



Annual General Meeting

Monday 7th September
Old Trafford football ground, Manchester

Annual General Meeting

Opening of formal AGM

Chairman **Glyn Carpenter** opened the AGM. He said the past year had been a particularly difficult one, not just for the Society but for the financial sector as a whole. "It's been a difficult downward slope, but we have survived these challenges before," he said. "Our long-term vision is to ensure that the decisions we take are for the future generations. In doing that we believe it's important to hold on to traditions but to also be up for change. Change has been part of our history and we need to continue to accept it."

Confirmation of Appointments

Panel members for the Arbitration Tribunal

KI Anderson, P Ayres, C Bamford, JW Barry, C Burrow, P Burrows, P Chase, L Clements, J Crossley, J Dabney, R Darlington, A Dewick, T Digweed, R Farmers, D Farrar, CE Finch, E Finch, R Finch, C Fox, DAG Frost, JE Frost, C Gubbins, WD Hanrahan, R Henson, T Hillman, J Hopkins, J Horton, JC Hughes, SJ Jones, N Kiernan, J Langley-Pratt, JD Launchbury, A Lawrence, H Lightfoot, J McLoughlin, PG Mills, PM Morgan, R Newman, DJ O'Connell, DJ Pack, T Plumeridge, M Prechner, R Rapley, JA Ray, K Roberts, D Salmon, J Simon, FJ Smart, B Smith, B Smith, T Smith, JET Springham, P Spurrell, KW Strudwick, P Syrett, KE Thomas, K Turner, I Wallman, BM Watson, T Webster, J Wills, R Withrington, J Woodall, D Wright, S Yalden.

All appointments were carried.

Members for a portrait in *Miscellany*

A Fisk, DJ Harman, KW Roberts, K Scott and ST Seward were confirmed as portraits to be published in Foresters Friendly Society's *Miscellany* publication.

2008 Report and Accounts

Finance Director **Paul Osborn** then gave a report on the Society's financial health. He said that two key factors affected the results in the Report and Accounts for 2008 – the **effect of the credit crunch on the Society's assets** and **consolidation of the Investment Associations**.

The economic downturn has had a big impact on many people, with unemployment rising, interest rates falling, national debt increasing, the threat of high inflation, and now the worry of deflation. Above all it has created an air of distrust and uncertainty from the public in the government and the financial services industry.

Despite this, Paul said the Society's capital position remained strong. It continues to invest for the long term, which the Board believes offers the best opportunity for achieving investment growth. To monitor this strategy the Board has enhanced its investment reporting and is keeping a close eye on investment market risk to ensure the Society's capital is not threatened. At the end of 2008, the Society's capital resources exceeded its statutory capital requirements by **£20.7 million**.

Assets

The Society's assets are mainly invested in **properties** (commercial) and **equities and bonds** (government and corporate).

The Board benchmarks the Society's investment performance for properties against the **Investment Property Databank (IPD) index**, which measures returns on commercial properties, and equities against the **FTSE all share index**, which measures the top 800 UK-listed public companies. For the last three years, the Society's property returns have outperformed the IPD return by a minimum of 7%, with a fall of 15% against the IPD's fall of 22% in 2008. Foresters fund managers, meanwhile, achieved a 3% higher return than the FTSE all share index, which fell by 30%. The fund managers had concentrated on investing in safer companies, such as supermarkets and pharmaceuticals, and sold those more risky ones, such as those in the banking sector, and Paul said this was why they had beaten the stock market returns in 2008.

However, the Society still suffered a fall in value of its investment and property portfolio of **£31m** in 2008.

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Investment Associations

A significant change in the 2008 accounts was the consolidation of two **Investment Associations** (Sheffield and Leeds) into the accounts for the first time.

The objective of the Investment Associations is to receive funds from registered friendly societies and their branches and to invest the monies for the benefit of the depositors. Only three are now in existence, all linked to the Society (the third being the Derby Investment Association). Derby is owned by the members, but Leeds and Sheffield are owned and controlled by the depositors, mainly the branches. Following incorporation, and after taking legal advice, Paul said it was clear the Society has direct control of the latter two associations, and in this respect they have been consolidated into the accounts. This required a **prior period adjustment** for 2007 and **added £18m** to the balance sheet assets in 2008.

Premium income

This is divided between the Society's individual member policies and group schemes, and **fell by 3% (£0.4m)**.

Although income from **individual member policies** has seen a gradual decline, this will hopefully increase in the next few years as the Society focuses on encouraging more people to join the Society. Paul thanked all the branches, branch secretaries and area coordinators for their help with the direct debit conversions project for existing members – the aim of the project was to convert 50% of standing orders to direct debit, but 69% was finally achieved.

Group business held up well in 2008, he said, with 57 group schemes being administered for more than 90,000 policyholders.

Claim payments

Policy claim payments **fell by 21% (£2.6m)**. The drop was mainly due to a fall in the number of death claims from the group business and a fall in the number of maturing policies, particularly in the Tunstall and Pure Endowment funds.

Management expenses

Overall the Society and its branches spent **just over £9m in 2008**, an increase of 5% (£0.3m) from 2007. One fifth (21%) of total management expenses was spent by the branches, 39% was spent on insurance and 40% was spent on non-insurance areas such as membership, benevolent activities, strategy development and High Court.

Branch operating costs for 2008 were **£1.89m**, down from just over £2m the previous year. The average cost per branch was just under £7,000. Over a quarter (£496,757) of branch expenditure was spent on branch officials, and £379,534 was spent on branch social events. With head office costs added in, the total cost of High Court 2007 was a little under £300,000.

Discretionary benefits

These stood at **£1.8m for 2008**. Of that, just under 50% (£844,323) was paid out to members as distributions, £256,137 was spent on dental and optical grants, and £252,718 was paid out in donations.

This is what makes Foresters unique, said Paul – the support and help it gives to members in times of hardship. However, he added that it would be nice if the poorer branches could provide their members with similar benefits to those offered by the more wealthy branches.

Total assets and FFA

Paul reported that the Society's financial strength had fallen in 2008. Two measurements that show these results were the **Total Assets** and the **Fund for Future Appropriations** (FFA, which accumulates the operating surpluses and deficits the Society has built up over the years). Both Total Assets and the FFA fell for the first time since 2002 in 2008, standing at **£171m** and **£32m** respectively.

Summary

To summarise, the accounts were in a similar format to 2007. Two Investment Associations had been consolidated for the first time, resulting in a prior period adjustment. The Society made unrealised losses of £30m on its investments but it had not sold any investments, as the Board believes in investing for the members for the long term. Membership continues to fall, but marketing have significant plans in place, and the financial position of the Society is still strong.

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Investment Committee report

Penny O’Nions, Chairman of the Investment Committee, said the Society had taken positive steps forward, despite a difficult year.

She explained at the last High Court how the Committee would be trying to **reduce costs, balance risks, improve results and, as far as possible, simplify the Society’s holdings and portfolio**. It did this through a range of measures, including seeing if the existing fund managers could come up with new ideas and considering whether having fewer fund managers would lead to a better return and cut costs.

However, the markets have been against the Society this year, explained Penny. With the falling equity in the property markets and the need to match assets with liabilities, the Committee had to consider diversity, and it did this while trying to meet all of the Society’s commitments in terms of capital and FSA requirements.

Long-term view

The Committee decided to **look at the long term**, rather than the short term. It concluded that the most effective way to minimise risk was to spread investments, for example, to sell and use proceeds to invest in a weak market and make phased investments, which could be picked up relatively cheaply. It then held detailed discussions with its investment managers and began phased investment in the stock market.

Penny revealed that the Society’s active managers had outperformed the market and were showing a **profit for August 2008/09**. She added that there was considerable potential in the Society’s existing properties for refurbishment and redevelopment, which the Committee had then discussed with its property managers Aston Rose. This has had a substantial effect on the Society’s property portfolio, with the IPD falling by 13% and the Society’s only falling by 4%.

Plans for 2010

Looking ahead to 2010, the Committee wants to achieve more of the same. It will continue with the chosen balanced risk investment, deciding upon the asset and allocation mix, considering active rather than passive investments (for example considering if the number of fund managers should be reduced from four to a smaller number), and working hard with the fund managers to maximise returns.

Audit & Risk Committee report

Kathryn Vagneur, Chairman of the Audit & Risk Committee, said members made a courageous and momentous decision at the Torquay High Court in 2002 to become a regulated society, as opposed to closing to business and just becoming a social organisation. But with this decision came an increasing emphasis on the risk processes and government structures on how the Society as a group operates.

The role of the Audit & Risk Committee, Kathryn explained, was essentially to prevent the wheels coming ‘off the cart’, by making sure the Society was doing things well and safely. This time last year, she forecast the major risk areas as new products, managing change, and the ageing demographics of the Society. But within days of that High Court meeting there was a market meltdown, which meant the Committee had to be **more reactive** than it had initially planned to be.

Future plans

Going forward, Kathryn said the plan was to **review what the Committee does and how it does it** – for example, how the Society complies with regulations and changes from the FSA, and how to uphold its reputation in the community.

Governance of the branches will be a large focus over the next year, and members have their own responsibilities in relation to this, said Kathryn. For example, they must ensure any branch-owned properties are up to date with the latest health and safety legislation, consider how they collect and pay funds and manage benevolent requests, and think about how they can attract new and younger members to the Society.

“It’s very important that all of us ask whether we are doing a good enough job,” she said. “We can all learn from one another, and the role of the Audit & Risk Committee is to stimulate that activity – to ask awkward questions. That’s how we can preserve our money, how we can ensure we make good payouts and how we can make sure we’ll be able to be here in the future.”

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Questions from the floor

Past High Chief Ranger, **John Cassie**, expressed his concern about the significantly lower level of final bonus on insurance policies for 2008. He asked whether the Board could bring in a supplementary bonus for this year to provide those whose policies matured in 2008 with an improved bonus, or whether they could potentially be provided with a future bonus once the fund recovers. **Paul Osborn** said that JJ Traynor had written with a similar question, and that the Board would discuss this in the next meeting. He said that bonuses were paid out on surplus of what the Society had achieved during that year, but it was very important to treat all members fairly.

Liz Abbott asked where the directors thought the Society would be today if it hadn't decided to incorporate back in 2002. **Glyn Carpenter** answered by saying, quite simply, that it would have no longer existed. If each branch had remained a separate entity, then every single one would have had to meet the FSA requirements for expertise, governance, assessment and capital and risk management, he said, and argued that they just wouldn't have survived as single conglomerates.

Auditor's report

Kim Hayward from BDO Stoy Hayward then gave the report from the auditors. He said, in his company's opinion, the financial statements gave a fair and true view of the Society's affairs as at 31 December 2008, and that the financial statements and Board of Directors Report had been prepared in accordance with the Friendly Societies Act 1992. He said that within the accounts BDO paid particular attention to the property evaluation, the valuations of insurance liabilities and the Investment Associations (new to the accounts this year). He finished by saying the audit process went very smoothly, with no major concerns.

The Report and Accounts were then received and carried.

Miscellaneous Propositions from the Board

The following Miscellaneous Propositions were then carried:

1. That BDO Stoy Hayward be appointed as auditors for the 2009 year-end and that their remuneration be agreed with the Board.
2. That the incoming Board be authorised to call upon each branch to pay a levy of 7p per each £100 of the total funds shown on the last annual return received at head office. Such a levy must be remitted to head office or deducted from the branch's Investment Fund Account by no later than 1 June 2010 for credit to the Convalescent Home Benefit Fund.
3. That in 2009 the Board be authorised to pay £2,750 to the Friendly Societies Convalescent Home, Herne Bay.
4. That in 2009 the Board be authorised to pay £2,750 to the Yorkshire Foresters Convalescent Home, Bridlington.
5. That in 2009 the Board be authorised to pay £2,750 to the Foresters Homes, Bexleyheath.
6. That in 2009 the Board be authorised to pay £2,750 to the Portsmouth and District Friendly Societies Homes, Portsmouth.
7. That the basic annual remuneration of every Non-Executive Director on the Board for the year commencing 7 September 2009 shall be £12,600.
8. That the additional annual remuneration of the High Chief Ranger for the year commencing 7 September 2009 if also a Non-Executive Director shall be £3,250.
9. That the remuneration of the High Chief Ranger for the year commencing 7 September 2009 if not also a Non-Executive Director shall be £5,250.
10. That the remuneration of the High Sub-Chief Ranger for the year commencing 7 September 2009 if not also a Non-Executive Director shall be £2,750.
11. That the annual remuneration of the Chairman for the year commencing 7 September 2009 shall be £21,000.
12. That the annual remuneration of the Deputy Chairman for the year commencing 7 September 2009 shall be £15,250.

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13. That should it be found necessary to co-opt a Non-Executive Director with specialised professional skills, knowledge or expertise then the Board be permitted to agree remuneration for up to £18,900 per annum with the individual concerned.

Society Rule Changes

The following Society Rule Changes were then carried:

1. **Memorandum:**
Replace all references to “Committee of Management” with the term “Board”
2. **Interpretation Clause:**
 - (i) under “Board” delete “Committee of Management” and replace with “Board of Directors”
 - (ii) under Miscellany, add in after “Society” “Incorporated within the Forester Publication”
3. **Rule 13.6**
Insert after “elapsed”, “excepting that a High Court Meeting or a Special High Court Meeting subject to Rule 14.1 (i) may by ordinary resolution extend the service of a Non-Executive Director who holds the office of Chairman, for so long as he continues to hold that office, by one year at a time up to a maximum aggregate period of twelve years”
4. **Rule 14.1 (d)**
Delete “months” and replace with “meetings”
5. **Rule 28.3**
Removed “1 July” and replace with “31 March”
6. **Rule 28.4**
Removed “30 June” and replace with “31 March”
7. **Rule 32.3**
Insert after “Head Office” “or a Director of the Board of the Society” on the second line
8. **Rule 32.21**
Delete “Board” and replace with “Committee of Management”.

Election of Officers

The election of **Kevin Dann** as an Executive Director of the Board was carried

The election of **Graham Berville** as a Non-Executive Director of the Board was carried

Barry Toomey and **Joyce Dewick** then officially nominated Jim Launchbury as High Chief Ranger for 2009/10. Joyce said Jim was “very capable” and “an excellent committee member, joining in any event with great enthusiasm”. She added that one of his strengths in the role would be explaining the “ins and outs” of the Society to those who were unaware of it. Jim was duly elected.

Nominations were invited for the office of High Sub-Chief Ranger and in accordance with Society Rules, the names of **Michael Grealy**, **Barry Toomey** and **Jenny Ray** were put forward.

The result of the ballot was as follows:

Michael Grealy: 172

Jenny Ray: 103

Barry Toomey: 93

The Chairman declared **Michael Grealy** duly elected as High Sub-Chief Ranger for the ensuing year. The total number of ballot papers issued was 391 of which 368 papers were unspoilt.

Report of delegate credentials

The total number of delegates present was 391.

This concluded the formal business of the AGM

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