

Quarterly report

Fourth quarter of 2010

▪ Cover ratio:	104%
▪ Assets under management:	€99.5 billion
▪ Fourth quarter 2010 return:	1.3%
▪ 2010 return to end of fourth quarter:	12.6%

Pensioenfonds Zorg en Welzijn had a cover ratio of 104% at the end of 2010. The total return in 2010 amounted to 12.6%, including 1.3% recorded in the final quarter.

The assets under management at the end of 2010 amounted to €99.5 billion. The cover ratio rose by 6 percentage points in the final quarter of 2010.

The return achieved and particularly the substantial rise in the average long-term interest rate to 3.45% made a total positive contribution of 12 percentage points to the cover ratio. The increase in life expectancy, on the other hand, had a negative impact of 6 percentage points on the cover ratio.

Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn: “Despite the additional provision for increased longevity, the financial position of Pensioenfonds Zorg en Welzijn improved strongly in the last quarter. The recovery is in line with the recovery plan. We nevertheless remain largely dependent on the very volatile market interest rates, as can be seen once again from the latest quarterly figures.”

Time for clarity on the Pension Accord

The social partners are currently putting the finishing touches to the Pension Accord that was agreed at central level in June of last year. Once that is completed, Minister Kamp must first of all set out clearly how the Government intends to proceed with the Accord. Only then can the social partners in each sector set about the task of adapting their pension schemes.

Peter Borgdorff: “Time is beginning to press. Pensioenfonds Zorg en Welzijn has fully assumed its responsibility in respect of 2011. It is taking account of increased longevity by reducing the rate of pension accrual. But we want to make sure our pensions are robust over the long term and adapted to the new conditions. That will take time. If we want to offer a future-proof pension next year, the Government in The Hague really must push ahead rapidly.”

Key figures

	Yearly average	Cumulative				Cumulative		
	since 1971	2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2009	Q4 2009
Cover ratio (quarter end)			104%	98%	99%	109%		108%
Total return	8.2%	12.6%	1.3%	6.9%	-1.2%	5.2%	17.6%	4.2%
Interest			3.45%	2.78%	3.19%	3.63%		3.89%

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

Cover ratio

The cover ratio decreased from 108% to 104% in 2010. This was due to the decline in interest rates and an adjustment to reflect increased life expectancy. A positive return on assets under management in 2010 prevented a large fall in the cover ratio.

The long-term interest rate fell from 3.89% at the end of 2009 to 3.45% at the end of 2010. This had a negative impact of 11 percentage points on the cover ratio. In addition, the renewed mortality table and longevity basis was incorporated in the cover ratio at the end of December 2010. The new life expectancy forecast led to a 6 percentage point decrease in the cover ratio.

The combined effect of the return, the addition of interest to the provision for pension liabilities and the partial hedging of the interest rate risk had a positive impact of 13 percentage points on the cover ratio.

Investment portfolio and return

	Investments		Return	
	31-12-2010		YTD 2010	Q4 2010
	in € mln	in %	in %	in %
Equities	62,899	63.1%	13.4%	7.0%
Liquid Equities	30,878	31.0%	11.5%	7.8%
Private Equity	6,881	6.9%	31.2%	15.5%
Real Estate	13,853	13.9%	10.2%	3.2%
Alternatives	4,946	5.0%	8.9%	4.4%
Structured Credit	1,597	1.6%	31.8%	13.2%
Infrastructure	1,513	1.5%	1.6%	3.6%
High Income Bonds	3,231	3.2%	16.1%	1.2%
Commodities	6,928	7.0%	5.4%	12.6%
Interest Rate and Inflation Risk	29,612	29.8%	11.4%	-12.8%
Interest rate and inflation mandate	25,638	25.8%	15.6%	-14.4%
Non-euro Inflation Linked Bonds	204	0.2%	-6.2%	-12.1%
Credits	3,737	3.8%	5.7%	-1.9%
Microfinance Debt	33	0.0%	1.3%	0.7%
Total	99,508	100.0%	12.6%	1.3%

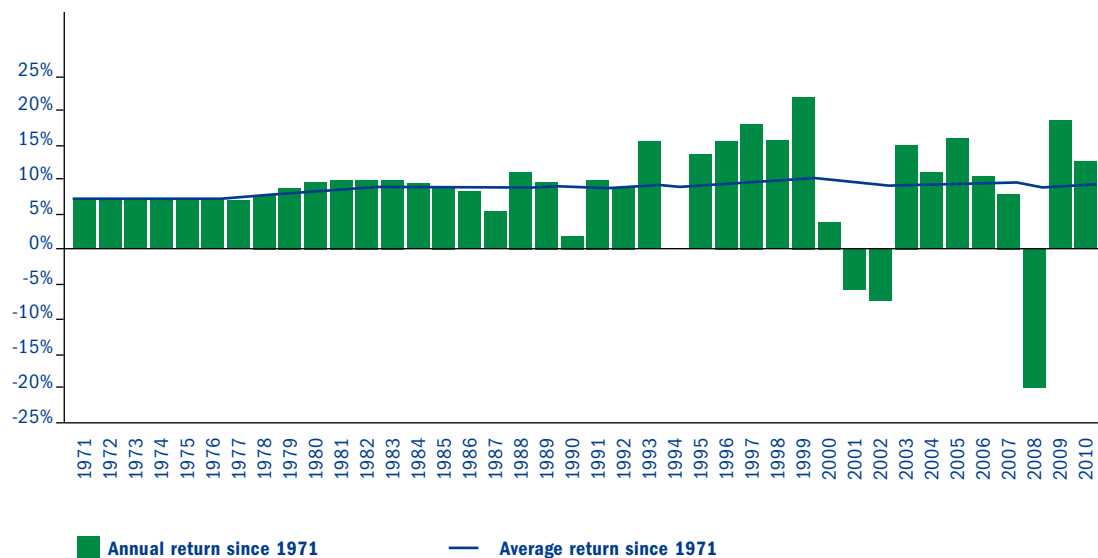
The above table shows the main investment categories. A number of small categories, including Cash, are not shown in the table. As a result, the totals are not exactly equal to the sum of the various investment categories.

Developments in the financial markets were dominated by concerns about the government debt of a number of European countries. The establishment of a permanent emergency fund for countries facing liquidity problems was insufficient to quell the disquiet in the financial markets. Macroeconomic data, by contrast, were predominantly positive.

Long-term interest rates rose in the last quarter in both Europe and the United States. The European 30-year swap interest rate rose by 0.75 percentage points to 3.5%.

The positive sentiment led to price gains in most investment categories. Investments in commodities were buoyed by rises in commodity prices. The interest rate and inflation mandate set up to hedge part of the interest rate and inflation risk suffered a loss due to the rise in interest rates, along with various types of bonds.

Returns since 1971



The average annual return since 1971, the year in which the pension fund began operating, is 8.2%. The chart above shows the returns since 1971. It clearly demonstrates 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.

Profile of Pensioenfonds Zorg en Welzijn

Pensioenfonds Zorg en Welzijn is responsible for the pension policy and pension assets of over 2.3 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 December. 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.

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All 2010 figures stated in this quarterly report are provisional, unaudited figures.

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