

MI forces out trustee chair

Maggie Williams



Terra Firma, the private equity company that owns music giants EMI has forced out Ian Smellie, chair of trustees from EMI's pension scheme.

The action followed an on-going argument between Smellie and Quentin Stewart, Terra Firma's chief negotiator, over top-up payments from Terra Firma to the EMI scheme. Discussions over the top-up initially broke down in May. Terra Firma refused to meet

requests for an extra £170m to be put into the scheme. Prior to his departure, Smellie also argued that Terra Firma had weakened EMI as a corporate sponsor by adding to its debt, and that it should make substantial additional payments to protect the 22,000 members of the £1bn scheme.

The trustee structure at EMI is unusual, in that the chair of trustees is appointed by the company itself, and as such the

company is in a position to dismiss the chair without intervention from the other trustees.

Independent trustee Clive Gilchrist (pictured) of BESTrustees has replaced Smellie in the lead role at EMI and, in an attempt to start afresh in funding negotiations, Stewart has also been replaced. The Pensions Regulator is aware of the situation but was not involved in Smellie's departure. ■

Regulator boosts DC standards

Alastair O'Dell

Pensions Regulator has called for employers and employees to do more to improve defined contribution (DC) schemes.

The statement is part of a major initiative by the Regulator to ensure higher standards in DC. It called on trustees and members to make better financial decisions when they retire.

John Hobman, chief executive of the Regulator, said: "It is more important than ever in these challenging economic times for members to make informed decisions to maximise value for money at retirement."

The Regulator published an accompanying updated leaflet on retirement choices for DC members, highlighting the importance for members of the open market option – the right to buy an annuity from a provider of their choice. It also sets out the differences between various types of annuity as well as alternative options. The Regulator is also providing communication materials routinely used by schemes.

John Hobman: "We know that our standards on DC will enable trustees, employers, advisers and providers to deliver the outcomes for DC scheme members."

The Regulator also published its analytical report of the DC market

entitled DC Trust: A presentation of scheme return data. It is currently taking a multi-pronged approach to improving DC provision, which many considered a neglected counterpart to defined benefits schemes since the Regulator was established in 2005.

The introduction of auto-enrolment means that there will be an avalanche of companies offering DC pensions for the first time.

"In the run-up to 2012 we are focusing on providing more education to assist employers with their pension provision and are looking at the standards in key processes for DC pensions," said Hobman.

The Regulator has also encouraged employers to engage responsibly with employees about pension arrangements.

"We are willing to enforce better practice, if we need to," Hobman added. ■

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Public sector pensions under fire

Bob Campion

The defined benefit pensions enjoyed by many workers in the public sector came under attack from politicians on all sides of the political spectrum during the summer.

In a warm up to general election campaigning next year, senior Tories, Labour politicians and Liberal Democrats underlined their determination to cut the final salary benefits on offer to public sector workers.

The benefits fall into two camps; the funded schemes run by local authorities, and the unfunded arrangements paid directly by the taxpayer to teachers, nurses, civil servants, MPs, the police and armed forces. The MPs' scheme is likely to be the first to go – moving to a defined contribution arrangement.

But widespread reform of pensions by other segments of the public services will be contested fiercely by unions. The Government is reported to be drawing up plans to cut the benefits of some two million council workers, potentially moving them to cheaper career average pensions which new recruits to the civil service already receive.

Terry Rooney, Labour chairman of the Work and Pensions Committee, wants high earning local authority staff to have pensions capped at £50,000. Tory

shadow chancellor George Osborne is equally focused on the 'fat cat' end of the spectrum, and wants to stop them being re-hired by the same organisation after retirement.

The TUC, in response to the apparent groundswell of support for cutting benefits, attempted to shift the debate, by pointing out that tax payers pay £2.50 to fund pensions tax relief for private sector fat cats, for each £1 spent on public sector benefits.

Public sector union Unison's response was muted by revelations of plans to cut its own final salary staff pension scheme on grounds of cost, after seeing the deficit double in the last year to £120m.

But writing in the September edition of *Pensions Insight* magazine, Ken MacIntyre, pensions manager for the largest trade union Unite, attacked 'scaremongering' among the media and politicians arguing that "despite the headlines, public sector pensions are not wildly expensive, or even generous" and that "ensuring universal access to decent secure pensions is much more worthwhile than attacking people who work in public services."

With 20 per cent of the workforce employed in the public sector, it is a battle set to be hard fought and could well become a central campaigning issue in the next general election. ■