

Agreement in sight in newspaper pensions row

Ken Griffin

THE long-running pensions dispute between regional newspaper journalists and their employers looks set to be resolved after both sides agreed to back a hybrid scheme in a move that pension experts in other industries are said to be watching closely.

The dispute centred on the attempts of the Regional Newspaper Association of Ireland (RNAI), which represents most leading regional newspaper publishers, to close its defined-benefit scheme for journalists.

RNAI members voted overwhelmingly to shut the scheme in February last year after its actuary, Mercer, said they would need to increase their contributions from 6.9% of salary to more than 18% to keep it properly funded.

Their decision sparked an 18-month battle over pensions with the National Union of Journalists (NUJ), which came close to shutting most of the state's regional newspapers several times.

However, the NUJ's Irish organiser, Des Fagan, said the hybrid scheme proposal, on which which its members are currently voting, should resolve the issue.

"It's a reasonable compromise that we can both live with," he said.

Fagan said the proposals ensured that NUJ members would continue to have guaranteed pension benefits.

The RNAI has also said it is pleased with the proposals.

Its chief executive, Neville Galloway, said the proposals allowed its members to put a figure on their future pension liabilities.

"It puts a known quantity on our contribution levels going forward," he said.

According to Munro O'Dwyer, director of the pensions solutions group at PriceWaterhouseCoopers, hybrid schemes have benefits for both employers and employees. Most hybrid schemes combine features of defined-benefit and defined-contribution schemes. In the case of the RNAI scheme, the defined-benefit element will see members receive guaranteed pension benefits on the first 27,000 of their salaries.

The defined-contribution element will see employees invest a minimum of five per cent of their salary over this level in a Personal Retirement Savings Account (PRSA), which give no benefit guarantees.

Their employers have agreed to invest up to 10% of salary into the PRSA, up to a salary ceiling of 40,000.

O'Dwyer said converting existing defined-benefit schemes to the hybrid model in this way represented a more sensible approach than shutting them.

"Shutting a scheme is almost a kneejerk reaction to all the ills of defined-benefit schemes. Employers just want to get rid of their schemes rather than considering what is best for their employees and their business," he said.

O'Dwyer said businesses also didn't factor in the effect that a failed defined-contribution scheme could have on their image.

"Some members of defined-contribution schemes will do very badly. If there are some very bad hard luck stories, employers may be forced to move the other way," he said.

The pensions expert who advised the RNAI and the NUJ on the scheme, John O'Connell of Trident Benefit Consulting, said closing pension schemes was often a false economy.

"It's expensive to keep one open and it's can be expensive to walk away too. For a lot of companies the money is equally large no matter what you do with your scheme," he said.

O'Connell said he expected all existing defined-benefit schemes to be reviewed in the near future, as rising life expectancy putting increased strain on that pensions model.

"At this stage, even if not a lot changes in terms of life expectancy, it will become harder to keep things going," he said. "But instead of ditching schemes, people are realising that there is scope to change them."

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