PENSION FUND - MEMBERS OF THE EUROPEAN PARLIAMENT - ASBL
(the "Association")
Registered Office:
EUROPEAN PARLIAMENT
Centre Europeén
L-2929 Luxembourg-Kirchberg

MINUTES OF THE ANNUAL GENERAL MEETING
HELD IN BRUSSELS ON
9TH DECEMBER 2014

BUREAU

The meeting was declared open at 4:30p.m with [redacted] presiding. The chairman appointed [redacted] as secretary of the meeting.

ATTENDANCE

The record of attendance showed 228 of the 614 associates present or represented.

Also present were: [redacted] and [redacted] of [redacted], [redacted] of [redacted], and [redacted], Company Secretary.

AGENDA

The chairman announced the agenda which comprised the following items:

1. Minutes of the Annual General Meeting of 5th December 2013.

2. Appointment of tellers and scrutineers.

3. Presentation of the Annual Report of the Board of Directors - [redacted], Chairman of the Board.

4. Presentation of the Annual Accounts prepared by [redacted].

5. Auditor's Report: prepared by PricewaterhouseCoopers

6. Investment reports: prepared by [redacted].
   prepared by [redacted] Ltd.
   prepared by [redacted].

7. Questions and Answers.

8. Election of a new Board of Directors.

9. Close.

DISCUSSION AND RESOLUTIONS

1. **Minutes of the Annual General Meeting of 5th December 2013.**

The minutes of the Annual General Meeting of 5th December 2013 were accepted as a true and correct record.

2. **Appointment of tellers and scrutineers.**

[redacted] and [redacted] were appointed scrutineers.

3. **Presentation of the Annual Report of the Board of Directors.**

The chairman presented the Annual Report and Accounts of "The Pension Fund - Members of the European Parliament" on behalf of the Board of Directors for the period 1st January to 31st December 2013 and also provided an update of the Fund's investment performance in 2014.

In 2013 the financial situation had remained stable as a result of a 7.9% return on the Fund's investments. This saw the value of the Fund's assets decrease slightly to €165 million - just below the €166 million recorded at the end of 2012. The 7.9% return on the Fund's investments in 2013 effectively covered the cost of the €13 million paid out in pensions during 2013.

It was reported that at the end of June 2014 around 51% of the Fund was invested in Equities, 47% in Bonds and 2% in Real Estate and that in line with the Fund's prospectus no more than 35% of the Fund's total investments could be invested outside of Europe.

Members Statute and the Court Cases

At its meeting on 1st April 2009 the Bureau of Parliament expressly accepted its liability to underwrite the scheme in particular the Bureau agreed that:

"The EP has a legal responsibility to guarantee the right of members of the Scheme to an additional pension which could be retained after exhaustion of the Scheme's funds. Equally, any capital remaining in the Scheme after all pension entitlements have been honoured is to be transferred to the European Parliament".

The Bureau was however concerned about the liabilities of the scheme as the Members Statute specifically stated that;

"The voluntary pension fund set up by the European parliament shall be maintained after the entry into force of this Statute for Members or former Members who have already acquired rights or future entitlements in that fund" and that *"Acquired rights and future entitlements shall be maintained in full."*

Consequently the Bureau made some changes to the rules of scheme which adversely affected a number of members of the scheme. Whilst the Board had sympathy with the aims of the Bureau they did not feel that the matter should have been decided without consulting the Board. These decisions gave rise to a number of court cases and appeals at the European Court of Justice by some individual members of the scheme which concluded in April 2014 with a final judgement that upheld all of Parliament's changes to the rules of the scheme.

Having received advice that there were no legal or accounting rules and regulations in Luxembourg that required the Fund to report in its annual accounts the Parliament's future liabilities, and any actuarial deficit between those liabilities and the Fund's assets, the Board of Directors, with the approval at the AGM of the Fund of 2nd December 2010, decided not to include these details in the Fund's accounts.

It was noted that in the European Parliament's accounts for 2008 the actuarial deficit was recorded as €121,842,536, in the 2009 accounts it was €84,561,233, in the 2010 accounts it was €178,911,233, in the 2011 accounts it was €155,600,000, and in the 2012 accounts it is recorded as €222,700,000.

It was reported that at some point in time an orderly transfer of the Fund to the Parliament would be necessary and noted that the Directors of the Fund had expressed their willingness to commence discussions on this matter as soon as the Parliament required.

Management of the Fund

It was noted that much of the work of the Board involved overseeing the effective management of the Fund for which the Board engaged the services of a number of companies.

In March 1994 a *"**S**ociété d'**I**nvestissement **Ca**pital **V**ariable - **SICAV**"* was formed to deal with the investments of the Fund. The ASBL owned all the shares of this SICAV and the investment manager, [redacted], was responsible for the day to day management of the investments of the Fund within the overall strategy set by the Board.

It was noted that copies of annual, and half-yearly, reports and accounts of the SICAV could be inspected by any member on application to the Fund's Company Secretary.

Financial Administration

It was noted that the financial administration of the scheme (payment of benefits etc) was undertaken by the European Parliament (DG Finance - Members Social Entitlements Unit) in Brussels. It was agreed to record the thanks of the Fund to the Parliament's pension staff for the efficient way they had played their part in the administration of the scheme.

General Administration

It was noted that the Fund's general administration was undertaken in Brussels by [redacted], the Fund's administrator and Company Secretary. [redacted] was thanked for his work for the Fund.

Annual Contributions and Benefits

It was noted that the level benefits of the scheme were determined by the Bureau of Parliament and are based on a proportion of the "base" salary of a Judge of the Court of Justice of the European Communities. Consequently benefits automatically increased in line with any increases in salaries within the Community Institutions.

It was reported that in 2011/2012 the adaptation (or indexation) of the EU Staff salaries for 2011/2012 (on which both the pension schemes contribution and pension rates are based) and in line with the agreed "Method" should have been increased by 1.7%.

For 2012/2013 the adaptation (or indexation) of the EU Staff salaries for 2012/2013 and in line with the agreed "Method" should also have been increased by 1.7%.

However both these increases had been rejected by the Council of the European Union.

The EU Commission had challenged the Council's decisions in the European Court of Justice but lost. Consequently in May 2014 an agreement was reached for no increase for 2011/12 and a 0.8 % increase for 2012/13. It was reported that this increase, and the back-dated pension payments, was implemented and paid in May 2014.

Investment Policy review and implementation

It was noted that the Board's investment aim was to secure the best possible returns on the assets within a framework of security and stability.

In 2010/2011 a full review of the Fund's investment strategy had begun with the receipt of a letter from President Pottering on 4th May 2009 in which the President highlighted one part of the Bureau Parliament's decisions of 1st April 2009 (see details above) and invited the Fund *"to adopt a more prudent and balanced investment strategy and to avoid exposing the Fund to risk of fluctuations in exchange rates"* and invited the Board to *"guarantee an immediate sustainable change in the investment policy of the Scheme towards low risks assets"*.

Despite the fact that the Parliament had on numerous occasions since May 2009 failed to respond to the Fund's request for them to define "*a more prudent and balanced investment strategy"*, or to co-operate with the Fund in a joint review of the investment strategy, the Board of Directors appointed its own investment consultant in early 2010.

The result of this review and the investment consultants recommendations to implement "*a more prudent and balanced investment strategy"* were discussed at the Board meetings of 13th October and 4th December 2010 when it was agreed to accept the main recommendations namely that "*the equity allocation is reduced to 50% initially"* and that *"a mix of corporate and government bonds"* would be used *"to de-risk out of equities"*.

Following on from this decision the Board shortlisted and interviewed a number of investment managers and agreed on 4th May 2011 to select [redacted] (formerly [redacted]) as the Fund's new investment managers charged with implementing the Fund's agreed new investment strategy. Consequently on 1st August 2011 [redacted] replaced [redacted] as the Fund's investment managers.

Annual Accounts

The audited annual accounts had been circulated and the Fund's accountants, the [redacted], were present at the meeting.

Annual Pension and Contribution Statements

Concerning annual Pension and Contribution Statements it was noted that each year every member in receipt of a pension from the Fund was sent an annual pension payments statement, and each year contributing MEP's were sent a contributions statement.

As the number of pensioners continued to grow so did the number of requests for duplicate statements to replace those lost or mislaid by members. It was noted that the Board therefore urged all pensioners and MEPs to keep in a safe place all their statements.

4. Annual Accounts – IF Accountants.

[redacted] of the association's accountants, the [redacted], was present to answer points concerning the annual accounts for 2013.

5. Auditors Report - PricewaterhouseCoopers.

The 2013 auditors report from the Association's auditors, PricewaterhouseCoopers, was presented.

6. Investment reports.

The investment performance analysts, [redacted] Ltd, had tabled a report which showed that in 2013 the investment managers had achieved overall returns on investments of 7.9% compared with benchmark returns of 7.6%.

7. **Questions and answers**

At this point of the meeting a series of questions concerning agenda items 3, 4, 5, and 6 were then taken from Members and answered by the Chairman and Vice-Chairman.

After discussion the 2013 Annual Report, Annual Accounts and Auditors Report were accepted. In the ballot to approve the associate's annual report and accounts for 2013 the votes were 184 in favour, 1 against with 6 abstentions.

8. **Election of a new Board of Directors**

In the elections for the Board of Directors the following were elected:

Section 1: THREE directors, of whom at least one must be an associate, elected on a proposal by the President of the European Parliament after consulting the Bureau:

[redacted]

Section 2: FIVE directors who are associates:

Under the principle of the single transferable vote and in line with Article 15 of the Statutes the following five candidates were elected as directors:

[redacted], [redacted]

Section 3: ONE director proposed by the President of the European Investment Bank

[redacted]
(Managerial Adviser, Risk Management Directorate)

Section 4: ONE director or company from outside the Community institutions elected on a proposal of the Board of Directors of the Fund by reason of their specialist qualification in the financial field:

[redacted]
(of [redacted], a UK company which specialises in providing investment advice).

9. **Close**

There being no other additional items the meeting closed at 5:12p.m but the ballot for the elections of the Board of Directors remained open until 5:30p.m.

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Chairman Vice-Chairman