

ITEM NO: 5(b)

GREATER MANCHESTER PENSION FUND INFORMATION SERVICES WORKING GROUP

22 January 2010

Commenced: 9.15am

Terminated: 10.10am

Present: Councillor Middleton (in the Chair)
Councillor Beeley
Councillor Heffernan
Councillor J Lane
Councillor Pantall
Mr Rayner
P Morris Executive Director of Pensions
G Dale Head of Pensions Administration
M Tyrer Communications Manager

8. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Working Group.

9. MINUTES

The Minutes of the proceedings of the Information Services Working Group held on 30 October 2009 were approved as a correct record.

10. SCHEME DESIGN

The Head of Pensions Administration delivered a presentation which outlined potential scheme developments based on the three main options of delivering pensions as follows:

- Money Purchase (or Defined Contributions)
- Final Salary
- Pension Build up (or Career Averaging)

It was noted that there were many variations of the above.

The perceived advantages and disadvantages of each of the above were outlined as follows:

Money Purchase (or Defined Contributions)

Advantages:

- Equitable;
- No employer risk; and
- Flexibility at retirement.

Disadvantages:

- Typically provided the least pension per £ invested;
- Employee carried all the investment risk and the annuity risk; and

- Most employees didn't understand investment options/implications.

Final Salary

Advantages:

- No employee risk;
- Very good at rewarding long serving employees who see career advancement; and
- The longstanding status quo.

Disadvantages:

- Inequality;
- Maximised employer risk;
- Complicated to administer; and
- Sometimes too good at rewarding long serving employees that see career advancement.

Pension Build Up (or Career Averaging)

Advantages:

- Provided more equality;
- Defined benefit;
- Less employer risk;
- Easier to administer; and
- Most members get larger pensions versus a final salary scheme costing the same.

Disadvantages:

- Suspicion;
- Senior, long serving member would tend to receive smaller pensions; and
- Possibly less motivation for promotions in later life.

The Head of Pensions Administration commented that the Pension Build Up scheme was becoming more popular than it was.

He further referred to three options to make any pension scheme cheaper from the employers' point of view, as follows:

- Reduce benefits;
- Pay later; or
- Increase employee contributions.

Discussion then ensued with regard to the above, the cost of the Scheme and the viability of Final Salary schemes versus Pension Build Up (Career Averaging). It was suggested that a possible starting point to considering options for scheme design is reaching agreement on affordability from the employee and employer perspective and the extent of risk that both parties are prepared to carry in terms of managing the volatility of cost over time.

The Head of Pensions Administration then circulated details of London Pension Fund Authority's Symposium to be held on 24 February 2010, which would focus on how an affordable scheme should operate. It was agreed that Councillor Pantall and the Head of Pensions Administration would attend.

11. COMMUNICATIONS UPDATE

The Communications Manager made reference to the Annual Pensioners Forum and the search for a new venue for 2010 (Meeting of the Working Group on 23 October 2010, Minute 7 refers). The venue which seemed to meet all the criteria – subject to a satisfactory price - was at Lancashire County Cricket Club; it is known as 'The Point'. It was explained that the building was still under construction, however it was due to be completed well in advance of the planned date of the Forum in October 2010.

Members viewed slides of the above venue under construction and discussion ensued regarding the transport links, accessibility, seating area and car parking. Members agreed that 'The Point' was a very good venue, meeting all the criteria, in particular good transport links. Costings from LCCC were awaited.

12. HYMANS ROBERTSON PENSIONS COMMUNICATION SURVEY

The Director of Pensions submitted a report which gave information regarding a pensions communications survey commissioned by Hymans Robertson, Actuary to the Fund, which examined employees' understanding of pension issues in both the public and private sector. A copy of the survey and its key findings were appended to the report.

The report highlighted the challenges of effective communication and provided help in considering the effectiveness of the fund's communications.

Members discussed the Newsletters circulated by the Communications Team and all agreed that information was always timely and clear and congratulated the Team on the quality of documentation/circulars.