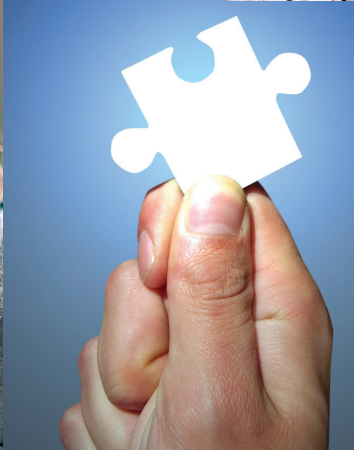
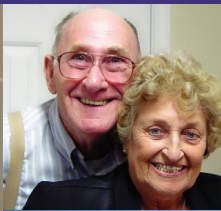


WEST MIDLANDS



PENSION FUND



WEST MIDLANDS PENSION FUND

PENSIONS UPDATE **2008**

WELCOME TO THE 2008 EDITION OF PENSIONS UPDATE



The year ended 31 March 2008 was another successful year with Fund investments performing well following a major review of investment strategy. However, these results have been overshadowed by the subsequent investment market turmoil round the world during 2008.

The Fund has maintained a cautious approach to investing during these difficult times. This approach was

made easier by the continued positive financial cashflow which enabled the Fund to avoid having to sell investments in falling markets. The Fund also avoided any direct relationships with the institutions that failed.

As you'll be aware, all the Local Government Pension Scheme (LGPS) funds across England and Wales are, in any event, backed by central and

local government so your pension is guaranteed, no matter what the financial markets bring. Details of the exact benefits to be provided are set out within the relevant rules and regulations of the Scheme.

The regulations themselves are formulated and written by The Department for Communities and Local Government (CLG).

As you know there have been major changes to the Scheme from April 2008. Staff at the Fund will be doing their utmost over the year to ensure that we are able to interpret and evaluate the new LGPS regulations and keep you informed. You may have already seen earlier in the year, the Fund provided the information to members on the new changes to the LGPS via 'the Reliable Source' newsletter.

The most recent information can be found on the Fund's new website: www.wmpfonline.com

You'll notice a change of address to the website to account for the changes to the new Scheme literature that has been produced to coincide with the launch of the 1 April 2008 changes. The site is kept

up-to-date with developments as they occur and is, therefore, a further source of up-to-date information on the LGPS in general. The website has also now been updated with an online calculator that will not only help you work out the value of the benefits that you have accrued within the LGPS to date, but will also let you see how much your benefits will be in future years and how much tax-free cash you are able to take, given that the new look Scheme continues to allow commutation of pension for lump-sum at a rate of £12 of cash for every £1 of pension given up.



Roadshow 2008, Coventry

ACHIEVEMENTS

Distributed annual benefit statements and Pensions Update 2007 to all active members.

Issued Pensions Update 2007 to all pensioners.

Some aspects of the new Scheme, however, are still to be resolved. Once further clarification has been obtained, the relevant Scheme publications will be updated and posted on the Fund's website. This will ensure members have access to the most recent Scheme literature, in between formal Scheme notifications such as newsletters. It is my intention to continue what is seen as a comprehensive range of services provided by the Fund and, to this extent, if you have any

comments that you wish to make on the services we provide or have any thoughts on how they can be improved, please do not hesitate to write to me direct at the address on the back page of this booklet.



BRIAN BAILEY
Director of Pensions.

The information contained within this document, unless otherwise stated, should be treated as though it is 'as at' 31 March 2008.

You may also wish to view the CLG website which can be found at:
www.xoq83.dial.pipex.com

The site also contains details of any consultative documents along with details of how you can comment on any proposals being put forward for the LGPS. There is also a further CLG site which can be found at:
<http://www.communities.gov.uk/localgovernment/personnelandworkforce/localgovernmentpensions/newlooklocal/>

Issued AVC annual statements.

Issued The Reliable Source to all active members.

Distributed four editions of Superlink to our pensioners.

Issued four editions of our technical newsletter, The Brief, to participating employers.

FUND MEMBERSHIP

YEAR ENDING 31 MARCH 2008

31 MARCH 2008
TOTAL MEMBERSHIP
235,351

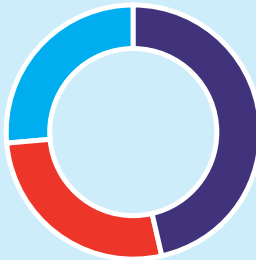


■ 107,845

■ 66,321

■ 61,185

31 MARCH 2007
TOTAL MEMBERSHIP
226,547

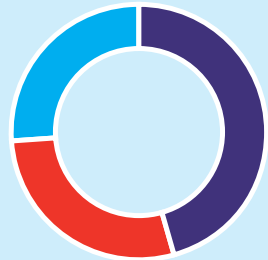


■ 105,512

■ 61,732

■ 59,303

31 MARCH 2006
TOTAL MEMBERSHIP
219,176



■ 104,414

■ 57,434

■ 57,328

ACTIVE MEMBERS

The Fund has a total active membership of 107,845. Since 31 March 2007, the number of contributing employees in membership has increased by 2,333.

DEFERRED MEMBERS

These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date.

PENSIONER MEMBERS

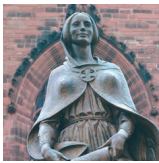
Pensions and other benefits amounting to over £240 million each year are paid to retired members.

Continued to conduct customer satisfaction surveys with active, deferred and pensioner members.

Held employer roadshows at major sites.

Won Best Pensioner Communications (Public Sector) Professional Pensions 2007.

CURRENT ACTIVE MEMBERSHIP



WOLVERHAMPTON
7,879
-1.28%
compared to previous year



SANDWELL
8,749
+1.95%
compared to previous year



WALSALL
8,019
+3.20%
compared to previous year



DUDLEY
9,976
+2.63%
compared to previous year



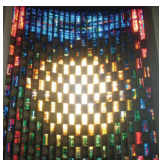
BIRMINGHAM
37,648
+3.62%
compared to previous year

On average, the membership levels between district councils had increased by +0.62% compared to the previous year.



SOLIHULL
4,411
-7.53%
compared to previous year

In addition to the **85,844** members who are employed by the seven city and district councils, a further **22,001** are employed by other statutory bodies, universities, colleges of further education, voluntary sector organisations and private sector contractors to whom local authority services have been outsourced.



COVENTRY
9,162
+1.72%
compared to previous year

Won Best Benefit Statement (Public) Professional Pensions Pension 2007.

Updated our website to reflect the key performance indicators for the Service.

Maintained our unit cost for administration and fund management below the average for all LGPS administering authorities.

ACCOUNTS OF THE FUND

YEAR ENDING 31 MARCH 2008

The Fund has now produced five years of strong, positive investment returns, following a period of negative market returns from 2000 to 2002. The Fund's long-term returns continue to remain strong. The level of investment returns does not affect the level of benefits payable.

Value at the start of the year	£7,513m
Income to the Fund	
Employers' contributions	£261m
Employees' contributions	£104m
Transfers received	£21m
Investment income	£173m
Expenditure	
Benefits payable:	
General	£281m
Leavers/transfers	£16m
Decreased asset value	£356m
Administration expenses	£5m
Investment expenses	£8m
Value at the end of the year	£7,406m

AUDIT STATEMENT

The West Midlands Pension Fund has assets of over £7.4 billion to meet the costs of the present and future pensions and other benefits.

INVESTMENTS



JUDY SAUNDERS

Chief Investment Officer

custody, the settlement of global investment transactions worldwide, and the collection of investment income.

Investment policy comprises two main elements: (a) the Committee's longer-term asset allocation benchmark and (b) the shorter-term tactical asset allocation weighting adjustments. Following completion of the 2007 actuarial valuation, the Superannuation Committee approved a revised investment strategy, which further diversified the benchmark with the aim of reducing risk and improving the funding position over the medium to long-term.

Performance

The one-year return of just under 8% more than meets the core target set for 2007, but is slightly disappointing due to very modest returns of around 5% for both UK and US equities.

Investment Management

The tactical investment policy of the Fund is considered at each quarterly meeting of the Superannuation Committee. The approved policy is implemented by the Investments Division - Pension Services.

The Investments Division structure includes a number of specialist teams dealing with the in-house management of the investments of one or more asset classes, and also the monitoring of any appointed external managers and investment vehicles. The Division manages more than 60% of total investments in-house, with the balance invested in pooled vehicles or managed by specialist external investment managers. The Division also deals with investment accounting, safe

The Fund's new benchmark as at 31 March 2008 is summarised as follows:

2007/2008 Benchmark	%	%	%
UK equities		30	
Overseas equities		24	
North America	5.5		
Europe (exluding UK)	9.5		
Japan & Pacific Basin	6.0		
Emerging markets	3.0		
Global equities		6.0	
Total Equities			60
Gilts		4.7	
Index-linked gilts		4.7	
Non-government bonds		4.6	
Cash		1.0	
Total Fixed Interest			15
Private equity		7.0	
Property		10.0	
Emerging market debt		2.0	
Active currency		2.0	
Commodities		2.0	
Infrastructure		2.0	
Total Complementary			25
Total			100

The Fund's allocation to complementary assets has been increased for purposes of diversification. The overall effect is to reduce volatility and modestly increase returns.

The three and five-year returns of around 14% are particularly robust and reflect the strong markets over this period. Performance is good over all time periods when compared to the Retail Prices Index (RPI) and the National Average Earnings Index (NAEI).

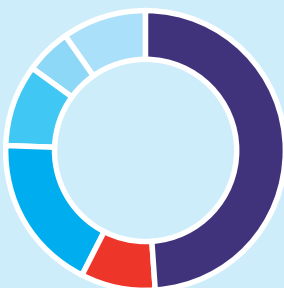


Value of Investment Portfolio

At the beginning of the year, the Fund's market value was £7,494m and at the end of March 2008 the value of the Fund was £7,406m. Taking the ten-year period from 1 April 1998, the total growth in value has amounted to £4,060m from a starting value of £3,346m.

Current Portfolio

The distribution of the portfolio within the main investment markets is set out below:



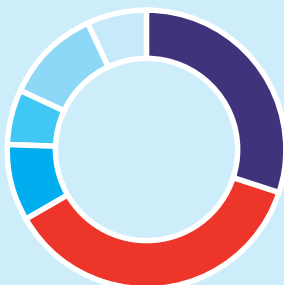
EQUITIES DISTRIBUTION 2007/2008

United Kingdom	£2,280m
United States of America	£398m
Europe	£840m
Japan/Pacific Basin	£439m
Emerging markets	£249m
Global	£441m
Total	£4,647m



FIXED INTEREST 2007/2008

Corporate bonds	£280m
Index-linked	£389m
Gilts	£361m
Cash	£261m
Total	£1,291m



COMPLEMENTARY INVESTMENTS 2007/2008

Unquoted	£444m
Property	£536m
Emerging market debt	£133m
Active currency	£90m
Commodities	£166m
Infrastructure	£99m
Total	£1,468m

TOP TEN 2008

TOP TEN HOLDINGS AS AT 31 MARCH 2008

VALUE £(M)



ASSET DISTRIBUTION 2007/2008

Equities (quoted)	£4,647m
Bonds	£1,291m
Complementary	£1,468m
Total	£7,406m





Engagement Through Partnerships

In recent years, the Fund has developed a number of partnerships with other investors interested in promoting good governance. In addition to that of the Local Authority Pension Fund Forum, which now consists of 48 members representing over £80bn of local authority pension fund assets, it belongs to the Institutional Investor Group on Climate Change and the influential US-based Council of Institutional Investors. Being members of these partnerships reaffirms the Fund's belief that working with other institutional investors maximises their influence as responsible investors. The SIP reflects the Fund's commitment to the active promotion of sound employment practices, concerns for communities, human rights issues, improved environmental policies and high ethical business standards,

all issues which are addressed by the partnerships.

Shareholder Litigation

Participating in shareholder litigation where appropriate can also be an effective tool. The Fund, in partnership with a US lawyer, submits class actions globally where it believes that it has suffered a financial loss through fraudulent or irresponsible corporate behaviour.



Active Investing

There is an increasing opportunity for the Fund to actively invest in the ESG arena. Such sustainable investments offer consistent and above average returns meeting the Fund's requirements on fundamental investment grounds. The Fund has made a number of such investments which are found within most of its asset classes.

Corporate Governance (CG)

The Fund's objective is to generate robust returns in order to meet its commitments to those who fund the benefits. It actively supports good governance, challenging companies that do not meet best practice, as the Fund believes poor governance is a risk to its long-term financial interests. SRI is regarded by the Fund as one aspect of good governance, giving consideration to areas that are inexorably linked to sustainability such as employment practices, human rights, the use of natural resources and the environment. If companies do not respond positively to these issues which are rapidly growing in significance from a legislative, reputational and operational standpoint, then they potentially put their financial returns at risk.



The Fund's approach divides into four areas which complement each other:



Voting Globally

The Council's Statement of Investment Principles (SIP) clearly indicates that the Fund will have an active policy of engagement with companies and this is reflected in its corporate governance activity. The Fund votes on all UK companies in the FTSE All Share Index where it has a holding and, where possible, its US, European and Japanese holdings. The Fund uses its role to express its concern over CG issues, often alongside a number of institutional shareholders. It is hoped that if a significant number of shareholders express their concern by the way they vote, company boards will take notice and will move towards best practice in terms of CG.

PENSION INVESTMENT PUBLICATIONS



Following a consultative period, during which time employers were asked to comment directly on the proposed documents, the Fund has now produced a range of documents which detail aspects of the Fund's investment strategy. The documents were produced with the assistance of the Fund's actuary as part of the information to be made available following the 2007 valuation.

What is an Actuarial Valuation?

It is a professional assessment undertaken by the actuary to determine whether the Fund's assets are likely to be sufficient to meet the accrued benefits. The LGPS Regulations require that the Fund obtains an actuarial valuation of assets and

liabilities every three years. The last valuation was in 2007. Therefore, revised contribution rates applied from 1 April 2008.

The documents available are:

- Statement of Investment Principles
- Funding Strategy Statement
- Socially Responsible Investment Statement
- Investment Strategy Statement
- Governance Compliance Statement

These documents are now available via the website http://www.wmpfonline.com/fund_publications.htm and also upon request direct from the Fund's helpdesk, whose number appears on the back page of this publication.

ONGOING CUSTOMER SATISFACTION SURVEY

The ongoing customer satisfaction survey which the Fund has now adopted, ensures that we have a greater awareness of how the service we provide to you, our member, is viewed.

This ongoing assessment allows us to react and provide a more considered approach to any specific problems that are reported to us.

We now issue all members with a questionnaire either upon joining the Scheme, leaving the Scheme or when a member becomes eligible for the payment of benefits.

If you have any comments that you wish to make to us aware of, please do so using any of the methods available (our full contact details are shown on the reverse of this booklet). You may wish to note that our website also contains an online feedback form:

wmpfonline.com

Of the completed questionnaires received so far:

19%

of the membership stated that they have contacted us by telephone.

Sometimes our helpdesk lines can get very busy at peak periods. We currently take, on average, around 250 calls a day. This can rise to over 500 at significant times when we issue large mailings, such as annual benefit statements or on pension paydays. If you need to contact us urgently, please use one of the alternative methods available or, otherwise, leave us a message and we'll get back to you as soon as possible.

Of those that have contacted us by telephone:

90%

of members were given the name of the member of staff to whom they were talking.

Of those that have contacted us by written correspondence:

85%

indicated that the written communication "was about right in length and contained all the information required".

This ensures that if you need to call back, we can pass the call directly to the person you have spoken to if ringing via the helpdesk facility. However, of the number of callers to the service, 80% of members told us that the person they initially spoke to was able to answer their enquiry.

We have taken steps over recent years to rewrite the information that the Fund provides to its members. Sometimes legal requirements are such that we have to supply certain information. Where this is the case, we will ensure the information is as precise and jargon-free as possible. When asked for the overall view of the way in which the Fund has dealt with the member, 48% of respondents rated our service as "good", with 28% rating the service "excellent".

Data provided is based on a sample of customer surveys completed between January and March 2008, copies of which are held on file at the Fund's offices.

Comments received demonstrate the need for us to be aware that any delay in providing information is disappointing.

IMPORTANT INFORMATION

The Pensions Act 2004, the Social Security Act 1990 and the Pensions Act 1995 created a framework of national organisations to control occupational and personal pension schemes.

The Pensions Advisory Service (TPAS)

TPAS can normally deal with your problems by explaining your rights and responsibilities. TPAS is the official organisation that you should contact first if you have a pension dispute which you have not been able to settle through the internal disputes procedure. As they are advisers they cannot force pension schemes to take certain action.

To contact TPAS, you can write to your local adviser or to:

The Pensions Advisory Service (TPAS)

11 Belgrave Road,

London SW1V 1RB.

Tel: 0845 601 2923

Fax: 0207 233 8016

Email: enquiries@pensionsadvisoryservice.gov.uk

Website: opas.org.uk

Helpline open 9.00am - 5.00pm

Monday - Friday.

Calls are charged at the local call rate.

Pensions Ombudsman

The Ombudsman settles disputes and investigates complaints which TPAS has not been able to settle. He can also settle disputes of facts or law for company and personal pension schemes. The Ombudsman's decision is final and binding. He cannot investigate matters where legal proceedings have already started. You must refer your complaint to the Ombudsman within three months of the event. The Ombudsman is at the same address as TPAS.

Tel: 0207 834 9144

Fax: 0207 821 0065

Email: enquiries@pensions-ombudsman.org.uk

Website: pensions-ombudsman.org.uk

The Pensions Regulator

Started work on 6 April 2005.

The main role of the Regulator is to protect members' interests and it is able to step in and run schemes where trustees, employers or professional advisers have failed in their duties. You can contact the Regulator at:

The Pensions Regulator

Napier House

Trafalgar Place

Brighton BN1 4DW

Tel: 0870 606 3636

Textphone: 0870 243 3123

Website: thepensionsregulator.gov.uk

Email: [customersupport@](mailto:customersupport@thepensionsregulator.gov.uk)

thepensionsregulator.gov.uk

Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs.

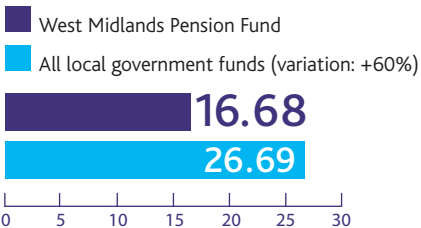
Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.



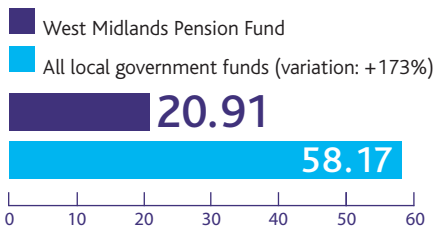
UNIT COSTS

Over recent years, the Fund has made significant inroads to providing a dedicated customer focused service. To do so and maintain a reasonable unit cost is a noteworthy achievement, one which the staff and the Fund can be justly proud of.

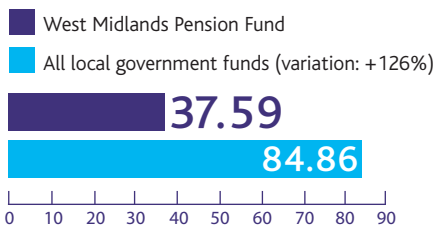
ADMINISTRATION COSTS



FUND MANAGEMENT



TOTAL COSTS



CHANGE OF ADDRESS



To ensure that members are kept up to date with Scheme changes and/or to inform members of any general pension issues, relevant information is included with annual benefits statements. As these are issued to home addresses, please ensure that you keep us informed of any changes.

How Do I Tell the Fund About a Change of Address?

Simply write to us giving your personal reference number which is shown on all your correspondence. If you prefer, you can contact us via email, fax or minicom using the contact details shown on the back of this booklet.

Members who have registered a password can contact our helpdesk who, after verification, will be happy to take change of address details over the phone.

CONTACT INFORMATION

Write to us at:

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Visit our website at:

wmpfonline.com

Email us on:

PensionFundEnquiries@wolverhampton.gov.uk

Telephone our Helpdesk on:

0300 111 1665

Send us a text on:

Text WMPF + your message to 60066.
Standard short code network charges apply.

Fax us on:

0845 230 1565

Lines are open during the following times:

8:30am to 5.00pm Monday-Thursday

8:30am to 4.30pm Friday

Minicom/Typetalk:

01902 554607

Calls may be monitored for training purposes

DATA PROTECTION

To protect any personal information held on computer, Wolverhampton City Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the City Council's Data Protection Officer on (01902) 554498, via e-mail at dataprotection@wolverhampton.gov.uk

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.



Text printed on FSC Greencoat Silk 130gsm, 80% recycled post-consumer fibre, 10% TCF (Totally Chlorine Free) virgin fibre 10% ECF (Elemental chlorine free) fibre

