

ITEM NO: 3(c)

GREATER MANCHESTER PENSION FUND

ANNUAL GENERAL MEETING

9 September 2011

Commenced: 1.30pm

Terminated: 3.15pm

Present: Councillor K Quinn

Councillors: Ambler, Buckley, J Fitzpatrick, Grimshaw (Bury), Houle (Oldham), Lambert, Middleton, Smith, Sullivan, Taylor.

Employee Representatives

Mr Thompson and Mr Fraser.

Apologies for absence: Councillors: Cooney, Baldwin (Wigan), P Harrison, J Lane, Pantall (Stockport), Ricci, Sweeton, White (Bolton), Whitley.

Other Representatives:

Anthony Sever

Clive Back

Matthew Thorley

Rebecca Gibbons

Christine Buxton

Andrew Taylor

Samantha Garlaw

Julie Barnes

Colin Cook

Janet Leigh

Craig Davies

Barbara Arthurs

Carl O' Donnell

Sarah Jackson

Ian Taylor

Carol Bailey

Rachel Nield

Darryl Richardson

Paul Hynes

Mike Gerrard

Ged Murphy

John McGrail

Nina McGlashan

Organisation:

Positive Steps Oldham

Manchester Sports and Leisure Trust

Greater Manchester Police

Rochdale Development Agency

Stockport MBC

Wigan Council

Stockport Homes

Salford City College

Fairfield High School

Museum of Science and Industry

Tameside Reporter

Oldham MBC

New Charter Housing/Academy

Marketing Manchester

Pure Innovations

Pure Innovations

University of Salford

Oasis UK

Royal Northern College of Music

Willow Park Housing Trust

Greater Manchester Fire and Rescue Authority

City South Manchester

Rochdale MBC

Dawn Lomas
Jim Crenigan
Robert Stormonth

Rochdale Boroughwide Housing Ltd
Stagecoach Manchester
Prudential

1. MINUTES

The Minutes of the annual meeting held on 10 September 2010 were noted. Councillor Taylor requested that his name be added to those present at the meeting.

2. CHAIR'S OPENING REMARKS

The Chair welcomed the representatives of the various participating organisations to the meeting. He stated that at the present moment in time there was ongoing economic uncertainty and many Governments were struggling to balance their books. He referred to the terrible earthquake and tsunami in Japan and political uprisings in North Africa and the Middle East.

He further stated that reductions in public expenditure had had an economic impact in the region and this had also had an impact on scheme members, employers and the Fund. However, during these difficult times he reported that the Panel had continued to strive to strike the right balance between affordability, stability of cost, prudence and good governance.

He reported that the Fund's average funding level at the 2010 actuarial valuation was at the top end of the range compared to other LGPS funds.

At the individual employer level, there was a wide range of outcomes. The changes in membership profiles was increasing the number of employers where benefits paid exceeded contribution income received. The Panel was increasing its focus on individual employer issues and it was looking to work with employers to manage the longer term issues arising from these changes.

He also reported that the Fund's excellent long term investment performance had been the key factor in maintaining a high funding level and last year the Fund had increased in value by approximately £600m to £11 billion. This performance was disappointing on a relative basis, due to the Fund's high weighting to cash and underperformance by one of the Fund's investment managers, however some of the Fund's high cash weighting had recently been invested back into companies following the significant falls in equity markets in July and August 2011.

He referred to the interim report which had been published by Lord Hutton in October 2010 and his final report on public sector pensions which was published in March 2011. The main outcome from the interim report was the decision to raise additional income from employee contributions amounting to 3% of pay. He had made representations to the Chancellor, expressing concern on the impact such changes could have on members opting out and suggesting an alternative approach to generating the required savings.

He stated that the Fund had a long history of successfully investing in local property opportunities and such investment had the twin aims of generating commercial returns and supporting the area. The Panel believed that the lack of capital for local investment was creating good investment opportunities for the Fund to take advantage of and it had therefore increased the limit from 3% of Fund value to 5% for local investment. The Panel had established a rigorous evaluation process to assess the commerciality of these potential investments.

In conclusion, he stated that these were tough times for many of the Fund's employers and scheme members and that the scale and pace of change in the public sector was exceptional. The impact of these changes were being reviewed and both the employer and the Fund would need to

continue to work together to help manage the challenges of delivering long term affordable pensions and to be ready to take advantage of the investment opportunities that the future brought.

He thanked the Advisors, Investment Managers and officers for their efforts in keeping the Fund in a strong and healthy position.

4. REVIEW OF THE YEAR

The Executive Director of Pensions gave a presentation on the Fund's performance over the past year and outlined the key events, both financial and administrative. He commented on the impact of recent falls in equity markets and the pressures on public expenditure.

He began by reiterating that these continued to be exceptional times, both economic and financial and that there were pressures on public expenditure versus funding the pension promise.

He gave detailed analysis of scheme membership, membership by pay, annual pensions in payment, age range of employee members, the number of GMPF optants out and the impact of membership changes on cash flow.

He also reported on the main Fund's management arrangements, benchmark asset allocation, Pension Fund returns and GMPF values since 1987.

He made particular reference to the investment strategy, the objectives of GMPF funding, the accounts, investment performance and the contributions received and benefits paid during the year ending 31 March 2011.

He commented on what the new scheme could look like, the timetable for change in relation to the increase in employee contributions, the post Hutton reforms and employer issues.

In conclusion, the Executive Director of Pensions summarised by stressing that these continued to be exceptional times, the changes in membership and scheme design would have a long term impact on the management of the scheme and would have a differential impact at the individual employer level.

He further added that the Fund was developing an understanding on the impact of these changes at the individual employer level and that the Fund was undertaking some case studies with the Actuary.

He stated that although funding levels had declined at the 2010 valuation, GMPF compared favourably with other local authority funds and he reminded members that the main aim of the fund was to provide secure pensions, effectively administered at an affordable and stable cost to employers.

Questions were then invited from the floor.

5. ACTUARIAL UPDATE

Alison Murray of Hymans Robertson, Actuary to the Fund, gave a presentation on the outcomes and issues arising from the 2010 valuation. She also commented on the current position with regard to employer contribution rates and the outlook for the future.

She made reference to the fund objectives, the volatility of funding position and employee costs and future risks.

Membership issues that she commented on included:

- Stagnant pay awards;
- Redundancy programmes’
- Opt-outs/non-joiners;
- Total payroll decreased 7% since 2010;
- Number of under 25s had fallen by 28%; and
- Pension payments increased by 11%.

She stated that the changing membership had the effect of increasing the maturity of liabilities and she commented on the effect this had on cashflows, where for an increasing number employers, more money was paid out in benefits than received in contributions. She explained the impact this had on employer contributions.

She also commented at an individual employer level, that an analysis of investment strategy and an analysis of contribution strategy would be undertaken by way of case studies with the aim of trying to balance growth/liquidity/stability in the medium term. Public sector pensions reform would assist in the longer term (but not all employers equally).

She reported that GMPF was better funded than other schemes and was ahead of the curve in terms of opportunistic investments, considering the effect of maturing liabilities on strategy and looking at individual employers.

Questions were then invited from the floor.

6. PRESENTATION BY RACHEL REEVES SHADOW MINISTER FOR PENSIONS

The Chair welcomed Rachel Reeves MP to the meeting, and gave a brief outline of her background, stating that she had worked as an economist at the Bank of England and the British Embassy and also had worked as a business planner and analyst for Halifax Bank of Scotland. She had been the Member of Parliament for Leeds West since 2010 and was the Shadow Minister for Pensions, campaigning against the Government’s proposed acceleration of equalising state pension ages for men and women.

Rachel Reeves MP thanked the GMPF for her invitation to address the meeting and referred to the severe cuts which local authorities had had to face (27% over the next four years). She commented on the Government reforms of public sector pensions, and in particular on raising the contributions from local government employees. She also commented on the need for longer term reform, and the issues that needed to be considered for effective reform.

She also commented that public sector pension schemes were all different and the Government needed to take into account the diverse nature of pension sector schemes in its review of public sector pension.

The Chair thanked Rachel Reeves MP for her presentation.

CHAIR