

WEST MIDLANDS PENSIONS UPDATE 2010 PENSION FUND



WEST MIDLANDS



PENSION FUND

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 2010.

WELCOME TO THE 2010 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

This provides details of the position of the Fund as at 31 March 2010, along with any important issues or development within the LGPS that have taken place during the last 12 months.

The Fund continues to see a general market recovery in investments held, compared to the period last reported back in 2009. The Fund's strong cashflow position continues to assist in its cautious investment approach, as the Fund does not need to sell assets at times when investment values are low or uncertain. Although the value of the Fund's assets has no bearing on the pensions paid to members, there is understandably some interest that the value of Fund investments is maintained to keep a healthy balance between assets and liabilities.

As you may recall from previous pension updates, the Fund is independently valued every three years. As part of the process, the Fund's actuary assesses the employer contribution rate required to ensure the Fund is adequately funded. The Fund is, along with other funds in England and Wales, currently going through the valuation process. Any revisions to employer contribution rates will come into effect from the 1 April 2011, but will not be known until end of the year.

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.

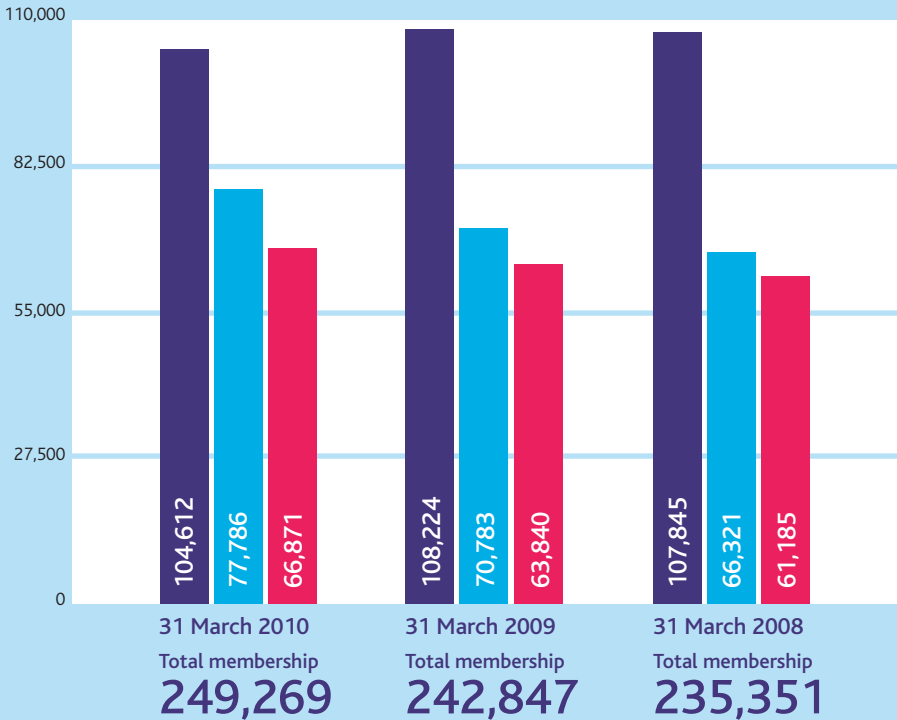
As ever, if you wish to ask us any related questions about the information provided, a complete list of contact details are provided on the back page of this update.

You may also wish to view the CLG website which can be found at: www.communities.gov.uk

The site contains details of any consultative documents along with details of how you can comment on any proposals being put forward for the LGPS.

FUND MEMBERSHIP

YEAR ENDING 31 MARCH 2010



ACTIVE MEMBERS

The Fund has a total active membership of 104,612. Since 31 March 2009, the number of contributing employees in membership has decreased by 3,612.

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 £347 million each year are paid to retired members.

CURRENT ACTIVE MEMBERSHIP

Employer	Number of members as at 31 March 2010	Number of members as at 31 March 2009	Change in membership	Change in membership
Birmingham City Council	36,763	37,806	-1,043	-2.76%
Coventry City Council	8,338	8,894	-556	-6.25%
Dudley MBC	9,772	10,268	-496	-4.83%
Sandwell MBC	8,418	8,548	-130	-1.52%
Solihull MBC	4,272	4,261	+11	+0.26%
Walsall MBC	7,519	8,197	-678	-8.27%
Wolverhampton City Council	7,436	7,883	-447	-5.67%

Members employed by city and district councils

82,518

Members employed by other statutory bodies, universities, colleges of further education, voluntary sector organisations and private sector contractors

22,094

Total

104,612

On average, the membership levels between district councils had decreased by -4.15% compared to the previous year.



FINANCIAL DETAILS

KEY INCOME AND EXPENDITURE DETAILS

During the year, the Fund received:

Employers' contributions of	£316m
and employees' contributions of	£120m
	£436m

Members in receipt of pension:

The number of pension payments made in March 2010 was 66,308	
The value of pension benefits paid during the year was	£347m

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	£123m
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JUDY SAUNDERS
CHIEF INVESTMENT
OFFICER



FINANCIAL MARKETS

THE FUND'S ASSETS DURING THE PERIOD 1 APRIL 2009 TO 31 MARCH 2010

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

It is important to remember that the benefits received by members of the LGPS are determined nationally by regulation, and so a movement in Scheme assets whether a reduction or an increase in the value of assets held will not affect any pension payments made by the Fund.

Pension fund investments had a good 12 months for the year ending March 2010, experiencing strong global market returns, in sharp contrast to the previous financial year.

Data released in January 2010 confirmed that the UK's six quarter long recession finally ended during the fourth quarter of 2009 and signs emerged that the US economic recovery, already underway, was gaining momentum. Although France and Germany participated in the global recovery, southern eurozone economies struggled, concerns remaining over debt-ridden Portugal, Spain and Greece. By the end of March, there was more positive news as the eurozone agreed a package to help Greece.

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). Over the 12 months ending March 2010 equity markets experienced significant gains, ranging from +30% in Japan to +72% in emerging markets.



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 50% 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 of 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.



ASSET ALLOCATION

The Fund's benchmark as at 31 March 2010 is summarised as follows:

BENCHMARK	%	%	%
UK equities	14.0		
Global equities	6.0		
Overseas equities	30.0		
North America	8.0		
Europe (ex 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

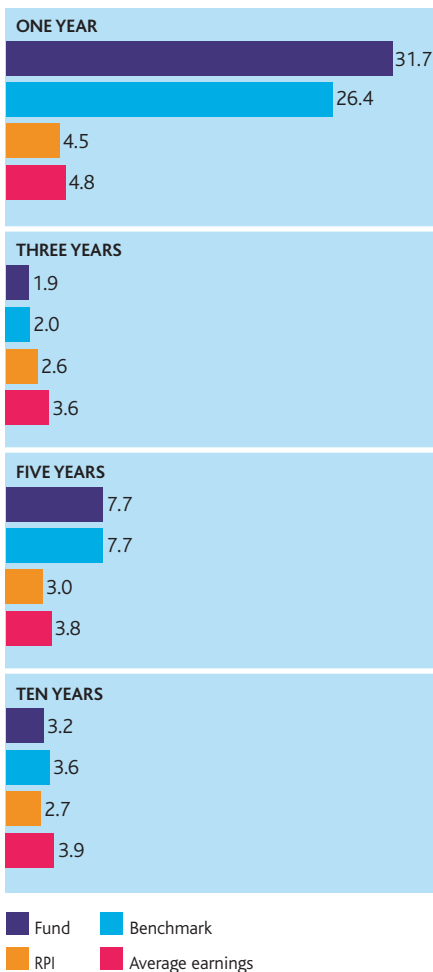
* Other complementary investments include commodities, emerging market debt and infrastructure.

FUND PERFORMANCE

The Fund's return of +31.7% for the year ending March 2010 was a reflection of buoyant market conditions. The Fund outperformed the average corporate pension fund return of +29.6% due to its relatively high allocation to overseas equities, particularly emerging

markets. Similarly, due to an even higher allocation to equities, the average local authority pension fund outperformed the West Midlands Pension Fund over one year, returning +35.1%.

COMPARATIVE RETURNS OVER ONE, THREE, FIVE AND TEN YEARS



CURRENT PORTFOLIO 2009/2010

The structure of the Fund and the portfolios within the asset classes are set out below:



ASSET DISTRIBUTION

■ Equities (incl. private equity)	£4,935m
■ Bonds	£1,217m
■ Complementary	£1,814m



FIXED INTEREST (incl. cash)

■ Corporate bonds	£370m
■ Index-linked	£360m
■ Gilts	£340m
■ Cash	£148m



EQUITIES

■ United Kingdom	£1,139m
■ USA	£761m
■ Europe	£790m
■ Japan/Pacific Basin	£446m
■ Emerging markets	£543m
■ Global	£532m
■ Private equity	£724m



COMPLEMENTARY INVESTMENTS

■ Property	£538m
■ Emerging market debt	£263m
■ Absolute return strategies	£600m
■ Commodities	£228m
■ Infrastructure	£186m

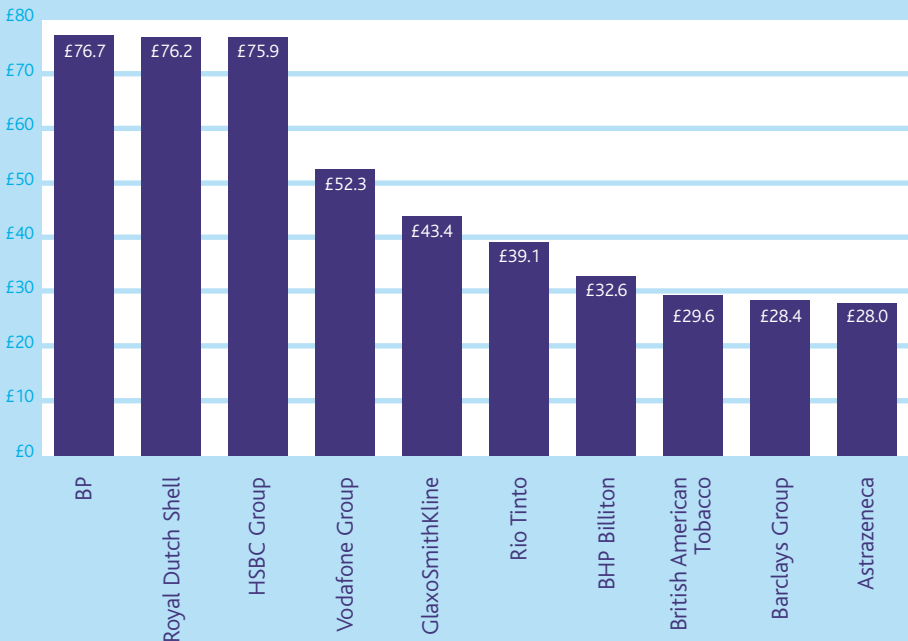
FUND INVESTMENTS

YEAR ENDING 31 MARCH 2010

VALUE OF INVESTMENT PORTFOLIO

At the beginning of the financial year, the value of investment assets was £6,026m and at the end of March 2010 the value of investments was £7,965m. Taking the ten-year period from 1 April 2000, the total growth in investment value has amounted to £2,552 from a starting value of £5,413m. The Fund is cashflow positive for the foreseeable future and its long-term returns remain positive.

TOP TEN COMPANY HOLDINGS 31 MARCH 2010



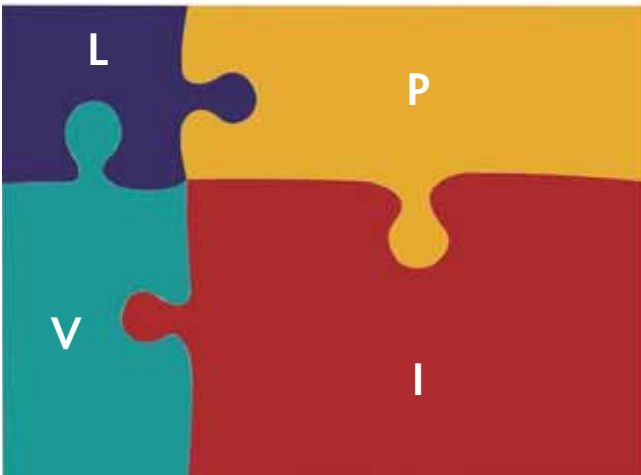
The West Midlands Pension Fund has assets of £8 billion to meet the costs of the present and future pensions and other benefits.

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. The Fund believes that corporate governance should form part of mainstream investing and 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 particularly the areas of waste, water and clean or alternative energy. 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.

There are essentially four complementary elements to the Fund’s approach. Each one can be undertaken separately though they are most effective when combined, representing best practice:



- L Litigation (shareholder)
- P Partnerships (through engagement)
- V Voting (shareholdings)
- I Investing (active)

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 1,307 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.



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 52 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 in order to return value back to the Fund.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 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 ESG arena and these are found within a number of portfolios across most asset classes.



SERVICES FROM THE FUND

The Fund aims to provide a wide range of services; some are tailored specifically to the requests that we know members have raised from time to time, such as surgeries and face to face meetings. Others, such as annual benefits statements, are specifically designed to fulfil the statutory obligations of the Fund.

We will, however, ensure that not only is this obligation fulfilled, but it is done in a way which not only meets your expectations but will hopefully exceed our expectations as well.

As someone who is relatively new to the role of Chief Pensions Services Manager - Operations, I understand only too well the concerns members of the LGPS have, in ensuring that their investment in the LGPS is valid and secure. None of us know how the Government may wish to develop the provision of pensions within the public sector, or even within the local government. But, rest assured, as the inevitable changes do take place, we will do our utmost to ensure you are kept informed.

Meanwhile the benefits you have already attained within the LGPS are safe and secure. They are guaranteed by statute which means that regardless of stock market performance or investment returns the value of your benefits is secure.

We have recently changed our approach to the way in which we deliver the services we offer, with more specific resource being placed in Communications and Marketing. This will enhance the face to face enquires of members and presentations provided to assist a member's understanding of the intricacies of the Scheme. Member Services has also been redefined – this we hope will have a positive affect not only on the way you view the services we provide, but will also expand the range and depth of services provided.

As always we would welcome any comments on the service that you receive from us. Please feel free to write to me personally at the usual address with any comments you may have.

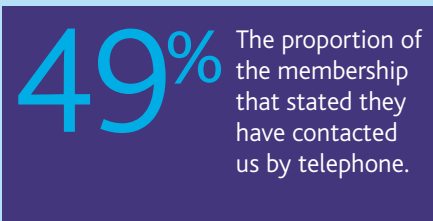
NADINE PERRINS
CHIEF PENSIONS
SERVICES MANAGER -
OPERATIONS



ONGOING CUSTOMER SATISFACTION SURVEY

The customer satisfaction survey is continually sent out to active, deferred and retired members, where the Fund completes a process on behalf of a member, such as a change in name or address for an active member, a deferred process or retirement process for the other member types.

Responses received are reviewed to enhance the service provided.



Of those that have contacted us by telephone:

At any point, was your call:

Placed on hold for an unacceptable timescale?	2%
Placed on hold, but only for a short while?	32%
Not applicable	66%



When asked about the content of Fund correspondence:

Do you feel that the written correspondence you received from the Fund:

Was about right in length and contained all the information required?	85%
Was too long-winded and contained information you did not require?	10%
Was too short and lacked detail?	1%
Not stated	4%

Was the content of the letter?

Clear, concise and easy to understand?	69%
Mainly okay but contained some jargon?	26%
Hard to understand and too technical?	1%
Not stated	4%

Of those that have contacted us by written correspondence:

85% The proportion of members that stated the written communication was about right in length and contained all the information required.

Timescales to Deal With Your Enquiry

When asked about the length of time taken to deal with enquiries, responses indicated were:

Was dealt with more quickly than you anticipated?	26%
Was dealt with within an acceptable timescale?	51%
Took an unacceptable time to complete?	6%
Not stated	17%

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, you may wish to use one of the alternative methods available.

Source: Annual customer satisfaction surveys completed/returned April 2009 - March 2010.

MARKETING & COMMUNICATION OF THE LGPS

Pre-retirement seminars

The Fund's communication and marketing staff organise several pre-retirement seminars throughout the year at venues across the West Midlands, including our own conference suite at Mander House. If you would like to attend one of these events, look out for details of up and coming events on the Fund's website at the following address: <http://www.wmpfonline.com/seminars/>



If you feel that you and a group of colleagues would benefit from a presentation about the benefits provided by the LGPS, contact the Fund's Communications, Marketing & Business Support team who will be



happy to assist you. Depending upon the type of presentation selected, the Fund will provide the appropriate literature and supporting material as required to reinforce the information given on the day.

Presentations are built to allow members to participate in a 'question and answer' session at the end. It is often useful to canvas your colleagues in advance to ensure that they are aware of the aim of any meeting before deciding to attend.

The Fund also welcomes interest from trade unions and can, if requested, present to union officials an update on current Scheme regulations and the benefits the Scheme provides.

For more details, contact us on **01902 554639** or **551173** for more details. Alternatively, you can email us at the following address: PensionFundEnquiries@wolverhampton.gov.uk

Your LGPS Benefits Guaranteed

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.

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).

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

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.

t: 0845 601 2923

f: 0207 233 8016

e: enquiries@pensionsadvisoryservice.gov.uk

w: 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.

t: 0207 834 9144

f: 0207 821 0065

e: enquiries@pensionsombudsman.org.uk

w: 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

t: 0870 606 3636

Textphone: 0870 243 3123

w: thepensionsregulator.gov.uk

e: customersupport@thepensionsregulator.gov.uk

thepensionsregulator.gov.uk

USEFUL PUBLICATIONS AND WEBLINKS

Direct Gov

<http://www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm?CID=furl-Pensions>

State Pension Age Calculator

<http://pensions.direct.gov.uk/en/state-pension-age-calculator/home.asp>

Getting a State Pension Forecast

http://www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/StatePensionforecast/DG_10014008

DWP Pensioners' Guide

http://www.direct.gov.uk/en/Diol1/DoltOnline/DG_182376

Planning for Retirement Tools (from the Direct Gov website)

http://www.direct.gov.uk/en/Diol1/DoltOnline/DG_182356

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

