Diageo told to enter 4-month process with unions over future service pensions

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> **Diageo and its three unions should engage across a four-month period to reach a resolution of issues around the Guinness Ireland Group Pension Scheme, according to the Labour Court.**

The company told the Court that it could not sustain the level of costs and risks in providing future service pension benefits to active members of the scheme (i.e. current workers at the company).

It also said at the Court hearing that the failure to make progress in a consultation process with the unions needs to be addressed, adding that the company was committed to addressing this issue in a fair and reasonable manner.

The unions involved – the Guinness Staff Union (GSU), SIPTU and Connect – said they wanted to retain the Guinness Ireland Group Pension Scheme (GIGPS) and believed it was part of the terms and conditions of their members' employment.

They added that they were "willing to explore all solutions to the retention of the scheme as it is currently constituted".

'TIME-BOUND' TALKS

In its recommendation, the Labour Court said that the matters outlined to the Court were "significant" and the Court believes that "it is in the interest of both parties to find sustainable agreement on the structure and nature of pension provision" in the GIGPS.

The Court noted that the company said "a time-bound facilitated engagement" should take place and the Court understood that the unions, without prejudice to their position, were agreeable to this proposition.

Such an engagement, said the Court, "will require dedicated periods of intense engagement across an accepted timeframe". It was satisfied that the WRC was in a position to facilitate this engagement and to make itself available.

Therefore, the Court recommended that the parties "should engage the services of the WRC to facilitate an engagement across a four-month timeframe to achieve an agreed resolution".

That process "should involve an initial engagement at principal level with the WRC to draw up an agreed framework for engagement".

If any matters remain disagreed between the parties at the end of these four months, they may be referred to the Court "for a final and definitive recommendation".
(LCR21828 – chairman, Kevin Foley)

PENSION REPORT

The last annual report of the GIGPS stated that while it was now compliant with the Pensions Authority's minimum funding standard (MFS) as of December 2017 – four years earlier than the expected date of December 2021 – it views the funding position on an 'ongoing valuation' basis, which is still in deficit, as the more important measure.

The MFS position is that the scheme has a surplus of €219 million, or €99 million when the new requirement for a funding standard reserve is taken into account. This means it is 105% funded, taking account of the reserve requirement.

Using the ongoing valuation basis, the scheme is €215 million in deficit, which means it is 89% funded. This is an improvement on the position in December 2016, when it had a deficit of €336 million and was 84% funded. The next triennial valuation of the scheme to be taken as of December 31, 2018.

Under an agreement with the trustee, a total of €320 million is to be paid or committed to the scheme between January 1, 2016 and December 21, 2027, which is the date by which the trustee and the company have agreed to eliminate the deficit on the ongoing valuation basis.

As part of this agreement and included in this €320 million, the company paid €32 million into the scheme in each of the three calendar years 2016, 2017 and 2018. The company also made a once-off lump sum payment of €23 million into the scheme in 2016, due to some early retirements of active members.

While future funding requirements will be reviewed after December 2018, the company is expected to make annual contributions of €22.5 million each year up to 2027.

These contributions, according to the report, are in addition to the cost of providing future service benefits, which is 50% of pensionable earnings. While 5% of this is employee contributions, the rest is contributed by the employer.

The pension scheme currently has 363 active members (8% of the total), 1,128 deferred members (23%) and 3,344 retired members (69%).

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