changes

FAQs

Vevox questions

Please can you explain how this proposed change is not age discriminatory against the minority population of staff affected?

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For most people that the current proposed closure of the DB scheme impacts, they cannot make up the shortfall in pension by being switched to the DC Scheme due to the limited number of working years they have left with GSK prior to normal retirement age. The closure of the DB scheme as it stands appears to be (a) indirect age discrimination and (b) breaking the company's own Trust ethic and guidance provided to this group of employees' in the past. How will GSK address these points?

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Whenever the company considers or proposes making a change to its benefit plans in any market, every action and decision is guided by our values and expectations and includes careful consideration of Equality and Discrimination. These fundamental considerations of course extend beyond our benefit plans and into how the company operates day to day.

An important factor in the company's thinking is that closure would enable us to provide pension benefits of the same type to all UK employees of the same grade, regardless of their age or when they joined the company.

We therefore see the proposal as equalising rather than discriminatory in its effect and following legal counsel and advice, we remain comfortable that the proposed closure is consistent with our Policy on the Equal and Inclusive Treatment of Employees.

Given the significant change to the financial future of 1,707 UK employees, do you feel the timing of the announcement based on the global pandemic was right, the consultation period given (considering the lack of meaningful engagement) was fair and transparent, but most importantly do you feel the effective date of 1st April 2021 gives sufficient time for people to adjust to this change from both a personal but also a financial perspective?

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An extensive review of these pension proposals began some time ago, before the global pandemic, and many factors were considered by GSK – including consistency of reward offerings across the whole UK workforce, financial control and sustainability and market competitiveness. These considerations are a key part of maintaining a competitive and sustainable offering that aligns with a modern UK workforce.

But we appreciate these proposed changes are very difficult and we wanted to provide an extended consultation period to give impacted members more time to understand the proposal and share feedback and counter proposals.

While there is never a good time to implement a proposal of this type, we believe the proposed timescales are appropriate and reflect market practice and other companies’ experience.

The DB pension pack sent to affected staff members homes the proposed changes talk about equitability however it is clear that changes have already been made to CET plans which allows for a much greater time to adapt before implementation. Can you explain how is this equitable?

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GlaxoSmithKline will cut retirement contributions for all UK executive directors from 20% of salary to 7p% by 2023, to bring their benefits in line with the wider workforce. However, the new rules will not apply to chief science officer, Hal Barron, who is based in the US and received pension contributions worth $1.3 million last year as part of a pay package that totalled $6.3 million.
GlaxoSmithKline said the decision to maintain the level of Barron's retirement benefits was in order to recognise contractual commitments agreed at the time of his appointment and his "exceptional talent."
So is this GSK keeping things fair and equitable across its workforce.
Can you tell me how one person is unaffected, the executive side gets a further 2 years before closure and 1707 have potentially 3 months to try and change years of planning for their retirement as well as come to terms with huge financial losses.

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We can confirm that the timeline for the proposed changes also applies to CET members who are active members of the DB plans in the same way as for all other members of those plans.

For our Executive Directors, their pay and benefits are legally required to be subject to specific governance by our Remuneration Committee, which is a committee of the Board. Executive Directors' pay and benefits must be delivered strictly in accordance with our Remuneration Policy which must be approved by our shareholders at a minimum every three years. How the Committee implements the policy is also subject to a shareholder vote at our AGM annually.

Our UK-based Executive Directors are not members of the DB plans and the changes to their pensions with effect from January 2023 (required by the UK Corporate Governance Code which applies to all UK publicly listed companies) was agreed with our shareholders as part of the current Remuneration Policy which shareholders approved in May this year.

As Hal Barron is based in the US, he is a member of our current US-based pension arrangements. His pay and benefits are also set by the Remuneration Committee and his reward package was agreed when he joined GSK, taking into account a number of factors including external benchmarking and market expectations around total reward for his role and responsibilities. All aspects of our Executive Directors' pay and benefits, including pension, continue to be kept under regular review by the Committee.

How does the Company expect affected employees to be able to make up the considerable deficit in their pension fund after this proposal is instigated to allow people to enjoy their pensionable lives and to Do more, Feel better, and Live longer?

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If this proposal goes ahead, how do you plan to compensate us for the significant annual financial loss we will incur in our retirement funds? I'm astounded that this has not already been included in your proposal.

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In addition to helping colleagues understand the proposal, a key objective of the consultation process is to make sure whatever decision is taken by the company is as fully informed as possible – and we're keen to hear from employees with counter proposals or mitigating actions. All feedback will be considered for financial viability and alignment with our objectives to provide long-term sustainability and equity in pension arrangements across the whole UK workforce.

We understand there are important and difficult financial implications to be worked through and understood by impacted members and there is extensive support provided by Wealth at Work during the consultation to aid this understanding.

If the proposal goes ahead, employees would be invited to book up to two one-to-one guidance sessions with a registered financial advisor (paid for by GSK) to explore the options available to them to support their future retirement savings.

It has been stated that the mental health effects of this proposal had been considered, however the Company has still decided to close the pension scheme leaving no realistic time frame for people to be able to manage the financial gap this has left. Is the Company in such a position that it has to put cost savings above people and its own values, especially in light of the ‘Living Our Values’ training and Emma Walmsley’s comments on Trust, to manage the strategic decisions the corporate executive team have made?

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The health and wellbeing of every employee continues to be a top priority and it's incredibly important everyone knows where to go for support and advice.

GSK's new Healthy Life platform brings together various tools and resources – support is available for you to access via the Health and Wellbeing pages on Connect GSK including the Employee Assistance Programme which offers a free confidential helpline, which you can call at any time 24 hours a day, 7 days a week.

Please also talk through any concerns with your manager or your I&C Forum Employee Rep who we know are providing fantastic support.

Why has it taken 2 months into the consultation process for senior GSK representative to talk to the affected minority and would this have happened if the Company’s values had not been openly challenged on Workplace? The I&CF Reps have conducted 2-way ‘Lets Listen’ sessions to support affected staff and Emma Walmsley has recently held ‘Let’s Talk’ events which have also been 2-way. In terms of transparency and respect for staff why is this event not a 2-way Live interactive event in keeping with the principles of Consultation?

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One of our key focuses in the earlier stages of the extended consultation was to provide data and information to help impacted members understand the potential impacts of the proposal. We've also been closely engaging with the I&C Forum Employee Representatives throughout the consultation period.

This now feels an appropriate time to connect with impacted members and explore more specific aspects of the consultation – including the counter proposal submission process.

We were keen to hold a Let's talk session with Allen and Iain and hear from members in the moment too – with the Vevox tool and the online Q&A tool enabling us to capture views and questions from as many people as possible.

A direct question to Allen Powley – in your career in Benefits – can you give us other examples where a profitable blue chip company made a 40% cut to the benefit package of a targeted group of individuals at very short notice and offered no compensation for the loss in benefit?

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Across the FTSE 100 there's been a clear trend to close DB plans over the last few years – in 2013, when the pensionable salary cap was introduced, around two thirds of the FTSE 100 had DB plans open to future accrual – now only 39 FTSE 100 companies have DB plans open to future accrual and 6 of these are under consultation to close to future accrual.

Typically, companies give 6-9 months' notice of the proposed closure date and there is a mixed profile with respect to compensation, with some companies introducing changes without compensation, some offering a level of compensation, and others linking the changes with changes to other reward programmes (such as Share Save) which GSK already have in place

A key objective of the consultation is to make a fully informed decision – which includes exploring and considering any counter proposals.

The numbers of affected staff split by age are approximately:
<45: ~50
45-49: ~350
50-54: ~640
55-59: ~500
60+: ~150
Therefore, around 650 people out of 1,700 could retire immediately and another 640 within 5 years, meaning that by 2025/6 there would only be 400 active members. Why does GSK need to force the DB closure now when the scheme is so close to the point where it will virtually close "naturally" to active members? Taken in this context the proposal feels like a petty and unnecessary move by GSK, but that has devastating financial consequences for some of the affected employees.

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It’s important to note the financial commitment for the DB plans does not end at retirement and while the plans are open to future accrual, the significant financial obligations for GSK continue to increase.

This proposal isn’t about singling out a group of affected employees – it’s driven by the company’s obligation to ensure longer-term sustainability, and we feel we’ve now reached a point where inequity, grade for grade in reward packages, is no longer sustainable.

Allen and Iain – are you losing sleep every night worrying about being able to provide for your family during your retirement? Many of this once great company's longest serving employees are now suffering a deep anxiety as a result of someone's idea that financial savings could be made at their expense. GSK are not proposing this change, its current leadership are. Many impacted do not have access to share options or significantly high salaries or bonuses of >25% to boost their savings. They have salaries of ~£30k and a 6% bonus. That's it. And these are some of the loyal employees who you are proposing lose HALF of their pension. We can only hope that the proposal, understandably assembled in secret, failed to take fully into account the high human cost which has now been laid bare for you to digest. As we all should expect at GSK, do the right thing, scrap the proposal quickly and put your teams energy into rebuilding the lost trust of all employees not just DB members.

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We recognise these proposed changes are disappointing and difficult – against a backdrop of uncertainty in the wider world.

There are important financial implications for members to understand and while there is never a good time to consider difficult decisions such as these, from a company perspective, we feel we’ve reached a point where inequity, grade for grade in reward packages, is no longer sustainable.

This isn’t about questioning employees’ commitment and loyalty or singling out a specific group – it’s about looking at how we can provide a consistent and sustainable offering for everyone at GSK.

Does GSK recognise that we as long serving members of staff (1,700+) are the most loyal and dedicated members of staff with an extensive amount of knowledge which is proven by number of years we have been with GSK (myself 35 years). This announcement has been badly managed at best and shows a lack of trust in GSK, especially when 7 years ago we agreed to cap our pension contributions at 2%, which at the time we were told this would stop the closure of the DB scheme. My loyalty and dedication to GSK will not change as my IPT principles are solid unlike those of GSK. The timing of this announcement could not have come at a worse time with staff working from home due to COVID-19 and feeling vulnerable with no one to discuss their issues with face to face. These actions do no show a company who believes that its employees are its biggest asset.

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Probably not as eloquent as others but at present I feel sick with the stress of this. I have worked at GSK for a long time and have felt privileged and proud to. I have also made life plans, nothing too extravagant, but to be comfortable in providing for my wife, who has health issues, and helping our children get established in adult life. Now, the company I have always reflected positively on in surveys and have gone the extra mile for on a regular basis has informed me effectively that it is reducing my total reward package by 40 odd percent with no time or opportunity to address this. Shame on you GSK. Trust, respect for people, empty words. Maybe externally facing that is the image wished to be portrayed, internally the company has shown its true colours, breaking trust and disrespecting its most loyal employees. It takes a lifetime to build a reputation, a moment to destroy it. You have lost my loyalty through this, and that makes me truly sad.

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In 2013, when GSK introduced the cap on pensionable salary, we advised that we did not intend to revisit the way that DB pensions build up for five years.

While we’ve regularly reviewed and monitored the position since 2013, GSK has recognised this commitment for more than five years – but it’s important to acknowledge that the company has always reserved the right to amend or withdraw pension arrangements and has never committed to retaining the current arrangements indefinitely.

This proposal is about equity and the obligation to ensure longer-term sustainability.

DB members are in the same storm, but it appears not in the same boat. I'm a member of the DB scheme with 21 years' service. I stand to lose 54% of my predicted DB value at age 65 after 40 years' service. My planned/promised/expected 65% of final salary will only be 30% of final salary if the proposal is adopted. A member of the SB Exec DB scheme will lose 0% as they automatically qualify for 2/3rds final salary after 20 years' service which, coincidently, every member of the scheme will now achieve by 31st March 2021, how convenient. This alone is scandalous but is made even worse by the fact that these members will be moved to the GSK PP DC Exec section where they will further benefit from a 20% company contribution (5% self) making them actually better off if the proposal is adopted! This is being progressed as being equitable to the whole UK workforce. Are any of these plan members involved, in any way, in the design or delivery of the proposal? How is this acting with Transparency?

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There are historical differences across all DB plans but this proposal is about moving to a consistent benefit basis, grade for grade, for all UK employees.

There's also a wide range of potential financial impacts on members – depending on age, service and planned retirement date for example – plus decisions that employees would need to make around future contributions.

In relation to the specific question on the SmithKline Beecham Executive Plan, we can confirm that members of that scheme are only entitled to 2/3rds final salary if they stay in the scheme as active members until their normal retirement date. If the proposal goes ahead, members will not be able to stay in the scheme until their normal retirement date and therefore their benefits would also be reduced

I do not accept the point that inequality exists between those on the DB and the DC schemes. Those in the DC scheme either joined the company after the closure of the DB scheme to new members or made an active choice to switch to the DC scheme. In either case they accepted the job and the DC scheme on the terms offered to them and, most importantly, could plan for their retirement with a clear view of the long term by saving appropriate amounts into the DC scheme.

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In contexts like these, there are often very different perspectives held by the company and by the employees impacted by proposed changes who may not feel they’re equitable to them.

Before making the proposal to close the DB plans, the company spent a long time carefully considering all options and alternatives – against a backdrop of consistency, financial control, sustainability and market competitiveness.

To share some further context – GSK makes an annual contribution of c.60% of pensionable salary for an average active DB member, compared to around 10% of salary for an average active DC member. The UK DB pension plan is the biggest single source of inequity in the reward package across the whole UK workforce.

Emma says we should talk to our managers. Most are not in the plan so other than sympathising there is nothing they can actually do even though they want to support their staff. This is a pension problem and Emma’s response yesterday clearly sounds like another attempt to pass the buck by senior leaders.

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This is a complex proposal and of course there's no expectation for line managers to be experts in pensions – but they can play a supportive role and signpost their team members to the support available.

We shared a high-level update with line managers at the start of the consultation period and are following up with them again with further guidance to help them continue to support their team members through the remainder of the consultation.

Webex questions

In a DC pension scheme, there is a de-risking 'retirement date/lifecycle' approach, in that investments should switch gradually from equities/growth assets (the growth phase) into lower risk assets (the de-risking phase). As active members of the DB pension are already in the latter years of their career then there is a much reduced growth phase in which to build up DC pension value, meaning that DB pension members, if transferred to a DC scheme, would not have access to the same future build-up potential of DC pension value as current DC scheme members (grade for grade). Please explain therefore how the “UK workforce will have access to the same future build-up of pension benefits (grade for grade) regardless of age or length of service” as posted in a recent Wealth at Work FAQ.

All UK employees will have access to the same GSK Defined Contribution (DC) arrangements for the future build-up of pension benefits (grade for grade) regardless of age or length of service

Under the GSK Pension Plan, monthly employee contributions can be matched by the company up to certain limits and employees can also pay extra pension contributions to help build up sufficient savings for retirement, known as Additional Voluntary Contributions (AVCs)

There are a range of investment options available in the GSK Pension Plan and members can review these options, self-direct where their funds are invested and don’t have to rely on the default option

If the proposal goes ahead, employees would be invited to book up to two one-to-one guidance sessions with a registered financial advisor (paid for by GSK) to explore the options available.

Why are you just targeting UK employees (DB)? Are others about to be impacted by similar proposals or is it just 'us' DB long serving employees the focus of attention?

GSK continues to review reward plans in all markets for consistency, equity and fairness within those markets – there’s not a ‘one size fits all’ approach and local factors (such as the social security system and level of state provision) are taken into account.

The UK represents the most significant pension commitment for GSK with around £13bn of liabilities, and over the last 10 years, £650m of ongoing contributions and £1.5bn of deficit reduction contributions to the DB plans, together with £560m of DC plan contributions.

The company needs to ensure long-term sustainability and equity of benefits, with a fairer balance of contributions across the UK employee base.

Please would you confirm if current 45% of GSK ongoing UK pension spend is for the entire four DB plans which include over 42,000 drawing pension and deferred members? If this is the case the 1,707 contributing members only represent 4% of the entire membership, so actually GSK pension spending is less than 1.8% (4%x45%) for those existing 1,707 contributing members. So why is GSK targeting a minority group who only make up a small % of pension outgoings?

The 45% of ongoing GSK UK pension spend relates to active (employee) members of the DB plans only.

GSK makes an annual contribution of c.60% of pensionable salary for an average active DB member, compared to around 10% of salary for an average active DC member.

We also want to reinforce that the proposals aren't about questioning employees' loyalty or singling out a group of affected employees – they're driven by the obligation to ensure longer-term sustainability and we feel we've reached a point where inequity, grade for grade in reward packages is no longer sustainable.

In terms of counter proposals, how can these be submitted and in what form?

What type of counter proposals have been submitted to date?

What are the timelines going forward?

There’s no specific form for submitting counter proposals either through Wealth at Work or the UK I&CF – they can be as detailed as you think appropriate, but summary statements of the mitigating actions you’d like the company to consider (and why) are acceptable too.

We’ve already received a number of well thought out and constructive counter proposals which are being reviewed and considered as we go through the consultation process. These include ideas around the timing of the proposal, changes to the ongoing pension arrangements, suggested compensation or a combination of these.

The company will complete its review as soon as possible after the consultation ends and plans to confirm the final decision around the end of the year – initially by email and then in writing.

What is the actual saving on 1,700 versus the pension responsibilities that will still need paying? Is the saving worth the distress and irreversible changes to lifestyles that it's causing?

GSK's UK DB plans represent the biggest single source of inequity in the reward package across the UK workforce and over the last 10 years, the company's aggregate contributions to the DB plans (ongoing and deficit reduction contributions) have equated to around 4 x DC plan contributions.

In future, this significant disparity (the difference between the relative cost for each active member in the DB plans and each active member in the DC arrangements) is expected to continue and is not sustainable in the long-term.

A key aim of the proposal is to provide all UK employees with pension arrangements that are equitable, competitive and sustainable. If the proposal goes ahead, GSK would realise longer term cost savings, but the quantum of these would depend on a number of variable factors at the point of closure including investment returns and inflation. Therefore, until such point of closure occurs, we cannot accurately calculate those longer term cost savings.