



WEST MIDLANDS



PENSION FUND

Pensions Update

2009

Fund Membership

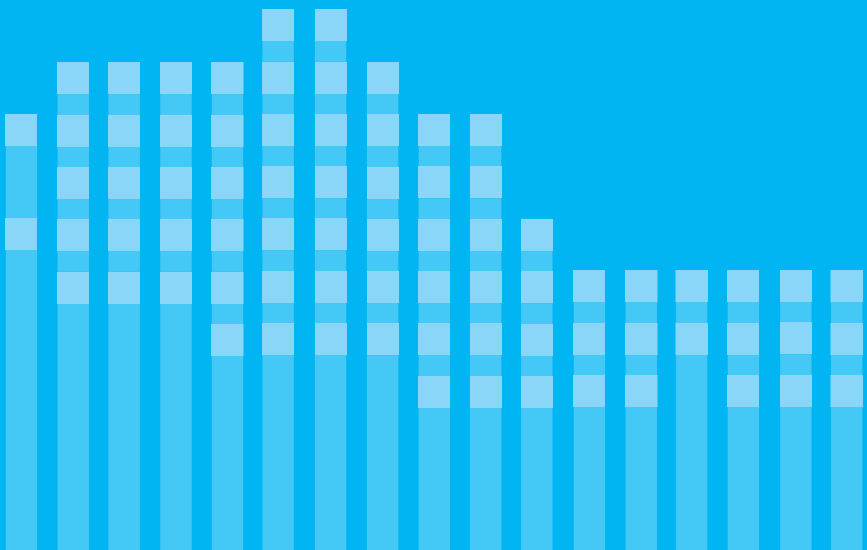
Current Active Membership

Fund Financials

Investments

Customer Satisfaction Survey

Important Information





Welcome to the 2009 Edition of Pensions Update

Welcome to your 2009 benefits update – this provides details of your annual update on the LGPS along with the value of your deferred Local Government Pension Scheme (LGPS) benefits held within the Fund.

As you would expect, due to recent events, investment issues are at the forefront of all pension fund managers' minds and the Fund has maintained a cautious approach to investing during the recent difficulties within the financial markets. This approach was made easier, however, by the continued positive financial cash flow which enabled the Fund to avoid having to sell investments in falling markets.



The LGPS funds across England and Wales are, in any event, backed by central and local government so your pension benefits are 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).

Should you wish to check the latest position of the LGPS or wish to view further scheme literature, the Fund's website has a wealth of information for members old and new.

As ever, if you wish to ask us any related questions about the information provided, a complete list of contact details are provided on the back page of this update.

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 2009.

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/>



Distributed Pensions Update to all active members.

Issued AVC annual statements.

Re-accreditation as Customer Service Excellence (previously Charter Mark)

Fund Membership

Year ending 31 March 2009

31 March 2009

Active	108,224
Deferred	70,783
Pensioner	63,840

Total membership
242,847

31 March 2008

Active	107,845
Deferred	66,321
Pensioner	61,185

Total membership
235,351

31 March 2007

Active	105,512
Deferred	61,732
Pensioner	59,303

Total membership
226,547

Active Members

The Fund has a total active membership of 108,224. Since 31 March 2008, the number of contributing employees in membership has increased by 379.

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.

Distributed four editions of Superlink to our pensioners.

Issued The Reliable Source to all active members.

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

Re-accreditation as Investor in Excellence

Special Commendation Magazine (Superlink): Pensions & Investment Awards 2008 (Communication)

Current Active Membership

Employer	Number of members as at 31 March 2009	Change in membership	Number of members as at 31 March 2008
Birmingham City Council	37,806	+0.42%	37,648
Coventry City Council	8,894	-2.93%	9,162
Dudley Metropolitan Borough Council	10,268	+2.93%	9,976
Sandwell Metropolitan Borough Council	8,548	-2.30%	8,749
Solihull Metropolitan Borough Council	4,261	-3.40%	4,411
Walsall Metropolitan Borough Council	8,197	+2.22%	8,019
Wolverhampton City Council	7,883	+0.05%	7,879
Members employed by city and district councils	85,857		
Members employed by other statutory bodies, universities, colleges of further education, voluntary sector organisations and private sector contractors	22,367		
Total	108,224		

On average, the membership levels between district councils had increased by +0.43% compared to the previous year.

Best European
Institutional Investor
in UK and Ireland:
IPE Real Estate Awards
2009

Best Use of Specialist
Investment Manager
(Public): Professional
Pensions Pension
2008

Best DB Scheme:
Pensions & Investment
Awards 2008

Financial Details – The Fund’s Assets During the Period 1 April 2008 to 31 March 2009.

Formal accounts are currently being drawn up and will appear, in due course, on the Fund’s website later in the year. Below are some of the highlights of the accounts.

Despite a poor year for pension fund returns globally, the benefits that you, as members of the 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.

News coverage was dominated by reports of councils from 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 as the Fund had no exposure to Icelandic banks through direct or indirect investment or lending.

During 2008, the financial sector as a whole suffered losses as a result of sometimes poor and irresponsible lending.

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.

As part of the Fund’s approach to risk management, it has a well-diversified investment strategy, holding many other asset classes in addition to equities (shares). Although the equity markets during 2008 experienced significant losses, these events are not unique and share prices are expected to recover over the long-term.

In addition, the Fund’s future cash flow remains strong for the foreseeable future.

Best Investment Strategy: Pensions & Investment Awards 2008

Best Medium European Institutional Investor: IPE Real Estate Awards 2009

Special Commendation: European Public Sector Institutional Investor of the Year Funds Europe Awards 2008

Key income and expenditure details

During the year, the Fund received:

Employers' contributions of	£265m
and employees' contributions of	£118m

Members in receipt of pension:

During the year, the average monthly payroll paid pensions to 63,784 members.

The value of pension benefits paid during the year was	£260m
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The figure left for investment after allowing for the payment of benefits was	£123m
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Although some transfers were received during the year, these generally were netted off against transfer payments made out to other HMRC approved schemes.

Investment income	£161m
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What About the Madoff Investment Funds?

The West Midlands Pension Fund has previously reassured members that it did not invest in any of the Madoff funds which have been featured in the press. Media coverage has been dominated by the growing list of investors and banks hit by a \$50bn (£33bn) fraud by US trader Bernard Madoff. The West Midlands Pension

Fund's Chief Investments Officer Judy Saunders said: "I can confirm that the West Midlands Pension Fund did not invest in any of the Madoff funds." Hopefully, this provides reassurance to those members that have contacted us about the press speculation on these issues.



Judy Saunders
Chief Investments Officer

Investments

Investment Management

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

Investment policy, which is implemented by the Investments Division, comprises two main elements: (a) the Committee's longer-term asset allocation benchmark and (b) the shorter-term tactical asset allocation. Following completion of a comprehensive

strategy review, the Superannuation Committee approved a revised investment strategy in January 2009, which further diversified the benchmark. The Fund has set the following objectives:

- a) Seek returns that are consistent and match those available in the major equity markets.
- b) Seek returns that are comparable with other institutional investors.
- c) Implement strategies that over time are likely to give the same or superior returns for less risk.
- d) Acknowledge the risk of investing and have regard to best practice in managing that risk.
- e) Have resources available to meet the Fund's liabilities for pensions and other benefits provided.
- f) Improve the funding level over the medium to long-term.

The Fund's new benchmark as at 31 March 2009 is summarised as follows:

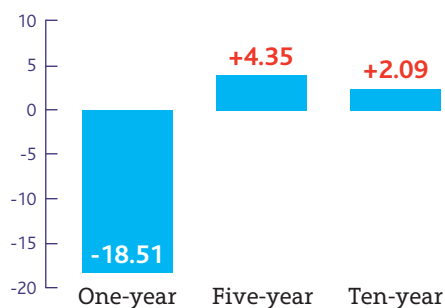
Benchmark	%	%	%
UK equities		14.0	
Global equities		6.0	
Overseas equities		30.0	
North America	8.0		
Europe (exluding UK)	11.0		
Japan & Pacific Basin	5.5		
Emerging markets	5.5		
Private equity		10.0	
Total Equities			60
Gilts		4.7	
Index-linked gilts		4.7	
Non-government bonds		4.6	
Cash		1.0	
Total Fixed Interest			15
Property		9.0	
Absolute return strategies		8.0	
Other complementary*		8.0	
Total Complementary			25
Total			100

* Other complementary investments include commodities, emerging market debt and infrastructure.

Performance

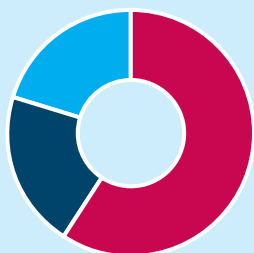
The return of -18.5% for the year ending March 2009 was a reflection of general market conditions. Although disappointing, the Fund outperformed the average local authority return of -19.9%. This was also the case over the longer term as the Fund did not have as high an allocation to quoted equities as the average local authority fund. Conversely, due to slightly lower equity allocation, the average corporate pension fund slightly outperformed the Fund over one year, returning -18.1%.

Fund returns over one-year, five-years and ten-years



Current Portfolio

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



Asset distribution 2008/2009

■ Equities	£3,575m
■ Bonds	£1,241m
■ Complementary	£1,210m



Fixed interest 2008/2009

■ Corporate bonds	£274m
■ Index-linked	£422m
■ Gilts	£359m
■ Liquid assets	£186m



Equities 2008/2009

■ United Kingdom	£1,170m
■ North America	£335m
■ Europe	£518m
■ Japan/Pacific Basin	£344m
■ Emerging markets	£308m
■ Global	£346m
■ Private equity	£554m



Complementary investments 2008/2009

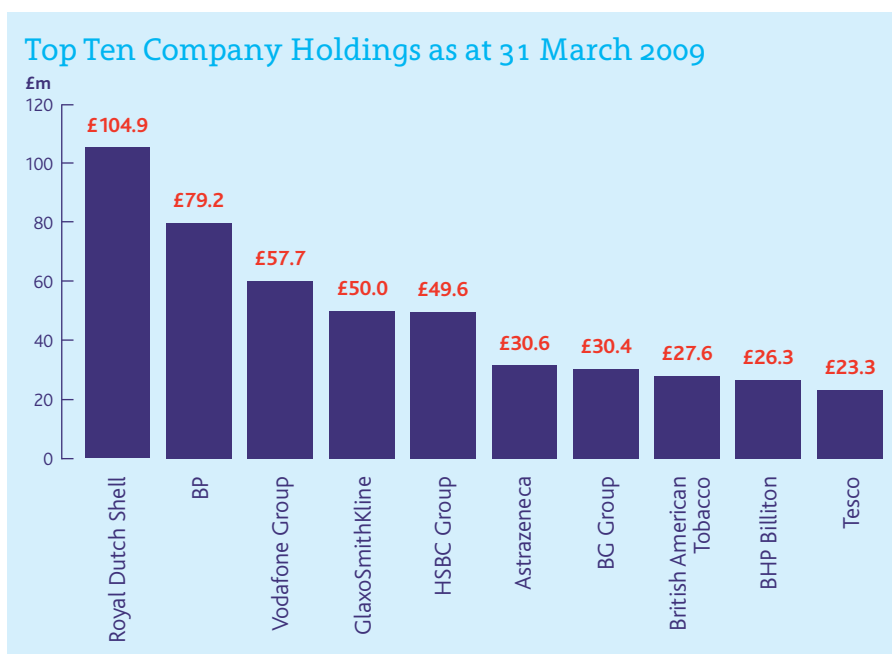
■ Property	£464m
■ Emerging market debt	£166m
■ Absolute returns	£274m
■ Commodities	£181m
■ Infrastructure	£125m

Investments of the Fund

Year ending 31 March 2009

Value of Investment Portfolio

At the beginning of the financial year, the value of investment assets was £7,391m and at the end of March 2009 the value of investments was £6,026m. Taking the ten-year period from 1 April 1999, the total growth in investment value has amounted to £1,531m from a starting value of £4,495m. The Fund is cash flow positive for the foreseeable future and its long-term returns remain positive.



The West Midlands Pension Fund has assets of over £6.0 billion to meet the costs of the present and future pensions and other benefits.

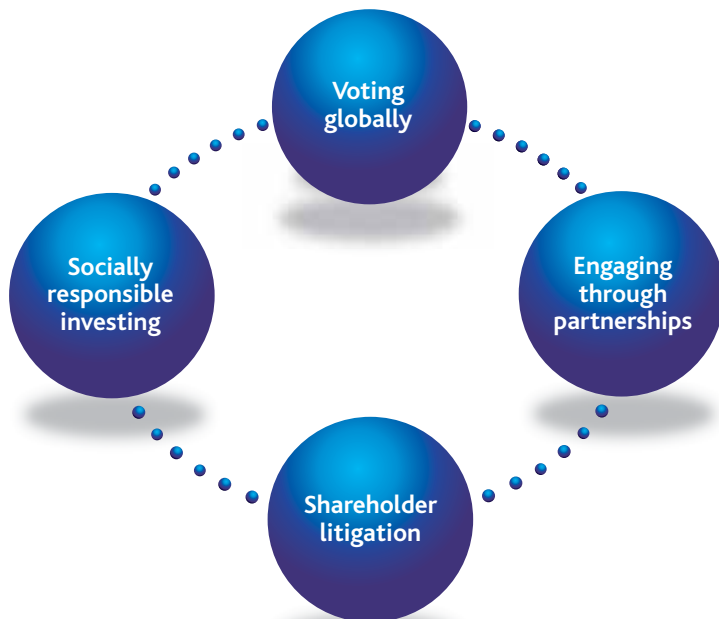


Corporate Governance (CG)

The Fund's objective is to generate acceptable returns in order to meet its commitments to those who receive pensions and other 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. Socially responsible investing (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 stand point, then they potentially put their financial returns at risk.

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



Voting Globally

The Fund'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 CG activity, voting globally at over 1,400 meetings over the past year. The Fund votes on all UK companies in the FTSE All Share Index where it has a direct 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 be forced to take notice and will move towards best practice in terms of CG.

Engagement Through Partnerships

In recent years, the Fund has developed a number of corporate social responsibility (CSR) and CG partnerships. In addition to that of the Local Authority Pension Fund Forum, which now consists of 49 members representing over £75bn 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 in order to return value back to the Fund.

Socially Responsible Investing

There is an increasing opportunity for the Fund to invest in this rapidly developing area. 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 specific investments within the SRI arena and these are found within most asset classes.

Pension Publications

The following publications are freely available from the Fund by either contacting the Fund or by downloading the item(s) from the Fund's website.



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The documents available are:

- Statement of Investment Principles
 - Funding Strategy Statement
 - Socially Responsible Investment Statement
 - Investment Strategy Statement
 - Governance Compliance Statement
 - Administering Authority Discretionary Policy Statement
-

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 and each subsequent valuation exercise. These documents are also updated to reflect any interim changes.

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 adopted, ensures that we have a greater awareness of the service we provide. This allows us to react and provide a more considered approach to specific problems.

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

Nadine Perrins Chief Pensions Services Manager - Operations

21%

The proportion of the membership that stated 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 or pension paydays. If you need to contact us urgently, please use one of the alternative methods available.



Of those that have contacted us by telephone:

93% The proportion of members that were given the name of the member of staff to whom they were talking.

Of those that have contacted us by written correspondence:

91% The proportion of members that stated 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, 82% 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, 47% of respondents rated our service as "good", with 26% rating the service "excellent".

Data provided is based on a sample of customer surveys completed between December 2008 and January 2009.

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@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.

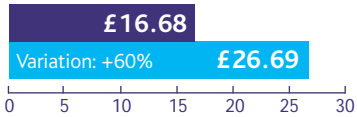
Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

Unit Costs

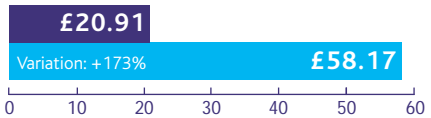
Over recent years, the Fund has made significant inroads to providing a dedicated customer focused service. To do so and maintain a reasonable unit cost is a noteworthy achievement, one which the staff and the Fund can be justly proud of.

- West Midlands Pension Fund
- All local government funds

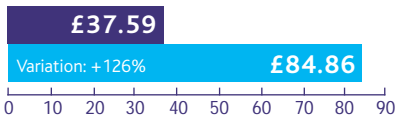
Administration costs



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.

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 Adviser on (01902) 554498, via email 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.



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Contact Information

Email us on:
PensionFundEnquiries@wolverhampton.gov.uk

Telephone our Helpdesk on:
0300 111 1665

Visit our website at:
wmpfonline.com

Fax us on:
0845 230 1565

Minicom/Typetalk:
01902 554607

Write to us at:
West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Send us a text on:
Text WMPF + your message
to 60066
Standard short code network charges apply

Lines are open during the
following times:
8:30am to 5.00pm Monday-Thursday
8:30am to 4.30pm Friday
Calls may be monitored for
training purposes

Visits can be made to the Fund's offices on the
5th Floor, Mander House, Wolverhampton
8.30am to 5.00pm Monday - Thursday
8.30am to 4.30pm Friday

