

ITEM NO: 3(c)

GREATER MANCHESTER PENSION FUND

ANNUAL GENERAL MEETING

10 September 2010

Commenced: 1.45pm

Terminated: 2.55pm

Present: Councillor K Quinn

Councillors: Cooney, Gartside (Rochdale), J Fitzpatrick, J Smith (Manchester), J Walton (Bury)

Employee Representatives

Mr Thompson, Mr Fraser and Mr Mulryan

Apologies for absence: Councillors: Baldwin (Wigan), Beeley, Doubleday, P Harrison, W Harrison, J Lane, Middleton, Pantall (Stockport), Pennington (Salford), Mitchell (Trafford), Ricci, M Smith, Sullivan, Sweeton, Taylor, White (Bolton).

Other Representatives:

G Ascroft	Manchester Metropolitan University
D Aspa	Bury College
B Beaumont	Oldham Sixth Form College
S Beaumont	Oldham CAB
P Brady	Stockport Sports Trust
G Britteon	First Manchester
B Brooks	Meridian Healthcare
R Broom	Standards Board for England
A Brownhill	GMWDA
N Chaisty	Tameside Sports Trust
C Cook	Fairfield High School
A Cooper	Oldham Council
P Court	Manchester City Council
S Ellison	NPS Stockport
P Evans	GMP
A Foster	Northwards Housing
E Fritchley	William Hulme Grammar School
S Gallagher	City West Housing
R Gibbons	Rochdale Development Agency
J Green	Museum of Science and Industry
A Harkinson	The Manchester College
R Higson	Salford Community Leisure

C Hudson	Stockport College
T Kitchingman	Bolton College
H Mawson	University of Manchester
A Moran	Stockport MBC
P Morrell	Trafford MBC
C McLaughlin	Catholic Children's Rescue
J Newell	Asthon Sixth Form College
R Nield	University of Salford
C O'Donnell	New Charter Housing and Academy
J Rakestraw	Trafford College
J Richardson	PSO Oldham
S Richdardson	Parkway Green Housing Trust
S Ryan	UNIAC
J Saw	Audendshaw School
I Skelton	Individual Solutions
W Saxton	Manchester CAB
J Taylor	Pure Innovations Ltd
W Wild	Marketing Manchester
P Williamson	Trafford Leisure Trust

1. CHAIR'S OPENING REMARKS

The Chair welcomed the representatives of the various participating organisations to the meeting.

He then made reference to the death of Councillor S R Oldham CBE, former Chair of the Pension Fund and former Executive Leader of Tameside Council. He paid tribute to his long service and dedication to the Fund.

The meeting then stood for a few moments silence in memory of Councillor S R Oldham.

2. MINUTES

The Minutes of the annual meeting held on 18 September 2009 were noted.

3. CHAIR'S INTRODUCTION

The Chair began by explaining that the last year the Fund more than recovered its losses from the previous year, it started at £7.8 billion and increased to a record £10.4 billion giving an annual return in excess of 36% for the Main Fund.

With regard to investment performance, over the last 3 years, the fund had delivered a return of 3.3% compared to the local authority average of 1.7%. This return was in the top 20% of local authority fund returns. Over 10 years, the Fund's return was 6.1% per annum and it was the top performing local authority fund in this period, as it also was over 20 and 25 years.

The Fund was currently in the middle of the 2010 actuarial valuation process. The last three years had been very difficult for real asset returns, such as equities and property and total fund returns had been below the Actuary's assumption. Increases in employer contributions were expected, but the uncertainty was greater than normal because the report of the Pension Commission could have a material effect.

The Chair made reference to regulatory and legislative change, and made reference to the 'New Look LGPS' which became operational in April 2008.

The Chair concluded that this was a challenging environment, however decisions continued to be taken from the long term perspective to maintain the success of the Fund. He thanked the Members of the Panel, the Advisers, Investment Managers and the staff for their work over the last 12 months.

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 investment management arrangements, investment strategy and performance, legislative change and administration/employer issues.

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

He gave detailed analysis of investment performance, highlighting the Fund's excellent relative short and long term investment returns that contributed to the Fund's employer contribution rates being at the low end of the range for LGPS funds. He also commented on the Fund's low cost of investment management and administration.

The Executive Director of Pensions summarised by stressing the challenges of the current environment and the declining funding levels since the 2007 valuation, which, however, had improved since last year. GMPF performance compared favourably with other Local Authority Pension Funds, and he reiterated that long term liabilities required long term investments. He concluded by reminding members of the aim of the fund, which was to provide secure pensions, effectively administered at a low stable cost to employers.

Questions were then invited from the floor.

5. FUNDING UPDATE AND UPDATE ON THE 2010 ACTUARIAL VALUATION

Mr McKay of Hymans Robertson, Actuary to the Fund, gave a presentation which outlined factors for the 2010 valuation, the current position with regard to employer contribution rates and the outlook for the future.

He explained and illustrated how funding levels had fallen since 2007 valuation, hitting their low point in March 2009. Since that time, however, funding levels had improved, and examples of contributing factors and recent developments including; the adoption of the Consumer Price Index (CPI) for the indexation of benefits and public service pensions from April 2011 and the Government announcement of a two year pay freeze for public sector workers.

The Fund was well placed compared to other LA funds, but the impact of falling asset values and low interest rates meant that the Fund had moved to a deficit position. He then outlined what this meant for contribution rates.

Mr McKay then reviewed the factors that influenced contribution rates including prospective investment returns, interest rates, inflation and employer specific factors.

It was explained that the valuation assumptions used in the 2010 valuation were derived on the same basis as those used in the 2007 valuation adjusted to reflect recent developments. In March 2010 a funding level of 82% was forecast. The changes in financial assumptions outlined increased the funding level to approximately 92%, but these assumptions still need to be finalised.

Mr McKay indicated, for secure employers, increases of 1% per annum in employer contribution rates should be budgeted for, over a three year period. For less secure employers, however, the outlook was more uncertain and complex and increases could be considerably more, dependent on individual employer circumstances.

He also commented on the merits of changing the approach on deficit recovery from a percentage on the employer rate to a cash sum. This is particularly applicable to employers that are experiencing reductions in their pay bill.

CHAIR