

# Nudge Nudge

NUJ Daily Express, Sunday Express, Daily Star and Daily Star Sunday chapel newsletter

16 October 2008

## Freeze on pension fund

With only one day's notice, NUJ chapel representatives were called to a meeting with the management on Tuesday 14 October 2008 to be told the 1988 Express Newspapers pension fund was being "frozen" as from 31 December 2008.

Instead the company wants the 29% of staff in the 1988 fund to move into the Prudential money purchase scheme which the company already provides for people who joined since 1997.

NUJ members always regarded the 1988 fund as a good one because it gave a pension based on an individual's final salary and years of contribution to the fund. Many experts believe money purchase schemes offer a worse deal for employees because it is difficult for individuals to assess the level of income they will receive from their pension.

NUJ reps believe this is why the existing Prudential Express Newspapers scheme has not attracted a larger take-up of staff. For those who switch from the 1988 fund, the company says it will pay 8% of salary (it currently pays 16.9% into the 1988 fund) into the Prudential scheme while staff will pay 4%.

NUJ reps have called for advice on the 1988 fund from the union's legal experts who have been provided with many pages of documentation, which were shown to NUJ reps by the company for the first time on Tuesday.

The company was unable to tell us exactly how long there has been a deficit in the 1988 fund but we know the deficit was £53million in 2006, and £55million in June 2008, although we believe the deficit dropped significantly at some point between those dates. We have told the company that while there is unprecedented

volatility in the financial world this is the wrong time to change our pension arrangements, partly because a realistic valuation of the fund's assets is currently impossible.

We are also worried by reports that two or three years ago the trustees were pressured to adopt a more aggressive investment policy to include hedge funds.

We have been told that 15% of the fund's assets are in hedge funds.

We will be asking the management how much was invested in those hedge funds and what their current value is.

A routine, official valuation of the entire fund is required and scheduled for April 2009. We are

told that the trustees will have to agree to change the rules of the fund to allow the 1988 fund to be "frozen" so the 60-day consultation period is important for all members to let their views be known.

We are awaiting clarification of what impact this consultation will have on

the trustees and on the company. Two years ago, members of the fund resisted attempts by the company to convert the fund into a CARE scheme which would have reduced future benefits.

Thanks to the 2004 Pensions Act, the company was also "persuaded" in 2006 to increase its contributions to the fund to cope with the deficit.

According to the terms of the agreed recovery plan, the company will have to continue putting £6million into the fund for the next six years.

The law now prevents the company from closing the 1988 fund but it could be legally offloaded to an insurance company. This would be expensive, with the estimated cost in 2006 as £500million.

### *Redundancy*

Talks were expected to continue today about management plans to make redundant staff and casuals working for Daily and Sunday Express production. The official consultation period ends this week.