

Statement by Brian Bailey, Director of Pensions
for the West Midlands Pension Fund

No Pension Fund Assets in Icelandic Banks

The West Midlands Pension Fund is able to confirm that it has no funds deposited in any of the Icelandic banks that have been subject of the recent turmoil within the region. Recent news coverage has been dominated by reports of councils across the country having money in failed Icelandic banks, following the collapse of the country's economy. Members can be assured that this is not the case for the West Midlands Pension Fund.

Has the bank crash affected our pensions?

The question asked of many pension funds recently, in view of the recent turbulence within the financial markets and the huge fall in share values, is "Does this have any bearing on pensions already in payment or those that are due to come into payment in future years?"

The simple answer is no; benefits remain unaffected. The benefits that members of the Local Government Pension Scheme (LGPS) receive are determined nationally by regulation and so a reduction in Scheme assets in the form of a reduction in the value of assets held would not affect any payments made by the Fund, either to those members that have already retired or those members due to retire at some point in the future.

Although investments are, of course, important for any financial institution in that they guarantee the future stability, the Fund has a positive cashflow situation and does not require

the liquidity of such assets to settle such imminent liabilities, such as the monthly payroll.

Furthermore, it should be remembered that the Fund, as part of its approach to risk management, has a well-diversified investment strategy, holding many other asset classes in addition to equities (shares). Although the equity markets have experienced significant losses, these events are not unique and share prices are expected to recover over the long-term.

The Fund does not expect any long-term effects other than possibly new regulations or codes of conduct for some City institutions to ensure they act more responsibly, which should only be of benefit to the pensions industry. It is also important for members of the Fund to remember that pensions paid by virtue of LGPS membership are ultimately guaranteed by Government, regardless of market movements.

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