

# Quarterly report

First quarter of 2011

- **Cover ratio:** **111%**
- **Assets under management:** **€100.4 billion**
- **First quarter 2011 return:** **0.4%**

Pensioenfonds Zorg en Welzijn had a cover ratio of 111% at the end of the first quarter of 2011. Despite the tragic events in Japan and the increasing tensions in the Middle East, the fund achieved a positive, albeit modest, return on investments of 0.4%. The assets under management at the end of the first quarter amounted to €100.4 billion.

**Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn:** “The fund’s recovery has proceeded well during the past six months, despite the additional amount we have had to set aside to cover the increase in life expectancy. We are now ahead of our recovery schedule. That is good news for all participants in the fund, but we are not yet where we want to be. Moreover, we remain highly dependent on the unpredictable trend in interest rates.”

## Costs & transparency

In recent weeks a debate has raged about the costs that pension funds incur and the attendant transparency. Pensioenfonds Zorg en Welzijn strongly advocates the maximum openness possible on this subject. Such transparency encourages a sharper focus on costs. And that is necessary, because costs can substantially erode the ultimate pension result. A large collective pension fund such as Zorg en Welzijn, which operates on a not-for-profit basis, generates low costs. That means more pension for the same euro.

The asset management costs, on which the current debate is concentrated, amounted to 0.5% of the total assets under management, i.e. €500 million, at Pensioenfonds Zorg en Welzijn during the past year. That was against income of almost €11 billion, after deduction of costs.

**Peter Borgdorff:** “There is still work to be done, particularly with regard to openness about asset management costs. We have already taken major steps in that direction and are willing to continue in co-operation with other funds, since together we manage a large amount of money in the Netherlands. Moreover, foreign asset managers will be unable to circumvent our wishes as long as we maintain a unified position.”

## Key figures

	Yearly average since 1971	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Cover ratio (quarter end)		111%	104%	98%	99%	109%
Total return	8.1%	0.4%	1.3%	6.9%	-1.2%	5.2%
Interest		3.81%	3.45%	2.78%	3.19%	3.63%

*The total return includes the result of the partial hedging of the interest rate and inflation risk.*

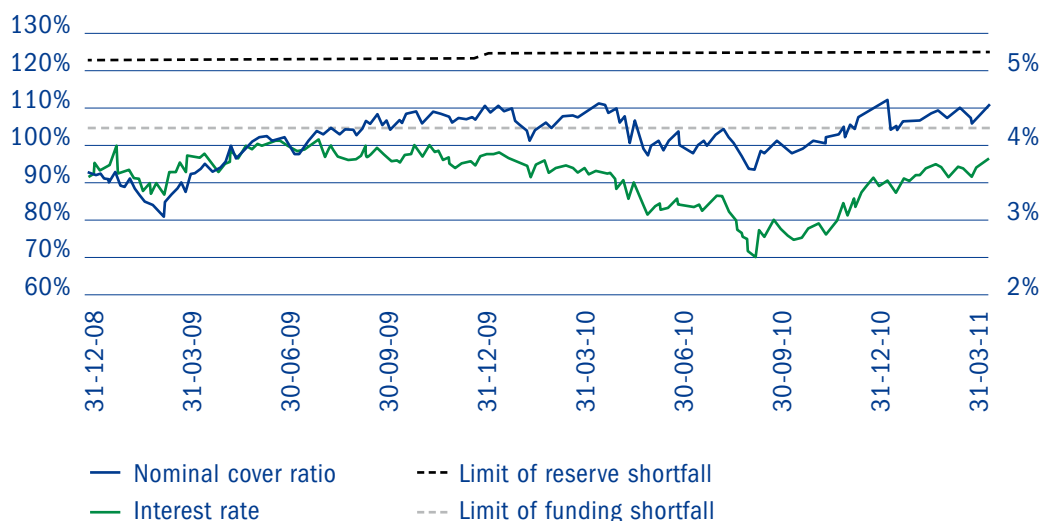
The average annual return since 1971, the year in which the pension fund began operating, is 8.1%. It is clear that a broadly diversified portfolio can generate a high and relatively stable average return in the long term, even if the annual return fluctuates widely, as in recent years. This bears out Pensioenfonds Zorg en Welzijn's policy of maintaining a long-term view.

### Cover ratio

The cover ratio rose from 104% to 111% in the first quarter of 2011. That was due to the rise in interest rates and a positive return in the first quarter. The long-term interest rate rose from 3.45% at the end of December 2010 to 3.81% at the end of March 2011. That had a positive impact of six percentage points on the cover ratio.

The combined effect of the return, the addition of interest to the provision for pension liabilities and the hedging of the interest rate risk had a positive impact of one percentage point on the cover ratio. Pensioenfonds Zorg en Welzijn has a policy of hedging part of the interest rate risk on its liabilities. The cover ratio has fluctuated widely in the last two years. This is due to fluctuations in the interest rate and the return. It can be seen that the cover ratio decreases if the interest rate falls. The cover ratio at the end of the first quarter of 2011 is above the limit specified in the short-term recovery plan (funding shortfall), but below the limit in the long-term recovery plan (reserve shortfall).

### Cover ratio and interest rate



## Investment portfolio and return

	<b>Investments</b>		<b>Return</b>	
	<b>31-03-2011</b>		<b>YTD 2011</b>	<b>Q1 2011</b>
	<i>in mln €</i>	<i>in %</i>	<i>in %</i>	<i>in %</i>
<b>Equities</b>	<b>61,204</b>	<b>61.0%</b>	<b>1.9%</b>	<b>1.9%</b>
Liquid Equities	35,668	35.5%	1.5%	1.5%
Real Estate & Infrastructure	15,850	15.8%	2.0%	2.0%
High Income Bonds	6,188	6.2%	3.6%	3.6%
Additional risk-return sources	3,498	3.5%	1.8%	1.8%
<b>Commodities</b>	<b>7,347</b>	<b>7.3%</b>	<b>14.0%</b>	<b>14.0%</b>
<b>Interest Rate and Inflation Risk</b>	<b>30,602</b>	<b>30.5%</b>	<b>-3.6%</b>	<b>-3.6%</b>
Interest rate and inflation mandate	24,191	24.1%	-4.4%	-4.4%
Corporate Bonds	3,697	3.7%	0.3%	0.3%
Microfinance Credit	31	0.0%	0.4%	0.4%
Short-term Government Bonds	2,683	2.7%	-0.2%	-0.2%
<b>Total</b>	<b>100,415</b>	<b>100.0%</b>	<b>0.4%</b>	<b>0.4%</b>

*The above table shows the main investment categories. A number of small categories, including Cash, are not shown in the table. As a result, the totals are not exactly equal to the sum of the various investment categories.*

Disturbances occurred in large parts of the world in the first quarter. Tensions increased further in the Middle East. In Europe, question marks remain over the creditworthiness of a number of countries. Finally, at the beginning of March the world was startled by an earthquake and tsunami in Japan, followed by problems with a number of nuclear reactors.

Macroeconomic data were positive in the first quarter. Both leading indicators and outcomes point to a continuing economic recovery. An improved economic outlook, rising inflation and an imminent hike in the ECB's policy rate led to a rise in long-term interest rates.

Despite the turbulence around the world, most investments generated gains of one per cent or over. The most striking performance was the high return on commodities (14.0%), driven by the rise in oil prices. The interest rate and inflation mandate, which is intended in part to track the value of the liabilities, generated a substantial loss due to the rise in interest rates.

## **Profile of Pensioenfonds Zorg en Welzijn**

Pensioenfonds Zorg en Welzijn is responsible for the pension policy and pension assets of over 2.4 million current and former employees in the care and welfare sector. The pension fund is the owner of the pension assets, which amounted to €100 billion at the end of March. The fund is governed by representatives of employee and employer organisations. The board accounts to the Pension Council, which consists of participants, pensioners and employers. The Pension Council is also the co-determination body and issues recommendations on proposed decisions.

Pensioenfonds Zorg en Welzijn has outsourced the administration of the pension scheme and the management of the pension assets to PGGM.

## **Disclaimer**

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In case there might be discrepancies between the Dutch version and the English version of the Quarterly Report the Dutch version will prevail.

All 2011 figures stated in this quarterly report are provisional, unaudited figures.

Zeist, 21 April 2011

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