

EMI scheme dispute sees key negotiators replaced

DEFINED BENEFIT

By Giovanni Legorano

A row over the funding level of the EMI pension scheme has resulted in the replacement of trustee chairman Ian Smellie.

A source familiar with the matter said a dispute between the scheme trustees and Terra Firma – the private equity firm backing the music group – had prompted Smellie's departure.

The source confirmed Smellie was replaced by BESTrustees independent trustee Clive Gilchrist and said Terra Firma's Quentin Stewart – who had been negotiating with Smellie – was replaced by Terra Firma chief executive Tim Pryce.

“Stewart and Smellie failed to reach a conclusion so a decision was taken to replace them. According to the trustees the deficit is £170m, while Terra Firma thinks it is lower than that figure.”

The source added Terra Firma and the EMI trustees had not initiated any discussion on how to fund the deficit of the scheme.

Media reports indicated the EMI defined benefit scheme – which is closed to new members – had a surplus of £111m at March 2008, but independent pension consultant Ros Altmann warned the figure could be much worse this year.

She told *PP*: “Whatever the

funding level was when EMI was taken over, a deficit must have ballooned by now.

“It seems Terra Firma did not do its due diligence well on the pension fund when it took over EMI.

“The accounting measures of the deficit might have looked different from the actuarial measures. This could mean on one basis the scheme could have had a surplus and on the other a deficit.”

Terra Firma declined to comment on Smellie's departure.

Gilchrist did not return requests for comment and EMI head of pensions Lesley Alexander, despite being contacted, was unable to comment.