



# Strathclyde Pension Fund

ANNUAL REPORT & ACCOUNTS  
FOR THE YEAR TO 31st MARCH 2003



## STRATHCLYDE PENSION FUND

- ✦ Strathclyde Pension Fund is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme.
- ✦ The Fund services the 12 Unitary Authorities in the west of Scotland together with over 200 other public sector bodies, large and small.
- ✦ Fund administration is carried out by the Strathclyde Pension Fund Office, for both the No.1 Fund (the main Fund) and also the No.3 Fund (Strathclyde Buses Fund). The Pension Fund was previously administered by Strathclyde Regional Council and was not subject to disaggregation on local government reorganisation, but transferred intact to Glasgow City Council at 1st April 1996.
- ✦ The investment assets of the Fund are externally managed.
- ✦ Investment policy and strategy are the responsibility of the Strathclyde Pension Fund Panel who take advice from the Investment Advisory panel and from the Fund's external consultants.

These are the 12 unitary authorities covering the Strathclyde area.





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## STRATHCLYDE PENSION FUND PANEL



The Strathclyde Pension Fund Panel is a subsidiary panel of Glasgow City Council's Policy and Resources Committee.

The Panel is responsible for all decisions concerning Pensions and Pension Fund Policy and Strategy.

The Panel performs a role similar to that of the Trustee Board of a private sector pension fund.

### SPF Panel Members



Councillor  
**Craig Robertson**  
Chairman



Councillor  
**Eamon Fitzgerald**



Bailie  
**John Lynch**



Councillor  
**Charles McCafferty**



Councillor  
**Malcolm McLean**



Councillor  
**James McNally**



Councillor  
**Bashir Maan**



Councillor  
**John Mason**



Councillor  
**James Mutter**



Councillor  
**Margaret Sinclair**



Bailie  
**Ruth Simpson**



Councillor  
**Elaine Smith**



## CHAIRMAN'S INTRODUCTION

Councillor **Craig Robertson**  
Chairman, Strathclyde Pension Fund Panel



With Council elections taking place in May 2003, the 2002/03 Annual Report effectively marks the end of my term of office as Chairman of the Strathclyde Pension Fund Panel.

It has been a period of extremes. First convened in the summer of 1999, the Panel presided over the final surge of what has since been recognised as the 'technology bubble', resulting in the best single year's investment return since the Fund was established in 1975. Subsequently the Panel has presided over an unprecedented 3 consecutive years of negative investment returns.

Doubtless, history will record this as merely another phase in the cyclical ebb and flow of markets. But, history, by definition, enjoys the benefit of hindsight. In real time, there is no such comfort, no indication of how far markets will fall, or for how long.

Steering the Fund through this period has thus been a considerable challenge for the Panel. There is no doubt that the investment experience has represented a setback. But the Panel has worked hard to keep checking the bearings and to maintain the long-term direction. Results of the 2002 actuarial valuation confirmed that the Fund was still on the right course - in surplus at the valuation date.

Subsequent events - further equity market falls - have required a slight change of tack - a phased increase of employer contribution rates, and some modification in the investment strategy. But there has been no radical change of course, no about turn.

The Fund's structure, procedures and processes remain fundamentally sound. Its statement of compliance with the "Myners principles" confirms this. Structures, procedures and processes will continue to be developed and improved. The Fund will continue to evolve, and I hope that this will be in a more benign investment environment than has been the case over this term.



## ADVISERS + MANAGERS

### Investment Advisory Panel Members

Neil Hood CBE: Professor of Business Policy at Strathclyde University

Angus Mathieson: Director + Chairman of Strathaird Investments

Ronnie Bowie: Senior Partner, Hymans Robertson

Caroline Burton: Investment Adviser

The Investment Advisory Panel is responsible for monitoring the performance of the Fund and each of its investment managers.

### Investment Managers



### Other Service Providers

#### Actuaries



#### Global Custodian



#### Solicitors

Glasgow City Council - Legal Services

Nabarro Nathanson

#### Performance Measurement

WM Co.

#### Advisers



#### AVC Provider



#### Valuers

Colliers CRE

#### Auditors

Audit Scotland



## DIRECTOR'S SUMMARY REPORT

### George Black

Director of Financial Services



It is difficult to ignore the headline figure in the Fund's financial statement for the year ending 31st March 2003. The 'bottom line' is a net decrease in the Fund during the year of £1.2 billion. This was entirely attributable to falling equity markets. It is worth making a couple of points to put this in context. Almost all of this decrease takes the form of unrealised losses. The Fund is not currently drawing on its investment portfolio to pay pensions and is therefore not a forced seller of its investments. Indeed, the financial statement shows net receipts from members (after payment of pensions) of over £35 million, together with investment income of £138 million. This means that the Fund has more than enough cash to meet all of its current liabilities, and in fact continues to invest income even as the markets decline. The value which the market is currently placing on the investments is therefore not of immediate or overwhelming concern. It instead sets the context for addressing future funding requirements, though there is no doubt that at the balance sheet date that context was very gloomy.

Whilst the annual accounts are informative, the three-yearly actuarial valuation provides a deeper insight into the condition of the Fund, and is more influential in setting its future course. When results of the 2002 actuarial valuation became available during the year, they revealed an extremely strong funding position - a surplus of 8% in spite of the impact of the cost of increased life expectancy. Unfortunately this situation deteriorated very rapidly after the valuation date. This was taken into account in setting employer contribution rates. So, whilst 2002/03 was undoubtedly one of the most difficult years on record for pension funds across the globe, the Strathclyde fund at least started from a position of strength, and has been able to take early action to address ongoing funding.

Short term market movements are of course outwith the control of the Fund. So during the last year, the Fund has, as ever, concentrated its attention on the areas which are within its own control - investment strategy, structures and processes. Reviews of all of these were initiated on receipt of the actuarial valuation results, and will be concluded during 2003.

Easy headlines on the investment side often mean that the other functions of the Strathclyde Pension Fund Office are overlooked. But it is the administration and benefits payment functions which impact most directly on scheme members - the 170,000 employees and former employees who are either contributing to the Fund or drawing a pension from it. On this front, the year was an unmitigated success. There was a marked increase in transaction volumes processed during the year, and average processing times for all of the main transaction were reduced - often significantly. This represents a meaningful improvement to the efficiency of the service delivered to scheme members. Quality of service was also enhanced in various ways - not least by communications initiatives such as the regular issue of Benefits Statements.

Restructuring and improving the use of technology within SPFO - in particular document imaging - have been significant factors in the service improvement which has been achieved. But more significant is the human factor - the efforts of SPFO staff, and their commitment. The year saw a record number of SPFO staff either gaining or working towards IPPM pensions qualifications, and SPFO produced IPPM's student of the year for a second consecutive year.

2002/03 was a difficult year but much was achieved. The Council will continue to be forward-looking in developing the Fund and improving the service delivery to its members.



# Administration Report

## Introduction

Strathclyde Pension Fund, as a sub-division of Financial Services within Glasgow City Council, administers The Local Government Pension Scheme (LGPS) on behalf of the twelve unitary authorities situated in the former Strathclyde area and for over 200 admitted bodies. In addition, the Fund also administers the Police and Fire Pension Schemes on behalf of Strathclyde Police Force and Strathclyde Fire Brigade and pays Teacher's Compensation payments for the Scottish Public Pensions Agency.

The LGPS is a traditional final salary scheme where benefits are generally related to the member's length of scheme membership and average pay during the final year of membership. Scheme benefits are defined by statute and are not dependent on investment performance or prevailing market conditions, therefore providing a secure pension scheme with no risk to members benefits.

## Membership

As at 31st March 2003, membership of the fund comprised 81,584 active members, 18,915 deferred members, and a total payroll of 71,303 pensioners. Over the period 2002/2003 employees of 16 new admitted bodies were granted access to the scheme.

## Statement for improvement in service delivery

In the drive to continually improve the level of service delivery to members, dependants, employers and all other stakeholders, the following actions have been undertaken in the year to 31st March 2003:-

**OFFICE RESTRUCTURE:** The new organisational structure of the office has now "bedded in" and improvements in service delivery are now evident, as demonstrated in the operational performance table.

**ADMINISTRATION SECTIONS:** There are 3 multi-functional administration sections, split on a geographical basis, undertaking the full range of benefit calculations for Fund, Police and Fire Schemes. The sections are effectively the main provider of services to active and deferred members of the scheme and it is mainly their performance that is benchmarked as an indicator of the effectiveness and efficiency of the service delivered by Strathclyde Pension Fund Office. The statistics in the operational performance table highlight the performance improvements achieved by these sections in the year.

**COMMUNICATIONS SECTION:** The new Communications Section is responsible for implementing the Communications Strategy of the Pension Fund, raising awareness of the LGPS among employees and employers and encouraging employees to consider the importance of long term financial planning in relation to pension provision. In the year to 31st March 2003, the communications staff conducted 263 pensions seminars and participated in 26 roadshows, 167 induction courses and 29 pre-retirement courses.

**TECHNICAL SECTION:** The Technical Section provides systems support and maintenance - ensuring that new system developments are tested and implemented, that system integrity and availability is maintained and that pensions legislation is interpreted and implemented.

### MEMBERSHIP OF THE FUND Analysis of Movements

	Contributors	Pensioners	Dependants	Deferred
As at 1st April 2002	77,583	46,083	10,570	18,394
New Contributors	+8,764			
New Pensioners	-1,610	+1,913		-303
Deferred Membership	-1,362			+1,362
Became Dependants			+779	
Rejoined Scheme	+161			-161
Left Scheme	-1,837		-51	-338
Died	-115	-1,596	-564	-39
<b>As at 31st March 2003</b>	<b>81,584</b>	<b>46,400</b>	<b>10,734</b>	<b>18,915</b>
Police, Fire + Teachers Pensioners			14,169	





**PENSIONS PAYROLL:** Continuity of income from employment to retirement for members has always been a priority for the Fund, and Pensions Payroll are committed to ensuring that members receive prompt and accurate payment of pension and lump sum benefits.

### Staff Development

In pursuit of continuous improvement in service delivery through the development of knowledgeable and skilled staff, Strathclyde Pension Fund remains committed to ensuring that all staff gain a nationally recognised qualification in pensions administration as an assessment of competence.

As at 31st March 2003, 13 members of staff have gained a Diploma in Pensions Management from the Institute Of Payroll and Pensions Management, with 2 students winning the 'Student of the Year' award. A further 5 staff are currently studying to gain this qualification. In addition, 34 staff have gained the advanced certificate in pensions administration through the Institute Of Payroll and Pensions Management with a further 23 staff currently undertaking this course.

### Administration Developments

**BENEFIT STATEMENTS:** During 2002/2003 the planned issue of benefit statements to one-third of the membership on a 3-year rolling basis began with the issue of statements to the employees of North Lanarkshire Council and Glasgow City Council. Approximately 25,000 statements were issued, with around 1,200 returned by members for amendment. The majority of amendments were for minor changes to member data such as changes to marital status or home address, which has led to an improvement in the quality of data held.

**DOCUMENT IMAGING:** Strathclyde Pension Fund has completed the process of scanning all live and deferred member files onto our DIPS system. At 31st March 2003 approximately 90,000 member files had been processed. The DIPS system combined with Task Management, the online workflow management system, has enabled staff to process work more efficiently and effectively, as demonstrated in the operational performance table below.

### Service Delivery

Operational performance is monitored and reported at several levels, from team through to Senior Management level. The office also participates in several benchmarking clubs to compare operational performance with other local authority funds and large private sector schemes, for the purposes of identifying and adopting best practice, and also to ensure that our performance compares favourably with those schemes. Results from those benchmarking clubs place Strathclyde Pension Fund Office in fourth position from a total of 15 private and public sector pension administrators in terms of operational performance and scheme management.

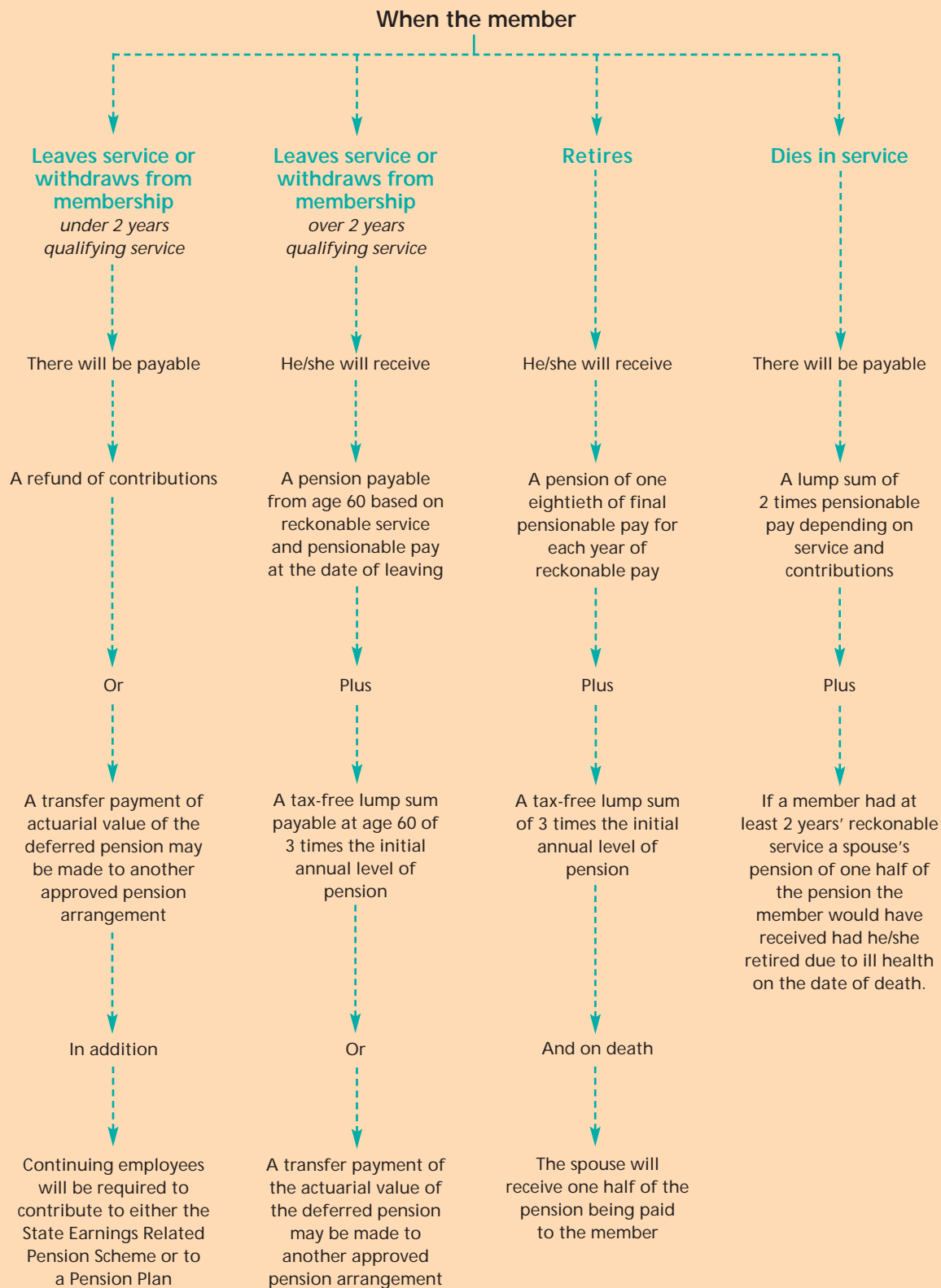
A report of the average turnaround times for the main operational activities measured as part of the benchmarking exercise is shown below.

In the table below, the average days shown is the turnaround time for the completion of procedures and work in progress shows the volume of outstanding cases per procedure as at 31st March 2003. To demonstrate continuous improvement comparison is made with the operational performance from the 2001/2002 report and accounts.

- 1. Average Days is the turnaround time for the completion of procedures
- 2. Work in Progress shows the volume of outstanding cases per procedure as at 31st March 2003.

OPERATIONAL PERFORMANCE 1st April 2002 to 31st March 2003			
Activity	Volume	Average days <sup>1</sup>	Work in Progress <sup>2</sup>
Retirals	1,557 (1,150)	5.67 (7.15)	0 (0)
Estimates	2,877 (2,452)	9.12 (12.72)	50 (107)
Deferred Benefits	2,178 (2,587)	3.21 (6.26)	3 (16)
Refunds	2,516 (1,934)	6.4 (7.36)	5 (36)
Transfer Out Quotes	873 (741)	9.51 (21.01)	10 (33)
Transfers Inward Actuals	1,734 (1,356)	6.62 (13.31)	2 (46)
Transfers Inward Quotes	2,154 (1,724)	8.79 (15.91)	25 (63)
New Start Administration	8,736 (6,751)	17.37 (18.75)	33 (35)

## Summary of Benefits





# Market Report

The following table shows the returns in sterling percentage terms of each of the major global markets over 1, 3 and 5 years to 31st December 2002.

MARKET RETURNS	1 Year	3 years (pa)	5 years (pa)
FTSE All-Share Index	-22.7%	-14.2%	-2.3%
S&P 500 Composite	-29.8%	-14.7%	-0.4%
FTSE W Europe ex UK Index	-27.4%	-16.2%	-1.6%
Tokyo Stock Exchange	-17.8%	-24.4%	-3.6%
FTSE W Pacific ex Japan Index	-17.8%	-11.2%	-1.1%
MSCI Emerging Markets Free Index	-15.0%	-13.9%	-4.2%
FTA Government Securities All Stocks	9.2%	7.0%	7.6%
FTA Government Index Linked	8.2%	3.9%	7.0%
Local Authority 7 day £ deposit	3.7%	4.7%	5.2%

Source: Thomson Financial Datastream

## Market Review

Global equity markets fell for the third year in a row in 2002 as the speed and strength of economic recovery from a global synchronised downturn fell below expectations. In addition, fears of war, profit warnings, accounting scandals and rising oil prices provided the recipe for another disappointing year in equity markets.

At a global level, defensive sectors such as consumer staples have, unsurprisingly, outperformed. New economy sectors lagged the market for most of the year, although they were at the forefront of the fourth quarter rally as investors regained some of their appetite for risk.

In the face of equity market weakness, global government bonds benefited from their perceived safe haven status for much of the period. They were boosted by a series of softer than expected economic data releases and expectations of rate cuts. Indeed, towards the end of the year the Federal Reserve cut its target rate to its lowest level for over 40 years at 1.25%, and the ECB cut by 50 basis points to 2.75%. In many markets government bond yields fell to historic lows.

The US dollar weakened throughout 2002 amid growing concerns about the pace of the economic recovery and the size of the US current account deficit. The euro reached a 3 year high against the dollar in December 2002.

## DETAILED REVIEW OF EQUITY MARKETS

### UK

The domestic economy has remained relatively strong, although many commentators point to a '2 speed' economy, with manufacturing lagging the service sectors. A strong consumer has fuelled economic growth, spurred on by low borrowing costs, low unemployment and rising house prices. Even so, while this defensive market outperformed its continental counterparts, it too has suffered a sharp decline on concerns about the US and global economic recovery, and the building fears of a US-led war in the Middle East.

### US

Concerns about global growth have been led by disappointments from the US economy. Although growth has been aided by a strong consumer and timely policy stimulus, the recovery has lost some of its momentum and there are concerns that support from the consumer could be dwindling. The threat of war in the Middle East and high profile accounting scandals have shaken confidence. However, there has been real effort by US companies to cut costs, and rising productivity has helped keep this economy afloat.



## Market Report

### Europe

Economic growth, notably in Germany, has fallen short of expectations. Exports have not provided significant stimulus following this year's rise in the euro. Poor economic growth has also led to falling inflation, leading to concerns about a disinflationary spiral. However, subdued inflation meant that the ECB was comfortable enough to make a long awaited rate cut in December. Domestic concerns, combined with gloomy global news, made investors cautious in these high beta markets as risk aversion rose.

### Japan

Eastern equity markets have fared better than their western counterparts over the last twelve months. In Japan, increased demand for exports and some flexibility on the part of the Bank of Japan have allowed the economy to muddle through. In particular, Japanese shares staged a strong rally in the first quarter of 2002 as leading indicators became more positive, benefiting from the synchronised recovery in the US and Europe. As global economic forecasts became less confident as the year moved on, so did investors' hopes for an export-led Japanese recovery.

Domestic economic data has provided little support. Few investors now see a strong cyclical outlook in Japan, although many can find reason to invest on valuation grounds and corporate restructuring stories. These positives have helped to offset some of the negatives - including continued frustration at the failure to push through banking and more general reform.

### Asia Pacific

In the Pacific region, markets have outperformed their Western counterparts. Valuations here (given these markets) underperformance in the 1990s), have been more attractive to investors than those presented by Western markets - despite the general rise in risk aversion. Economically, the Pacific had a good 2002, with the region growing by about 4% in real terms at a time of minimal growth in most of the OECD economies. The Bali bombing aside, there has been no major political or corporate drama and the region's market share continues to grow.

### Emerging Markets

Despite the climate of investor caution, these markets have outperformed, helped by the attraction of low historic valuations. However, these markets saw much of their outperformance at the beginning of the year on rising commodity prices and hopes of an export-led recovery. Some of these markets were hampered in subsequent months by subdued sentiment with respect to the US economy. In addition, markets have been led by country specific events and crises, such as, in recent months, political uncertainty in Brazil following the election of Lula, Argentina defaulting on an \$800m IMF loan and terrorist attacks in Bali.

### Property

The UK property market remains in equilibrium versus historical trends. The level of new completions and rental growth levels are at trend levels, and whilst void rates have increased they remain significantly below previous peak levels. Rental growth declined gradually over 2002, flattening out by the end of November. However, balanced fundamentals ensure that rental growth will benefit directly from a return to trend economic growth in 2003.

### Bonds

#### UK GOVERNMENT BONDS (GILTS)

In the face of equity market weakness global government bonds benefited throughout much of 2002 as investors flocked to safety, and in many markets yields fell to historic lows. However in the final quarter, yields traded in a range. Rate cuts by the Federal Reserve and ECB and weak global data provided a positive stimulus, while negative influences came from declining equity and bond market volatility, a relatively strong UK economy and an increased government funding requirement.

#### UK CORPORATE BONDS

Much of 2002 saw unprecedented volatility in credit markets and increasing risk aversion saw corporates underperform government bonds. Individual corporates suffered severe stress as investors lost confidence in US balance sheets. The biggest shock of the period was the collapse



of WorldCom. Falling equity markets created further nervousness, especially in the insurance sector, as the market feared falling solvency ratios. However, in the fourth quarter of last year, corporate bonds outperformed gilts as equity markets stabilised, and volatility and risk aversion decreased.

#### OVERSEAS BONDS

For most of 2002, global bonds benefited from their perceived safe haven status in the face of equity market weakness. Government bonds outperformed corporates given concerns over corporate earnings and accounting practices. US and Euro bonds performed well, as investors feared a slowdown in growth or double dip in the economy. However, towards the end of the year, government bond yields rose as investors switched focus back to equity markets and corporate bonds as they regained some of their appetite for risk. The Federal Reserve cut rates by 0.5% in November, and the ECB followed suit in December.

#### Outlook

Despite short-term uncertainties, recent interest rate cuts should support global economic activity and we believe there is scope for more rate cuts if economies falter. We expect bond yields to rise during 2003 as supply increases globally. Equities appear to be better value and evidence is beginning to build of an improvement in corporate profitability, mainly driven by cost cutting.

In the **UK**, whilst trading conditions remain challenging in most industries, at present they are not deteriorating further. We therefore expect the measures already taken to reduce costs to feed through into higher profits in 2003. However, the level of corporate debt remains an issue and capital expenditure is likely to remain subdued as companies use excess cash to pay off borrowings. This may result in a muted recovery in 2003.

While market volatility is high in the **US** and the outlook for economic recovery still uncertain, we are pursuing a 'reasonably priced growth' strategy, with a good balance of exposure to value, quality and growth characteristics. Within sectors in

which we tend to take a shorter-term trading view, such as materials, we have taken profits in cheap stocks that have performed relatively well over the quarter. We have also reduced exposure to consumer staples stocks that have performed relatively well over the last 12 months.

Corporate earnings expectations for 2003 remain on the high side in **Europe**, and are likely to come down during the first quarter. However, we expect the European economy to pick up in the second half of 2003, although the difference in performance between France and Germany will continue to put an increasing strain on the ECB. For the time being, and in view of these uncertainties, our investment policy remains broadly unchanged: overweight in cyclical consumer goods, underweight in IT and neutral in financials.

Although **Japanese** economic growth prospects can at best be described as anaemic, the outlook for the equity market is more positive. Following an extended period of denial during the economic decline of the 1990s, many Japanese companies are now restructuring and cutting costs in a bid to raise profits. The results season produced further evidence of their progress: sales were down, but costs were down more and profits rose. We believe that this process of 'self help' (rather than waiting for conditions to improve), augurs well for equity returns over the medium term.

The environment for **Pacific** equities remains difficult with increased uncertainties caused by the North Korean nuclear posturing and the growing likelihood of a US led war with Iraq. We expect these conditions to weigh on markets over the next few months, although central bank action and low equity valuations will provide reasonable support.

**Emerging Markets** are likely to benefit most from falling risk aversion and rising bond yields, and valuations are low in absolute and relative terms. Global economic uncertainty could weigh on the region in the short term, but companies offer improving return on equity and the de-leveraging of Emerging Markets in 1997 and 1998 has led to better profitability. The prospect of delivering earnings growth over the next year remains high.

The Market Report was provided by Schroder Investment Management.

Schroders



# Investment Report

## Performance Measurement

Independent performance measurement is carried out by the WM Co, an Edinburgh based subsidiary of State Street bank specialising in this area. WM are responsible for measuring the Fund's returns against its own performance benchmark and against the average of all UK funds measured by them (the 2002 WM Pension Funds Universe analyses over 1,000 UK pension funds with a market value of almost £400 billion).

In line with the industry norm, the Fund's principal investment review is presented on a calendar year basis. Figures for the financial year - 1st April 2002 to 31st March 2003 - are also available and are shown in the Local Authority Review.

## Background

1974 was worse, but 2002 was still one of the poorest years on record for equity investors, particularly as the 2 preceding years had also yielded negative returns. (See the Market Report for a more detailed analysis).

2002 RESULTS	
Fund Return	-15.4%
Benchmark Return	-16.5%
Average Fund Return	-13.9%

The Fund's returns by asset class were as follows.

ASSET CLASS	Fund Return	Benchmark Return
UK Equities	-22.7%	-22.7%
Overseas Equities		
US	-31.1%	-29.5%
Europe	-27.3%	-27.0%
Japan	-16.5%	-15.8%
Pacific	-16.2%	-18.0%
Emerging Markets	-16.3%	-15.0%
UK Bonds	9.6%	9.9%
Overseas Bonds	6.6%	7.9%
UK Index Linked	9.4%	8.4%
Cash	3.0%	-
UK Property	11.9%	10.6%
<b>TOTAL FUNDS</b>	<b>-15.4%</b>	<b>-16.5%</b>

## Review

The distinguishing feature of the Fund's investment strategy is that it invests more in equity than the average UK pension fund. The expectation is that equity will produce superior returns to other assets over the long term. But it is accepted that this will not always be the case in the shorter term. This has been borne out over the last 3 years as equity market weakness has led the Fund to record net investment losses each year. The Fund has also performed less well than the average fund as a result of its high equity exposure. On the plus side, the Fund has maintained a relatively high exposure to property (which was the best performing asset in 2002) and as a result the Fund's actual return was better than that implied by its strategic benchmark.

## LONG TERM PERFORMANCE

											Annualised		
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	3yr	5yr	10yr
Retail Prices	1.9%	2.9%	3.2%	2.5%	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.2%	2.2%	2.3%
Average Earnings	3.2%	4.4%	2.9%	4.9%	4.7%	4.5%	6.1%	4.5%	2.1%	4.1%	3.6%	4.2%	4.1%
Fund Return	31.3%	-3.6%	16.9%	10.4%	14.8%	13.0%	28.2%	-2.5%	-9.7%	-15.4%	-9.4%	1.5%	7.3%
WM All Funds	28.2%	-3.9%	19.1%	10.7%	16.8%	14.0%	21.3%	-1.3%	-8.9%	-13.9%	-8.2%	1.4%	7.3%
Fund Ranking (/100)	22	18	91	68	73	57	7	64	43	35	48	28	46



The Average Fund return is heavily influenced by a very few large funds. The Fund ranking placed it on the 35th percentile (i.e. in the top 35%) of UK pension funds for the year.

There were some very good individual performances from the Fund's investment managers, but a number underperformed and in aggregate the value added by the managers was not significant.

The most recent period has been extremely difficult. Annualised returns over 3 years are negative and even over 5 years are only marginally positive. The 10-year average return of 7.3% is more in line with long term expectations.

The Fund ranks in the top half of the WM Universe over 3, 5 and 10 years with a total return over 10 years identical to the UK average fund return.

### Local Authority Review

WM Co. produce a Local Authority Review on an accounting year (to 31st March) basis. The Fund's performance on this basis is shown in the following table.

FUND'S PERFORMANCE	Annualised						
	1998/99	1999/00	2000/01	2001/02	2002/03	3yr	5yr
Fund Return	9.2%	18.7%	-8.6%	-0.2%	-20.8%	-10.3%	-1.3%
Local Authority Average	8.0%	13.6%	-6.3%	-0.5%	-19.5%	-9.1%	-1.6%
Fund Ranking (/100)	18	3	74	29	62		

### Investment Strategy

The Fund's investment strategy is embodied in its strategic benchmark which describes the long term asset mix which the fund will adopt. Individual portfolio benchmarks are derived from the Fund's overall benchmark. The benchmarks act as an instruction to investment managers and form the basis for performance measurement.

As a matter of policy the Fund's investment strategy is reviewed on a three yearly basis on completion of the triennial actuarial valuation. A review - in the form of an Asset Liability Model - was therefore initiated towards the end of 2002. Initial conclusions are that no radical change is desirable, but a small reduction in the UK equity exposure may be implemented in 2003 with a consequent increase in the allocations to property and corporate bonds.

### Investment Structure

The Fund retained the same list of investment managers throughout the year, with no additions or terminations. There were changes, though in the relative sizes of some mandates. Exposure to JP Morgan was reduced, with assets re-distributed to Baillie Gifford and Legal & General. Additional assets transferred to Legal & General during 2001 were partially returned to Schroder. Market movements also had some impact on relative mandate sizes.

### Other Developments

Since 1990 the Fund has employed a global custodian to provide both core custody services (safekeeping of assets, income collection, tax reclamation) and "value added" services (cash management, securities lending). During 2002 the expiry of the existing contract prompted a full review and open tender for global custody services. The review culminated with the re-appointment of the existing provider,

ASSET	Benchmark Distribution
UK Equities	48%
Overseas Equities	30%
Private Equity	3%
UK Bonds	5%
Overseas Bonds	2%
UK Index Linked	4%
UK Property	8%
<b>TOTAL FUND</b>	<b>100%</b>

Northern Trust. Investment performance measurement was added to the services which Northern Trust will provide.



## STATEMENT OF INVESTMENT PRINCIPLES

### Statement of Investment Principles

#### Introduction

Glasgow City Council is the administering authority of the Strathclyde Pension Fund. Elected members of Glasgow City Council recognise that they have fiduciary duties and responsibilities towards beneficiaries, employers and local taxpayers that are analogous to those holding the office of Trustee in the private sector.

#### Advisers

The Council obtains expert, professional advice and maintains an independent Investment Advisory Panel of experts to assist it in managing the Fund.

#### Funding Policy

The primary objective of the Fund is to provide for member's pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefit basis.

#### Investment Policy

The Fund's investment policy is directed to ensuring that, in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions is agreed by the administering authority to meet the cost of future benefits accruing.

#### The Types of Investments to be Held

The Fund invests primarily in Equities (both UK and Overseas) with the balance invested in Bonds (UK and Overseas), Index-Linked stocks, and Property. Within these broad asset classes the Fund makes specific allocations to smaller sub-divisions. These include Private Equity, Emerging Markets, Small Companies and Corporate Bonds. The Investment Managers are expected to maintain a diversified portfolio within each major asset class and sub-division.

#### Balance Between Different Types of Investments

The Fund has a customised strategic benchmark. In broadly defining the assets to be held and setting the asset allocation this benchmark provides an efficient balance between risk and return in the light of the liability profile and funding level of the Fund.

#### Expected Return on Investments

The strategic benchmark is expected to produce a return over the long term in excess of the investment return assumed in the Actuarial Valuation. The majority of the Fund's assets are

managed on an active basis. They are expected to outperform their respective benchmarks over the long term so that the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

#### Risk

The Fund pursues a policy of lowering risk through diversification of both investments and investment managers. A management agreement is in place for each Investment Manager, which sets out the relevant benchmark performance target, asset allocation ranges, and restrictions as determined by the Fund.

#### Monitoring

The Fund's officers and advisers meet each of its investment managers every quarter to monitor performance relative to performance targets. This discipline constrains the investment managers from deviating significantly from the intended approach, whilst permitting them flexibility to manage the Fund in such a way as to enhance returns.

#### Realisation of Investments

The majority of investments held by the Fund are quoted on major stock markets and may be realised quickly if required. Property and Private Equity investments, which are relatively illiquid, currently make up around 10% of the Fund.

#### Social, Environmental & Ethical Consideration

The Fund believes that social, environmental and ethical considerations are among the factors which managers should take into account, where relevant, when selecting investments for purchase, retention or sale. The Fund has instructed its investment managers to initiate a process of active engagement on these issues, with companies in which the Fund has invested.

#### Exercise of Rights

The Fund ensures that the votes attaching to its holdings in all quoted companies, both in the UK and Overseas, are exercised whenever practical. The Fund's voting policy is exercised by its Investment Managers in accordance with their own policies and practices and taking account of the Combined Code on Corporate Governance.

#### Custody

The Fund ensures separation of the custody of the Fund's assets from its Investment Managers and its officials by the employment of a Global Custodian.

The Fund's Statement of Investment Principles has 2 appendices - a Reference Guide, and, a Statement of Compliance with the Myners Principles. These are available at the Fund's website: [www.spfo.org.uk](http://www.spfo.org.uk)





# No.1 Fund

## FUND ACCOUNT

2001/02		2002/03	
		£000	£000
<b>CONTRIBUTIONS</b>			
68,142	Contributions Receivable from Employees	73,019	
142,109	Contributions Receivable from Employers	159,913	
8,647	Additional Contributions from Employers	15,093	
23,658	Transfers In	24,859	
339	Other Income	301	
<u>242,895</u>		<u></u>	273,185
<b>BENEFITS</b>			
<b>Benefits Payable</b>			
180,534	Pensions	186,473	
26,169	Lump Sums	33,760	
<b>Payments to and on account of leavers</b>			
666	Refund of Contributions	791	
12,831	Transfers Out	14,275	
<u>2,566</u>	<b>Administrative and Other Expenses borne by the scheme</b>	<u>2,696</u>	
<u>222,766</u>			237,995
20,129	<b>Net Addition from dealings with members</b>		35,190
<b>RETURNS ON INVESTMENTS</b>			
138,876	Investment Income		138,334
Less:			
(10,834)	Investment Management Expenses	(8,494)	
(1,218)	Overseas Tax	(1,289)	(9,873)
<u>126,824</u>		<u></u>	
<u>(156,195)</u>	Change in Market Value of Investments		<u>(1,379,550)</u>
<u>(29,371)</u>	<b>Net Returns on Investments</b>		<u>(1,250,999)</u>
<u>(9,242)</u>	<b>Net Decrease in the fund during the Year</b>		<u>(1,215,809)</u>
6,048,441	Opening Net Assets of the Scheme		6,039,199
<u>6,039,199</u>	Closing Net Assets of the Scheme		<u>4,823,390</u>
<u>(9,242)</u>	Asset Movement during the Year		<u>(1,215,809)</u>



**No.1 Fund**

**NET ASSETS STATEMENT**

2001/02		2002/03	
£000		£000	£000
<b>INVESTMENT ASSETS AT MARKET VALUE</b>			
<b>Listed Investments</b>			
1,798,098	- UK Equities	1,440,698	
81,535	- UK Fixed Interest (Public Sector)	89,894	
166,357	- UK Fixed Interest (Others)	132,772	
1,059,836	- Overseas Equities	778,802	
152,997	- Overseas Fixed Interest	141,425	
182,722	- Index Linked	190,196	
		<u>2,773,787</u>	
<b>Unlisted Investments</b>			
489,430	- Property (Freehold)	440,668	
53,307	- Property (Long Lease)	57,028	
100,261	- Venture Capital	103,505	
22	- Overseas Equities	0	601,201
		<u>601,201</u>	
1,454,377	<b>Managed Funds</b>		958,548
<b>Unit Trusts</b>			
0	- Property	77,107	
272,517	- Other	211,294	288,401
<u>5,811,459</u>		<u>4,621,937</u>	
<b>Current Assets</b>			
235,439	Sundry Debtors	215,102	
41,114	Advances to Loans Fund	61,215	
200,192	Bank	114,162	
<u>476,745</u>		<u>390,479</u>	
<b>Less: Current Liabilities</b>			
(249,005)	Sundry Creditors	(189,026)	
<u>227,740</u>	Net Current Assets		201,453
<u>6,039,199</u>	<b>Net Assets</b>		<u>4,823,390</u>
<b>STATEMENT OF MOVEMENT IN NET ASSETS</b>			
6,048,441	Fund Balance as at 1 April 2002		6,039,199
275,540	Surplus for Year	(123,511)	
(128,587)	Less : Realised Gains	(287,252)	
		<u>163,741</u>	
(156,195)	Change in Market Value of Investments		(1,379,550)
<u>6,039,199</u>	<b>Net Assets at 31 March 2002</b>		<u>4,823,390</u>



## Notes to the Accounts

### Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2003, in accordance with CIPFA's Accounting Code of Practice.
- ✦ The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- ✦ Valuations of the investments have been carried out by each of the fund managers at mid market prices at 31st March 2003. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2003.
- ✦ Valuation of the property portfolio was carried out at 31st December 2002 by an independent valuer. Property values have been trended to show the estimated value as at 31st March 2003.

### Other

- ✦ The Fund had contractual commitments totalling £132.7million as at 31st March 2003 within its Private Equity portfolio.
- ✦ There were no transactions with related parties during the year other than the balance with the city council's loans fund, which is disclosed in the net assets statement.

### Fund Management

The investment assets of the Fund are externally managed. During 2002/2003 there were no manager changes. The investment management arrangements as at 31st March 2003 are shown below.

Cash balances are managed by the Fund's Global Custodian, Northern Trust.

- ✦ Value of purchases and sales in the year were £4.084 billion and £4.187 billion respectively.
- ✦ The Fund participates in a stocklending programme managed by Northern Trust. As at 31st March 2003 the total amount of stock released by the Fund under this arrangement was £487.5 million.

#### FUND MANAGEMENT

Asset Class	Manager	% of Fund
Multi Asset - Active	Schroder	18.1%
Multi Asset - Active	JP Morgan Fleming	7.2%
Multi Asset - Passive	Legal & General	28.3%
Equities - UK	Baillie Gifford	10.1%
Equities - Overseas	Capital International	9.7%
Equities - UK Small Co.	Gartmore	1.4%
Equities - Overseas Small Co.	JP Morgan Fleming	2.3%
Specialist - Property	Aberdeen Property Asset Managers	13.9%
Specialist - Bonds	Henderson	5.7%
Specialist - Emerging Markets	Genesis	1.0%
Specialist - Venture Capital	Pantheon	2.3%
		<b>100%</b>



# No.3 Fund

## Membership

The No.3 Fund was established on 19th February 1993 in order to preserve the pension benefits of those remaining employees of Strathclyde Buses who had transferred from the service of Strathclyde Regional Council upon the implementation of the Transport Act 1985, in October 1986. Strathclyde Buses was subsequently subsumed into First Glasgow, a subsidiary of First Group, who remain the sole employer contributing to the Fund.

## Actuarial Valuation

In accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) Regulations (1998), an actuarial valuation of the Strathclyde Pension (No.3) Fund was carried out as at 31st March 2002. Results of the valuation were confirmed during February 2003 and are summarised as follows.

## Funding Level

As at 31st March 2002 the funding position was as follows.

Fund Assets	£71.5m
Fund Liabilities	£73.3m
Surplus/(Deficit)	(£1.8m)

This implies a funding level of 98% (reduced from 101% at the last valuation in 1999).

## Post Valuation Events

The actuary stressed that the funding position had deteriorated significantly between the valuation date and completion of the valuation process, as investment markets fell throughout the remainder of 2002.

## Future Service Funding Rate

The Future Service Funding Rate is the cost to employers of pension benefits which will be earned after the valuation date. The actuary calculated the Future Service Funding Rate as 400% of employee contributions (390% in 2002).

## Employer Contribution Rates

The following common contribution rates for the employer were agreed.

Year to	Rate (as % of employees contributions)
31st March 2004	370%
31st March 2005	400%
31st March 2006	400%

The employer will pay additional contributions of £0.3m in 2003/04 and £0.5m in 2004/05 and 2005/06.

## Method

The valuation was carried out by consulting actuaries Hymans Robertson.

As in previous valuations, the method used was the Attained Age Method, which is appropriate for a fund closed to new members.

Assets were valued at their market value as at 31st March 2002.

## Assumptions

**DEMOGRAPHIC:** Demographic assumptions cover rates of mortality, retirement and withdrawal. The actuary is able to draw on a wide experience of Local Government funds in conjunction with published tables to set assumptions which reflect best estimates of future trends.

At this valuation the actuary incorporated revised mortality tables for both existing pensioners and current employee members. Some adjustment to the tables was made to reflect local experience.

**FINANCIAL:** The key financial assumptions used in the 2002 valuation were as follows.

FINANCIAL ASSUMPTIONS	Nominal (% p.a.)	Real (% p.a.)
Rate of Return on Investments		
Equities	6.5%	
Bonds	5.1%	
Discount Rate	6.2%	3.6%
Pay Increase	4.1%	1.5%
Price Inflation/Pension Increases	2.6%	0.0%

**FUND ACCOUNT**

2001/02 £000		2002/03	
		£000	£000
	<b>CONTRIBUTIONS</b>		
424	Contributions Receivable from Employees	413	
1,351	Contributions Receivable from Employers	1,425	
-	Additional Contributions from Employers	5	
<u>1,775</u>		<u></u>	1,843
	<b>BENEFITS</b>		
	<b>Benefits Payable</b>		
2,002	Pensions	2,235	
667	Lump Sums	722	
	<b>Payments to and on account of leavers</b>		
197	Transfers Out	267	
22	<b>Administrative and Other Expenses borne by the scheme</b>	41	
<u>2,888</u>		<u></u>	3,265
(1,113)	<b>Net Reduction from Dealing with Members</b>		(1,422)
	<b>Returns on Investments</b>		
2,241	Investment Income	2,035	
	Less :		
(208)	- Investment Management Expenses	(163)	
(18)	- Overseas Tax	(15)	1,857
<u>(3,324)</u>	Change in Market Value of Investments	<u></u>	(14,715)
<u>(1,309)</u>	<b>Net Returns on Investments</b>	<u></u>	(12,858)
<u>(2,422)</u>	<b>Net Decrease in the fund during the year</b>	<u></u>	<u>(14,280)</u>
73,968	<b>Opening Net Assets of the Scheme</b>		71,546
71,546	<b>Closing Net Assets of the Scheme</b>		57,266
<u>(2,422)</u>	<b>Asset Movement during the Year</b>	<u></u>	<u>(14,280)</u>



**No.3 Fund**

<b>NET ASSETS STATEMENT</b>			
<b>2001/02</b>		<b>2002/03</b>	
		£000	£000
	<b>INVESTMENT ASSETS AT MARKET VALUE</b>		
	<b>Listed Investments</b>		
27,321	- UK Equities	20,897	
3,685	- UK Fixed Interest (Public Sector)	1,991	
2,292	- UK Fixed Interest (Others)	1,871	
11,556	- Overseas Equities	6,781	
3,899	- Overseas Fixed Interest	2,301	
0	- Index Linked	3,214	37,055
	<b>Unit Trusts</b>		
7,674	- Property	7,915	
11,145	- Others	10,519	18,434
<u>67,572</u>			<u>55,489</u>
	<b>Current Assets</b>		
6,727	Sundry Debtors	2,287	
689	Advances to Loans Fund	312	
2,557	Bank	1,061	
<u>9,973</u>			3,660
	<b>Less :Current Liabilities</b>		
(5,999)	Sundry Creditors		(1,883)
<u>3,974</u>	Net Current Assets		<u>1,777</u>
<u>71,546</u>	<b>Net Assets</b>		<u>57,266</u>
	<b>STATEMENT OF MOVEMENT IN NET ASSETS</b>		
73,968	Fund Balance as at 1 April 2002		71,546
1,953	Surplus for Year	(2,226)	
(1,051)	Less: Realised Gains	<u>(2,661)</u>	435
(3,324)	Change in Market Value of Investments		<u>(14,715)</u>
<u>71,546</u>	<b>Net Assets at 31 March 2003</b>		<u>57,266</u>



## Notes to the Accounts

### Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2003, in accordance with CIPFA's Accounting Code of Practice.
- ✦ The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- ✦ Valuations of the investments have been carried out by the fund manager at mid market prices at 31st March 2003. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2003.
- ✦ Valuation of the property portfolio was carried out at 31st December 2002 by an independent valuer. Property values have been trended to show the estimated value as at 31st March 2003.

### Other

- ✦ The Fund had contractual commitments totalling £132.7million as at 31st March 2003 within its Private Equity portfolio.
- ✦ There were no transactions with related parties during the year other than the balance with the city council's loans fund, which is disclosed in the net assets statement.



# Actuarial Valuation

In accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) Regulations 1998 an actuarial valuation of the Strathclyde Pension Fund was carried out as at 31st March 2002. Results of the valuation were confirmed during February 2003, and a copy of the valuation report was issued to all participating employers. The report is summarised as follows.

## Results

### FUNDING LEVEL

As at 31st March 2002 the funding position was as follows.

Fund Assets	£6,050m
Fund Liabilities	£5,594m
Surplus	£456m

This implies a funding level of 108%, broadly unchanged from the last valuation in 1999 when the Fund also had a surplus of around 8%.

### POST VALUATION EVENTS

The actuary was at pains to stress that the funding position had deteriorated significantly between the valuation date and completion of the valuation process, as investment markets fell throughout the remainder of 2002.

### FUTURE SERVICE FUNDING RATE

The Future Service Funding Rate is the cost to employers of pensions benefits which will be earned after the valuation date. The actuary calculated the Future Service Funding Rate as 245% of employee contributions. This had reduced a little from the 1999 valuation when the Future Service Rate was 260%.

### EMPLOYER CONTRIBUTION RATES

Ordinarily, the existence of a surplus at the valuation date would allow actual employer contribution rates to be set below the Future Service Funding Rate. However, because of the post-valuation fall in the funding level, the actuary recommended that no account should be taken of the surplus. (Reliance on the surplus could have a severe negative impact if investment markets failed to recover before the next valuation in 2005).

This implied that employers should pay the Future Service Rate. The actuary proposed that the resultant increase should be phased over the period to the next valuation. The following common contribution rates for employers were agreed.

Year to	Rate (as % of employees contributions)
31st March 2004	230%
31st March 2005	240%
31st March 2006	250%

## Method

The valuation was carried out by consulting actuaries Hymans Robertson.

As in previous valuations, the method used was the Projected Unit Method.

Assets were valued at their market value as at 31st March 2002.

## Assumptions

### DEMOGRAPHIC

Demographic assumptions cover rates of mortality, retirement and withdrawal. The actuary is able to draw on a wide experience of Local Government funds in conjunction with published tables to set assumptions which reflect best estimates of future trends.

At this valuation the actuary incorporated revised mortality tables for both existing pensioners and current employee members. Some adjustment to the tables was made to reflect local experience.

For illustration, the table below shows the expectation of life implied by the old and new tables for pensioners retiring at age 60.

	1999	2002
Non Pensioners		
Males	19.5	23.5
Females	24.2	26.5
Pensioners		
Males	19.5	21.7
Females	24.2	24.6

## Financial

The key financial assumptions used in the 2002 valuation were as follows.

FINANCIAL ASSUMPTIONS	Nominal (% p.a.)	Real (% p.a.)
Rate of Return on Investments		
Equities	6.5%	
Bonds	5.1%	
Discount Rate	6.2%	3.6%
Pay Increase	4.1%	1.5%
Price Inflation/Pension Increases	2.6%	0.0%



**FRS 17**

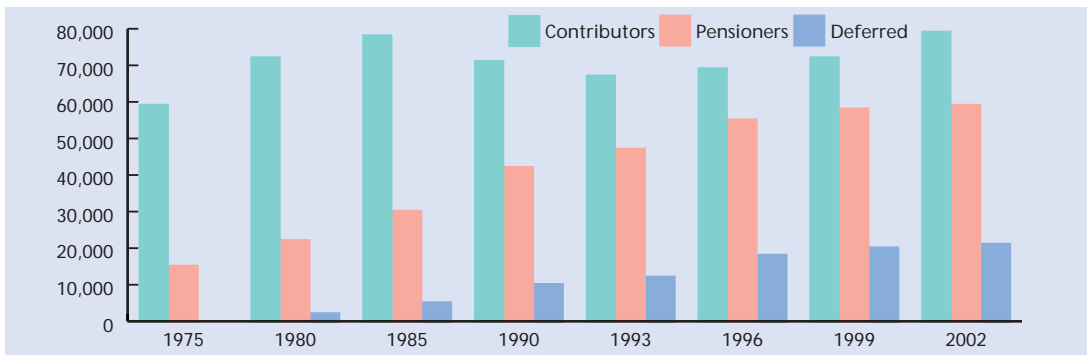
Since 2001, Financial Reporting Standard 17 has required many employers participating in the Fund to disclose details of pensions costs and funding balances within their annual financial statements.

FRS 17 disclosures are based on actuarial calculations, but the method used is different from that employed in the funding valuation.

Calculations are carried out for individual employers rather than for the Fund as a whole, and are included in employer accounts rather than the Fund accounts.

FRS17 calculations carried out during 2002/03 for employers participating in the Fund resulted, in all cases, in employers reporting deficits. This is consistent with the concern over post balance sheet events expressed in the actuary's report on the funding valuation as at March 2002.

**Fund Membership Profile (1975-2002)**

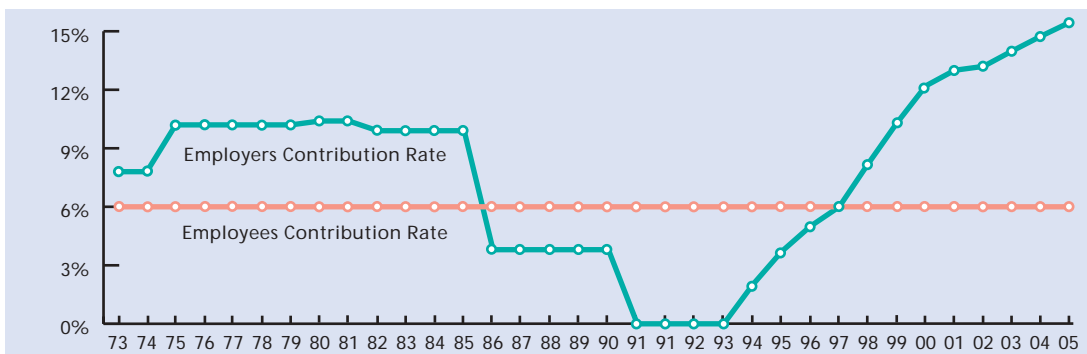


The above chart outlines the ratio of contributors to pensioners over the 27-year history of the Fund, and shows that the ratio of pensioners to current contributors has increased steadily over the years.

Within the 2002 actuarial valuation, the maturity profile of the Fund's liabilities was as follows.

PAST SERVICE LIABILITIES		
Active Members	£3,016m	54%
Deferred Pensioners	£360m	6%
Pensioners	£2,218m	40%
<b>Total</b>	<b>£5,594m</b>	<b>100%</b>

**Comparison of Employer and Employee Contribution Rates**



This graph compares the contribution rates of employee and employer. Whilst the employee pays a fixed rate – 6% for the vast majority – the employer rate varies over time. The employer rate is set by the actuary, following a triennial actuarial valuation of the Fund, to ensure its continuing solvency over the long term.

Government Pension Scheme funds. This has been one of the driving factors behind the "Stocktake" review of the Scheme being carried out in England and Wales by the Office of the Deputy Prime Minister. An increase in the employee rate is one of a number of changes being considered in the course of the review.

The recent trend of year-on-year increases in the employer rate is common to most Local



## STRATHCLYDE PENSION FUND

### Fund Membership

Membership of the Strathclyde Pension Fund comprises:

- employees and pensioners of the 12 Unitary Authorities in the former Strathclyde area;
- civilian employees and pensioners of Strathclyde Police and Strathclyde Fire Brigade;
- employees and pensioners of other Scheduled bodies;
- employees and pensioners of Admitted Bodies;
- pensioners formerly employed by Strathclyde Regional Council and the 19 District Councils within the former Strathclyde area;
- former employees of authorities in existence pre-1975.

The full list of member organisations (organisations that made contributions during 2002/2003) is as follows:

### Scheduled Bodies

Argyll & Bute Council  
 East Ayrshire Council  
 East Dunbartonshire Council  
 East Renfrewshire Council  
 Glasgow City Council  
 Inverclyde Council  
 North Ayrshire Council  
 North Lanarkshire Council  
 Renfrewshire Council  
 Scottish Water  
 South Ayrshire Council  
 South Lanarkshire Council  
 Strathclyde Fire Authority  
 Strathclyde Passenger Transport Executive  
 Strathclyde Police Authority  
 West Dunbartonshire Council  
 Annesland College  
 Ayr College  
 Bell College  
 Cardonald College  
 Central College of Commerce  
 Clydebank College  
 Coatbridge College  
 Cumbernauld College  
 Glasgow College of Building & Printing  
 Glasgow College of Food Technology  
 Glasgow College of Nautical Studies

James Watt College  
 John Wheatley College  
 Kilmarnock College  
 Langside College  
 Motherwell College  
 North Glasgow College  
 Reid Kerr College  
 South Lanarkshire College  
 Stow College

### Admitted Bodies

#### A

Access North Ayr  
 Advocacy Project  
 Alcohol Focus Scotland  
 Alpha Project  
 Alternatives  
 Arden Out of School Project  
 Argyll & Bute Local Learning Partnership Ltd  
 Argyll & Islands Enterprise Company Ltd  
 Ayrshire & Arran Tourist Board  
 Ayrshire North Community Housing Organisation Ltd

#### B

Befriending & Respite Services Ltd  
 Bridgeton Calton & Dalmarnock Credit Union  
 Burns National Heritage Park Joint Board

#### C

Caladh House Childrens Home  
 Cambuslang Community Carers  
 Cambuslang Community Resource Unit  
 Cambuslang Outdoor Resource Project  
 Carers Development Unit (Easterhouse)  
 Castlemilk Stress Centre  
 Castlemilk Youth Complex  
 Childcare First  
 Clydebank Rebuilt  
 Coatbridge Citizens Advice Bureau  
 Community Central Hall  
 Colleges Open Learning Exchange Group  
 Community Enterprise In Strathclyde  
 Community Volunteers Enabling Youth Ltd

CORA Foundation  
 Craigholme School  
 Craigneuk Development & Support Unit Management Committee  
 Cumbernauld Housing Partnership Limited

#### D

Dalmellington District Conservation Trust  
 Deaf Connections  
 Developing North Ayrshire Ltd  
 Dixon Hall Day Centre for Retired Citizens  
 Drumchapel Adventure Group  
 Dumbarton District Women's Aid

#### E

East Ayrshire Carers Centre  
 East Ayrshire Employment Initiative  
 East Dunbartonshire Town Centre Management Ltd  
 East End Community Law Centre  
 East End Partnership Ltd  
 East End Respite Care Group  
 East Renfrewshire Carers  
 East Renfrewshire Council for the Voluntary Sector  
 Easterhouse Citizens Advice Bureau  
 Employee Counselling Service  
 Enable Services Ltd  
 Equals Advocacy Partnership

#### F

Financial Fitness Resource Team  
 First Bus  
 Flourish House

#### G

Geilsland School  
 General Teaching Council for Scotland  
 Glasgow Alliance  
 Glasgow Anti-Racist Alliance  
 Glasgow Association for Mental Health  
 Glasgow Caledonian University  
 Glasgow City Centre Partnership Ltd  
 Glasgow Council for Voluntary Services  
 Glasgow Council on Alcoholism  
 Glasgow Cultural Enterprises Ltd  
 Glasgow Housing Association  
 Glasgow School of Art  
 Good Shepherd Centre



## MEMBERSHIP

Greater Easterhouse Women's Aid  
Greater Glasgow & Clyde Valley  
Tourist Board  
Greenspace Scotland

### H

Hamilton Furniture Initiative  
Hansel Alliance  
Hansel Foundation  
Hermit Gryffe Women's Aid  
Hills Trust Parents Community Group  
Home Start Kintyre  
Hutchesons Educational Trust

### I

Inverclyde Leisure  
Irvine Housing Association  
Isle of Bute Housing Association

### J

Jeely Piece Club  
Jordanhill School

### K

Kenmure St Mary's Boys School  
Kibble School  
Kings Theatre Glasgow Ltd

### L

Lanarkshire Housing Association  
Lanarkshire Association for Mental  
Health  
Lanarkshire Community Care Forum  
Larkfield Ladybird Pre 5 Centre  
Learning & Teaching Scotland  
Linstone Housing Association Ltd  
Loch Lomond & The Trossachs  
National Park

### M

Meridian  
Milton Kids Dash Club

### N

New Lanark Conservation & Civic Trust  
North Ayrshire Leisure Ltd  
Northwest Economic Network  
Notre Dame Child Guidance Clinic

### O

Objective 3 Partnership (Scotland) Ltd  
One Plus One Parent Families -  
Strathclyde

### P

Paisley Partnership Regeneration  
Company  
Parkhead Citizens Advice Bureau  
Parkhead Housing Association Ltd  
Parkhead Youth Project  
Paths for All Partnership  
Pensioners Action Group East  
Planning Exchange  
Possil/Milton Community Renewal  
Ltd  
Prospects for Employment

### R

Realise  
Reidvale Adventure Playground  
Renfrew Council on Alcohol  
Renfrewshire Leisure Ltd  
Renfrewshire Carers Centre  
Richmond Fellowship Scotland  
Royal Scottish Academy of Music &  
Drama

### S

SACRO  
Scottish Centre for Children with  
Motor Impairments  
Scottish Enterprise - Careers Scotland  
Scottish Environmental & Outdoor  
Centres Assoc Ltd  
Scottish Further Education Unit  
Scottish Institute of Human Relations  
Scottish Institute of Sport  
Scottish Library & Information  
Council  
Scottish Maritime Museum Trust  
Scottish out of School Care Network  
Scottish Qualifications Authority  
Scottish Screen  
Scottish Society for the Mentally  
Handicapped  
Scottish Society for the Mentally  
Handicapped Homes  
Scottish Sports Council  
Scotwest Credit Union Ltd

### SLIMS

Social Welfare Commission Bishops  
Conference of Scotland  
South Ayrshire Homes  
South Lanarkshire Leisure Ltd  
Springboig St John's School  
SportScotland  
St Columba's School  
St Philip's Approved School  
Strathclyde European Partnership  
Strathclyde Wing Hong Chinese  
Elderly Group

### T

Tannahil Centre Ltd

### U

University of Aberdeen  
(ex Northern College)  
University of Dundee  
(ex Northern College)  
University of Edinburgh  
(ex Moray House College)  
University of Glasgow  
(ex St Andrews College)  
University of Glasgow  
(ex Scottish Council for Research  
& Education)  
University of Paisley  
University of Strathclyde  
Utheo Limited  
Village Project St James' (Pollok)  
Parish Church  
Voluntary Association for Mental  
Welfare  
Volunteer Centre

### W

West of Scotland Colleges  
Partnership

### ANALYSIS OF CONTRIBUTIONS RECEIVED

	Contributions Received	No. of Current Contributors
Scheduled Bodies	£208 million	71,993
Admitted Bodies	£27 million	9,591



# Communications Report

## Communications Team

The Team is now up and running - providing help, information, advice and support to employers, contributors, pensioners and trade union representatives.

It has been a busy year - networking, strengthening relationships, and providing much needed and welcomed information sessions.

The thirst for information regarding pensions has delighted the team and has motivated them to develop a full range of informative presentations on the various facets of the Local Government Pension Scheme. The delivery of these presentations and other services are available to all employers on request.

## Pension Database

The Team has responsibility for maintaining and improving the database. Feedback from the issue of benefit statements to all Unitary Authority employees has allowed an extensive 'clean-up' of database records. Erroneous information has been rectified, and records updated. On-going work is continuing to ensure that the database holds the most current addresses for members, and employer assistance is being requested in this area.

## Employer Relationships

The introduction of Liaison Officers has enhanced the communication links with employers - they are renewing old contacts and forging new ones. This direct contact is ensuring a smoother flow of information to and from the Strathclyde Pension Fund Office (SPFO), and as a consequence is improving the overall delivery of a first class pensions service to members. Liaison Officers are the bridge between the Fund and the employer.





## Progress of the Communications Strategy

The 10-point Communications Strategy continues to make steady progress. These 10 points are at the heart of the Team's activities and provide its direction. Listed below is a brief resume of progress, point by point.

### 1. SPFO WEBSITE

The Team has been actively promoting the website, which has lead to an increase in the amount of 'hits' on the site. There have been nearly 9,000 'hits' since a counter was introduced at the end of October 2002. Amongst other planned introductions to the site are hyperlinks to other relevant websites for the benefit of members.

### 2. NEWSLETTERS

An annual Newsletter - Fundnews - is currently issued to the home address of all contributing members. It aims to keep members updated with any changes to the Local Government Pension Scheme, and also reports on many other topical subjects.

Pensioners are also issued with an annual newsletter - Pensionsnews - which keeps them informed of the fund's progress and any changes that may affect them.

### 3. HANDBOOKS

The Local Government Pension Scheme hand-book (produced by SPFO) is now issued to all new members, and any updates are issued to members' home addresses.

### 4. TECHNICAL BULLETINS

Technical bulletins covering significant technical developments are issued on an 'ad-hoc' basis to all employers. During 2002/03, 4 Bulletins were issued.

### 5. MEETINGS

Workplace meetings with employers and Trade Union Representatives are now an integral part of life for the Communications Team.

The Annual Meeting still provides the main forum for updating employers and Trade Union Representatives about the various aspects and activities of the SPFO. The meeting presents a

platform for an insight into the work of the SPFO - the administration, investments and the Fund's accounts. It also provides an opportunity to network, raise questions and air concerns.

### 6. CONSULTATION

Formal consultation is achieved through the publication of all Pension Fund Panel papers for comment.

Other issues where less formal consultation has been, or will be valuable, are the revamp of pension forms and the production of the Service Level Agreements. The scheme, now more than ever, is being regarded as a partnership, with both SPFO and employers realising the benefits to the membership of closer links. The common goal is to provide a first class pension service to members.

### 7. ANNUAL REPORTS & ACCOUNTS

The Report and Accounts now form an established part of the SPFO's annual communication cycle.

### 8. BENEFITS STATEMENTS

The issue of Benefit Statements has now become an established form of communication from the SPFO, with all unitary authority members having received at least one statement, and work progressing on the production of statements for all admitted bodies members within the next '3 yearly' cycle.

### 9. SERVICE LEVEL AGREEMENTS

The development of Service Level Agreements is now at an advanced stage and it is anticipated that these will be introduced within the next 12 months.


### 10. PROMOTING THE LOCAL GOVERNMENT PENSION SCHEME

The SPFO Communications Team has participated in numerous events, exhibited at various conferences and provided administration - training workshops for employers. The Team intends to build on their early success, and will embark on an active publicity campaign within the next 12 months to promote the benefits of membership of the LGPS, with a particular focus on attracting non-contributors.




# Contacts


## Investment

Richard McIndoe, Head of Pensions,  
Strathclyde Pension Fund,  
4th Floor, 78 Queen Street,  
Glasgow G1 3DN  0141 287 7383


## Operations

Janet Cassidy, Chief Pensions Officer (Benefits),  
Strathclyde Pension Fund,  
2nd Floor, 78 Queen Street,  
Glasgow G1 3DN  0141 287 7414

## Accounting

Puja Parbhaker, Pension Fund Accountant,  
Strathclyde Pension Fund,  
4th Floor, 78 Queen Street,  
Glasgow G1 3DN  0141 287 7398

## Employer Communications

Alistair Gray, Senior Communications Officer,  
Strathclyde Pension Fund,  
4th Floor, 78 Queen Street,  
Glasgow G1 3DN  0141 287 7416

## Benefits & Contributions


East Dunbartonshire Council  
East Renfrewshire Council  
Glasgow City Council  
Strathclyde Buses  
Strathclyde Fire Brigade  0141 287 7341

North Ayrshire Council  
South Ayrshire Council  
South Lanarkshire Council  
Strathclyde Police  
West Dunbartonshire Council  0141 287 7342

Argyll & Bute Council  
East Renfrewshire Council  
Inverclyde Council  
North Lanarkshire Council  
Renfrewshire Council  
Strathclyde Passenger Transport  
Scottish Water  0141 287 7343

All other employers  0141 287 7420

## Pensions in Payment

Cathy Douglas, Senior Pensions Payroll Officer,  
Strathclyde Pension Fund,  
2nd Floor, 78 Queen Street,  
Glasgow G1 3DN  0141 287 7432

## Internet

Visit Strathclyde Pension Fund's website at  
[www.spfo.org.uk](http://www.spfo.org.uk)

E-mail us at [spfo@fs.glasgow.gov.uk](mailto:spfo@fs.glasgow.gov.uk)  
or follow the link on the website.

## Other Useful Addresses

### Internal Disputes Resolution Procedure

For disputes involving our administration of  
the Local Government Pension Regulations,  
application forms can be obtained from the  
Strathclyde Pension Fund Office, and should  
be submitted to:

Director of Financial Services,  
Glasgow City Council,  
City Chambers,  
Glasgow G1 1DU



who will allocate your case to one of two  
appointed independent experts.

Matters involving maladministration should be  
referred initially to the Director of Financial  
Services

### Previous Benefits

To help you trace pension schemes which may be  
holding benefits belonging to you from previous  
employment, contact:

The Pensions Schemes Registry,  
PO Box 1NN, Newcastle-Upon-Tyne,  
NE99 1NN

 0191 225 6316  
 0191 225 6390/6391  
[www.opra.gov.uk](http://www.opra.gov.uk)

