

ITEM NO: 1

GREATER MANCHESTER PENSION FUND

18 September 2009

Commenced: 1.45pm Terminated: 2.40pm

Present: Councillor S R Oldham

Councillors: Beeley, Buckley, Doubleday, Harrison, Heffernan (Oldham), Hobhouse (Rochdale), K Quinn, Pantall (Stockport), Sidebottom, White (Bolton), Whitley

Employee Representatives

Mr Mulryan, Mr Fraser and Mr Rayner

Apologies for absence: Councillors: Baldwin (Wigan), Bell, Cooney, Holland, J Lane, Middleton, Mitchell, Pantall, Pennington, Ricci, Sweeton, K Welsh, Mr Llewellyn and Mr Thompson

Other Representatives:

J Bain	University of Bolton
A Bielecki	Greater Manchester Sport Partnership
C Buxton	Stockport MBC
C Cook	Fairfield High School
J Currid	Enterprise Manchester
K Eccles	Link 4 Life
S Ellison	NPS Stockport Ltd
N Etchells	Stockport Sports Trust
E Fritchley	William Hulme Grammar School
P Greenhalgh	Stockport College
E Hancock	UNIAC
K Hardicre	Museum of Science and Industry
C John	Pure Innovations
S Johnson	Bolton MBC
J Leigh	Museum of Science and Industry
P McKevin	Wigan MBC
H Mawson	The University of Manchester
P Morrell	Trafford MBC
R Nield	University of Salford
C O'Donnell	New Charter Housing/New Charter Academy
P Pattison	TOC
S Rahman-Choudhury	Oldham MBC

S Roderick	Enterprise Manchester
A Scott	Connexions Cumbria
A Sever	Positive Steps Oldham
I Taylor	Pure Innovations
M Taylor	Oldham MBC
M Thorley	Greater Manchester Police
L Towler	Association for Public Service Excellence
D Weldon	Link 4 Life
C Weston	Tameside MBC
W Wild	Marketing Manchester

1. MINUTES

The Minutes of the annual meeting held on 12 September 2008 were approved as a correct record.

2. CHAIR'S INTRODUCTION

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

The Chair began by explaining that the last 18 months had been an exceptionally difficult time for economies around the world. The recession and credit crunch had had a material adverse impact on many individuals and companies and had witnessed the failure of many household names.

GMPF had also clearly been affected, falling in value by £1.5 billion from £9.3 billion to £7.8 billion. In absolute terms a return of -16.7% for the year was very disappointing but it compared very favourably with the local authority average of -19.9%. Financial markets continued to be very volatile and since the year end, there had been a recovery in asset values and GMPF significantly increased in value to £9.5 billion as at 18 September 2009.

The Management Panel had responded to the situation by introducing a variety of measures aimed at taking advantage of some of the investment opportunities that had arisen in financial markets.

With regard to investment performance, it was reported that investments and in particular equities, had delivered very poor returns in the last 10 years compared to long term historical norms. During this period GMPF had delivered a 3.7% per annum return versus the local authority average of 2%.

At the 2007 actuarial valuation, GMPF returned in aggregate to a fully funded position. The inter valuation experience so far had clearly had a material adverse effect on funding levels. The next valuation was due at 31 March 2010 with revised employer rates taking effect from 1 April 2011.

The Chair made reference to regulatory and legislative change, and informed members that the new look LGPS became operational in April 2008. He thanked the Pensions Office for the effective and efficient way in which they had maintained service standards during the year. Fifteen months after the introduction of the new scheme the Department of Communities and Local Government had indicated that they would be consulting on a new Scheme fit for the 21st century.

The Chair also reported with sadness the death of Councillor Martin Wareing, who had passed away in May this year after a short illness. Councillor Wareing had served as Deputy Chair of the Panel since Tameside became the administering authority in 1987 and was Chair of the

Information Services Working Group since its inception. The Chair added that he would greatly miss Councillor Wareing and the support he gave over his many years of involvement with GMPF.

The Chair concluded that this was the most challenging environment that he had experienced as Chair of GMPF. 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.

3. REVIEW OF THE YEAR

The 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 were exceptional times, both economic and financial. Interest rates were at an all time low, and there was a continuing growth in the length of time people were living.

He gave a 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.

With regard to regulatory and legislative changes, he made particular reference to the implementation of the new scheme and the outstanding issues, including the requirement to finalise the cost sharing rules and the consultation on the new scheme design which was expected imminently.

The Director of Pensions summarised by stressing the challenges of the current environment and the declining funding levels since the 2007 valuation. However 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.

4. FUNDING UPDATE AND ISSUES FOR THE 2010 ACTUARIAL VALUATION

Mr Bowie of Hymans Robertson, Actuary to the Fund, gave a presentation which outlined factors for the forthcoming 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 the 2007 valuation hitting their low point in March 2009. Since then funding levels had partially recovered. Whilst the Fund was well placed compared to other LA funds, the impact of falling asset values and low interest rates meant that the Fund was still in a material deficit position. He then outlined what this meant for contribution rates.

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

He reiterated the need for a 'long term view' in determining contribution rates. He also commented on the guidance the Management Panel had given him following its consideration of a research paper earlier this year, to strive for stability of employer contribution rates where this could be

prudently justified. For secure employers he indicated that increases of 1% per annum in employer contribution rates should be budgeted for following the 2010 valuation (effective from April 2011).

For less secure employers, the outlook was more uncertain and complex. He advised of the issues to be considered in setting contribution rates for such employers and the impact of such issues.