

Metropolitan Police Friendly Society Limited

Minutes of the 62nd Annual General Meeting

held on
Thursday 13 May 2010
Wood Street Police Station, City of London

The Chairman, Mr Michael Messinger, QPM, LVO, opened the meeting at 2pm and welcomed the 21 members in attendance. It was noted there were 13 proxy votes in possession of the Chairman. There were also 11 other guests in attendance.

Documents circulated and available to members at the meeting included copies of the Annual Report & Accounts, copies of the draft Minutes of the 61st AGM held on 21 May 2009, copies of the Rules and Memorandum and copies of the CVs of all Directors standing for election at the meeting.

Chairman's Report

Mr Messinger then informed the meeting that the Society had benefited from some good market conditions in the final three Quarter periods of 2009 and at the end of that year had assets under investment amounting to £84.4 million.

He reported a premium income of £13.5 million and informed members that lump sum deposits placed with the Society reached record levels during the year. He also stated that the Society had paid out claims amounting to £14.2 million during the year.

He went on to update members present about the discussions that had taken place during 2009 about a possible merger with the Police Mutual Assurance Society ("PMAS") and thanked members for all views and opinions expressed. He informed the meeting that the discussions and negotiations had taken place throughout the year but a satisfactory agreement could not be reached and the Board rejected a 'final offer' from PMAS in November 2009.

Mr Messinger then informed the meeting the Society had conducted a complete reassessment of marketing of the Society and following a rebranding exercise would now use the trading name of 'metfriendly' and a new logo. He stressed to members that the Metropolitan Police Friendly Society name is still retained and remains greatly valued as the Society's business name.

He informed the meeting that membership of the Society stood at 15,168 which was relatively stable when compared to previous years.

The Society, he stated, continues to pride itself on its capital strength and he was delighted to inform members that the Board had taken the decision to return some of this capital to members through increased payouts from 1 January 2010.

Mr Messinger informed the meeting there were eight Directors, whose details were to be found both on the website and on the copies of the CV document circulated at the meeting, who were offering themselves for re-election.

In addition, he stated, there were four new nominees as Directors that were being put forward for election at the AGM. Mr Messinger reported to the meeting that given the very proper involvement of the Financial Services Authority (“FSA”) in all areas of the financial services arena and the need to continue to be both active and professional in marketing the Society to the current and the potential membership, the Board considered that there was a pressing need to increase the level of professional expertise on the Board. They were also very aware that the principal strength of the Society was its ability to properly understand and empathise with its special membership, the police service in London. Again he drew the members’ attention to the CV document circulated at the meeting and the postings on the internet site and the intranet site maintained by the Society.

Mr Messinger also paid tribute to three Directors who had stepped down or were stepping down from the Board of Management. He thanked them for their hard work, wise counsel and dedication to the Society throughout their years of membership of the Board of Management. However, he informed the meeting that Bob Finlay, Geoff Bishop and Doug Skins would all remain with the Society as either members of the Marketing Committee or its working groups.

In closing his address Mr Messinger paid tribute to the hard working and loyal staff at the Society’s offices at Orpington and went on to thank the staff associations, particularly the Police Federation and the Superintendents’ Association for their continued help and support.

Lastly he thanked the City of London Police for providing the facilities at Wood Street to enable the attendance of members at the AGM.

Questions

Mr MacKenzie asked why there had been no representative of the Superintendents’ Association on the Board of Management for some time. The Chairman stated this matter was being addressed and he noted the comments made.

Mr Eley noted that at last year’s AGM, members had been informed that the Society could not survive on its own but he noted it appeared from the Chairman’s report to this year’s AGM that 2009 had been a good year for the Society. However, he went on to raise the subject of some articles that had appeared in the Mail on Sunday newspaper

last autumn when their reporter had made some critical comments about the ability of the Society to survive on its own in the current financial environment and asked whether the Chairman knew where the comments had come from. He was concerned that the comments may have put potential new members off joining the Society. He was also concerned that a large amount of money, over £300,000, had been spent on the merger discussions and he wanted to know how this money had been spent.

Mr Messinger replied that nobody at the Society had spoken to the journalist but he was aware that the journalist in question had been in contact with other mutual societies within the industry. He stated that the expenditure relating to the merger would be explained by the CEO in his address to the meeting.

Mr McAndrew also informed the meeting about some of the reasons why the Board had made some of their decisions. He highlighted that following the failure to reach an agreement with PMAS, on terms which were favourable to the Society's members, there had been a better dialogue with the Police Federation and the other staff associations and given the change in the economic conditions the Board had felt there was an opportunity to carry on as a separate Society.

In addition the views put forward by members attending last year's AGM and the subsequent meeting relating to the proposed merger were also of importance as most expressed a desire not to merge with PMAS. When the comments appeared in the Mail on Sunday the Board took the view that it was better not to react directly but had placed their view on the website.

Mr McAndrew also stated that whilst there was no representative of the Superintendents' Association on the Board he was in close contact with their Secretary, who he knew was supportive of the Society.

Chief Executive's Report

Mr Bell then addressed the meeting and presented his report about the performance of the Society throughout 2009. He pointed out the good returns for members on ISAs and With Profit Bonds as shown in the financial highlights of the Annual Report. He informed members there had been a good return on investments during 2009 of 10% per annum following a poor return during 2008.

He then explained the requirements of the FSA during the year which required us to provide a quarterly return on our solvency position with other larger firms being required to report on a monthly basis during the volatile market conditions. Nevertheless he reported the Society was financially strong and was in a position to return some of its capital to members through enhanced bonuses.

Turning to the merger discussions and the monies spent on the due diligence process he explained to members that there had been a lot of technical work to complete by all of

our advisers and that the Non Executive Directors had commissioned an independent actuarial report to give an opinion on the merger proposals. Lawyers had also been engaged to assist in the legal process and had advised the Society throughout the year, including advice following the publication of the Mail on Sunday article previously mentioned. There had also been some additional accounting work (required as part of due diligence) which included considerable work on the assessment of the technical figures of the other party in order that the Board were properly informed on all aspects of the discussions. He considered that all due diligence work was necessary and properly carried out.

Mr Bell went on to explain the composition of the Fund indicating there had been no major investment decisions taken during the year. The Society had adopted a cautious approach to Government Bonds due to their poor value and some of our investments had been transferred into cash by the year end. Corporate Bonds, he explained, had performed well and the Society had taken the opportunity to expand our property holdings by an investment in Property Unit Trusts which was transacted in December and had moved to an early profit. During the year the Society had disposed of one property and the remaining three had all been subject to a downward revaluation.

Mr Bell explained that any capital surplus to our needs would be returned to members and that since January 2010 we had increased payouts to members. He reported that 2009 had been a record year for lump sum investments which seemed to indicate that members trusted the Society more than other institutions.

He reported that Solvency 2 requirements were being introduced from 2012 and that all financial institutions would be required to introduce new solvency standards to comply with EU and UK law. The Society would need to take additional professional advice from advisers and it would also need additional technical input at Board level. This would require a more balanced Board with more professionals serving as Non-Executive Directors to assist with finance and governance.

Reporting on bonuses Mr Bell stated that although interest rates had fallen over the past year, annual bonus rates were being held at the same levels as 2009 and gave the example of the metfriendly ISA paying a bonus rate of 2.4% as being the same as the previous year. He went on to highlight illustrations for 5-year, 10-year and 25-year regular savings plans payouts.

Mr Bell pointed out the current offers available to members and encouraged all to view the new website for full details. He also gave details of offers available to new recruits to the police service and other member-get-member promotions such as the 'Love2Shop' vouchers.

Questions

Mr Park thanked all of the Society's office and field staff for their loyalty and endeavours over the past year when their jobs and family security were in jeopardy and asked whether they were likely to be rewarded financially. He then went on to state that he was astounded by the large expenditure incurred by the Society in connection with the due diligence work relating to the proposed merger. He also raised the subject of the tax rebate due to the Society in relation to an incorrect assessment by HMRC and asked for further details and why this had come about.

Mr Bell stated that he could not go into detail about the merger discussions and negotiations as the Society was subject to a confidentiality agreement but hoped that all members would agree that there was a need to look closely at all the technical figures of the other party and that the expenses were correctly incurred. In relation to the tax matters during the course of the close scrutiny undertaken during the merger discussions it became apparent that the Society had been incorrectly assessed by HMRC in relation to index tracking unit trusts since late 2002. There had been changes to the tax regime in 1988/89 on which the Society did not take expert advice and this may have led to the matter going unnoticed until the due diligence process was undertaken in 2009. Mr Bell also reported that it did not affect any dividends/bonuses paid to members as this was not the way in which the With Profits Fund operates.

Mr MacKenzie asked for details of travel to meetings and other expenses incurred during the meetings with PMAS. Mr Bell indicated that travel was usually by second class rail travel and did not entail an overnight stay.

Mr Monk asked for a better breakdown of the expenditure on due diligence matters. Mr Bell and Mr Messinger reported these were largely professional fees incurred with our actuary on additional work undertaken in connection with the merger, legal fees relating to work undertaken by our lawyers and additional actuarial reports requested by the Board. Travel and other costs were minimal. Mr Monk agreed that it appeared to be money well spent but suggested that information of this nature would have been better published in a breakdown report.

(Secretary's Note: Total amount spent on due diligence included £221,000 spent on actuarial fees (Milliman), £98,000 on legal fees (Pinsent Masons), £39,000 on independent advice to Non-Executive Directors (Watson Wyatt) and £4,000 on printing costs for the merger mailings. Total £362,000.)

Mr Park pressed for an answer in relation to any financial reward to office and field staff for their efforts. Mr Messinger undertook to report back to the Board and to write to Mr Park with their response.

Auditor's Report

Mr Tymms reported that some of the tax rebate had already been refunded by HMRC and that he had been in recent contact with the Society's Inspector of Taxes who has assured his firm that once the calculations had been agreed then payment would be made as soon as possible. Mr Tymms also pointed out that most of the rebate now due related to the ability of the Society to carry back unrealised losses incurred during 2008 into the previous years to offset the gains of 2006 and 2007 and that the tax was correctly paid to the Revenue at the time and is now only refundable due to the carry back. Quantum has yet to be agreed but had already been carried into the 2009 accounts.

Mr Tymms went on to give his report to the meeting highlighting that there had been an increase in investment values due to the improving investment market allowing the claw back of losses incurred in 2008. Investment income is down slightly but premium income was up by £ ½ million including an increase in the annualised income for regular premium business. He reported that operating expenses were up but when the costs for the merger were stripped out then expenses were only up by £34,000. The merger costs were not listed separately as these were listed under the Financial Highlights on page 6 of the Annual Report & Accounts. Mr Tymms reported that the Society was able to make a transfer of money to the Fund for Future Appropriations resulting in a substantial strengthening of the balance sheet.

Questions

Mr MacKenzie asked that in future consideration be made to providing a breakdown of Management Expenses.

Mr Eley cautioned about a dependence on lump sum investment and stressed that greater emphasis should be made towards regular savings.

Mr Beck offered the use of the new website operated by the London Branch of NARPO to draw their members' attention to the services of the Society. The Chairman thanked him for this kind offer.

Mr Bennett stated that the Constables Branch Board were supportive of the Society and offered the use of the CBB website and other Federation facilities to promote the Society to new members. The Chairman thanked him for his support and that of the Federation representatives.

Another member asked what the Society was doing to keep these expenses in check in order to be able to reduce costs in the future if called upon to do so. Mr Bell indicated Society's expenses included regulatory requirements and also marketing the Society. Sometimes spending to grow the business was necessary. The Society's expenses were reasonable when compared to other peer groups.

Mr MacKenzie again stressed that better clarity could be achieved by a better breakdown of management expenses and queried some individual expenditure. The Chairman ruled that such detailed questions were better dealt with outside of the meeting and asked Mr MacKenzie to write to him with his request for information.

Votes

Minutes of the Previous AGM

The draft minutes of the 61st Annual General Meeting held on 21 May 2009 at Wood Street Police Station and circulated at the meeting were tabled. Mr MacKenzie, who was not at the previous meeting, raised the matter of who had proposed and seconded Mr Messinger as a Director of the Society. Mr MacKenzie drew attention to Rule 16(3) and suggested that non-members had proposed and seconded Directors standing for election. The notes of the previous meeting were checked and it was established that Mrs Rennie had proposed and Mr Park had seconded Mr Messinger's nomination.

Mr MacKenzie maintained that he had been informed by someone at the meeting that Mr McAndrew had proposed or seconded a motion to the AGM which as a non-member he could not. He maintained this was gross mismanagement on the part of the Chief Executive, the Secretary and Mr McAndrew who should have known the rules. The Chairman noted his comments.

Mr Bennett opined that difficulties had arisen because of late circulation of the minutes and suggested that they be circulated at an early stage to allow any objection to be raised.

Mr Deller proposed the acceptance of the minutes and Mr Stokes seconded. By a majority the minutes were accepted as a true and accurate record of that meeting.

Annual Report and Accounts

The Annual Report and Accounts for 2009 were presented to the meeting and their acceptance was proposed by Peter Clarke and seconded by Graham Stokes. They were adopted and accepted by the meeting.

Remuneration Report

The Remuneration Report as published in the Annual Report and Accounts was noted and accepted by the meeting.

Election of Directors

At this point Mr Park raised a point of order relating to the process of electing Directors as he maintained there had been little or no notice of those vacancies, nominations for

which had closed the previous December and in the interests of fairness and transparency he proposed that the current elections be stopped and the nominations process started again. Mr Eley seconded the proposal. The Chairman put this matter to a vote and it was lost.

Mr Deller also questioned the attendance record of Mr McKeever who had only managed to attend one Board meeting in 2009. Mr Messinger explained to the meeting that the Nominations & Remuneration Committee had considered the matter carefully and after taking into consideration Mr McKeever's 100% attendance at the Audit and Finance Committee and the other work he performed on behalf of the Society, were prepared to put his nomination through to the Board for approval.

Mr Bennett asked whether there was a Remuneration Policy in place to reward those Directors who had a professional standing. Mr McAndrew outlined the policy recently agreed by the Board which would provide a remuneration policy for those Directors not employed by the police service with an annual retainer of £6,000 and a meeting expense of £400.

Following a question from Mr Beck, Mr Bell was able to reassure the meeting that all new nominees were independent and not tied to any other Friendly Society.

In accordance with Rule 26 the following Directors were re-elected by the meeting for the periods shown.

Mr Michael Messinger	until 2011 AGM
Mr Michael McAndrew	until 2013 AGM
Ms Eileen Heaney	until 2013 AGM
Mr David Gottler	until 2013 AGM
Mr Graham Stokes	until 2011 AGM
Mr Peter Clarke	until 2013 AGM
Mr Paul McKeever	until 2011 AGM
Mr Donald Ratcliffe	until 2013 AGM

In accordance with Rule 26 the following persons, who had been proposed as new Directors of the Society, were elected for the period shown.

Mr Peter Smyth	until 2013 AGM
Ms Janet Cassettari	until 2013 AGM
Mr Timothy Birse	until 2013 AGM
Mr Patrick Girling	until 2013 AGM

(Secretary's Note: At the AGM the Chairman mistakenly called for proposers and seconders for these roles which, under the provisions of Rule 26, are not required in the event of an uncontested election.)

Auditors

F W Berringer & Co were proposed to continue as auditors by Mr Hall and seconded by Mr Fisk. The Meeting agreed to this proposal and authorised the Board of Management to fix their remuneration.

Arbitration Panel

The meeting agreed to the reappointment of Mr David Bennett and Mr Bruce Perry, BEM as members of the Arbitration Panel. Mr Hans Rennie was proposed as a member of the panel by Mr Clarke and seconded by Mr Smith. There being no other nomination he was duly elected.

Any Other Business

Mr Eley asked the Society to consider a suggestion of his to promote the Society to recently bereaved widows and widowers. The Chairman asked him to discuss the matter with Mr Morris, the Marketing Manager.

Speaking on behalf of the Metropolitan and City Police Orphans Fund Mr Park thanked Society staff for the assistance they provide to recently bereaved families on probate matters. His comment was noted by the Chairman.

Mr Ely suggested that we increase the representation in our marketing team. His comment was noted by the Chairman.

There being no other business the meeting closed at 3:35pm.