



# Strathclyde Pension Fund

ANNUAL REPORT & ACCOUNTS  
FOR THE YEAR TO 31st MARCH 2005



## 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 SUB-COMMITTEE



The Strathclyde Pension Fund Sub-Committee is a subsidiary panel of Glasgow City Council's Financial Services Committee.

The SPF Sub-Committee is responsible for all decisions concerning Pensions and Pension Fund Policy and Strategy.

The SPF Sub-Committee performs a role similar to that of the Trustee Board of a private sector pension fund.

### SPF Sub-Committee Members



Councillor  
**Ruth Simpson**  
Convener



Councillor  
**Aileen Colleran**



Councillor  
**Malcolm Cunning**



Councillor  
**Eamon Fitzgerald**



Councillor  
**John Lynch**



Councillor  
**Robert MacBean**



Councillor  
**John McKenzie**



Bailie  
**Malcolm McLean**



Councillor  
**James McNally**



Councillor  
**John Mason**



## CONVENER'S INTRODUCTION

Councillor **Ruth Simpson**

Convener, Strathclyde Pension Fund Sub-Committee



As a significant global investor the scope of the Strathclyde Pension Fund is immense. In addition, the Pension Fund Office employs almost 100 dedicated staff in a variety of functions, many of them very specialised. The services of a range of providers, consultants and advisers are also retained. Over 50,000 individuals currently receive a pension from the Fund. A further 80,000 rely on it for their future pensions provision. Hopefully some flavour of the diversity and complexity of activity is reflected in this Annual Report.

The responsibility of the Sub-Committee spans all of these areas and is similar in its breadth and scope. Whilst no area is ever ignored, the focus of the Sub-Committee's attention will inevitably fix more firmly on individual areas at different points in time.

Over the last year, investment monitoring has been carried out as assiduously as ever. And the results have been very reassuring, with investment returns continuing to recover steadily. The structure and strategy put in place during 2003 are kept under review. A further review will be initiated in the next year or so, but for the present, investment is less dominant on the agenda.

A much greater focus of attention over the last year has been the structure and nature of the scheme benefits. The Government's "Stocktake" review of the Local Government Pension Scheme has been in progress for some time but has gathered much greater prominence during 2004/05 as criticism of the proposed changes has mounted. The review was a recurring agenda item as the Sub-Committee considered the implications and agreed the Council's response, in its role of Administering Authority, to the various stages of proposal. It seems likely that the future of the Scheme will continue to be under consideration for some time to come, and will remain a prominent item on the Sub-Committee agenda, though ultimately the outcome will be decided elsewhere as the LGPS has scope and implications far beyond Strathclyde.

The Sub-Committee also focused on areas much more specific to the Fund and its own policies. Among these were reviews of the Fund's Admissions policy and a decision to review the policy on Representation. The former of these led to some tightening of the criteria we use for admitting new employers to the Fund. This is entirely consistent with the shift of attention from investment and assets towards benefits and liabilities. The Review of Representation is likely to lead to a broadening in the dialogue between the Sub-Committee and the Fund's various stakeholder groups. This, in a changing pensions landscape should be of mutual benefit to all.



## ADVISERS + MANAGERS



### Investment Advisory Panel Members

Neil Hood CBE: Professor of Business Policy at Strathclyde University

Dick Barfield: Investment Adviser

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.

Northern Trust

Investment Property Databank

#### Advisers



#### AVC Provider



#### Valuers

Colliers CRE

#### Auditors

Audit Scotland



## DIRECTOR'S SUMMARY REPORT

### Lynn Brown

Director of Financial Services



The casual reader of the Fund's 2004/05 financial statement should form a very positive impression of the financial state of the Fund. And this is not unjustified. The closing Net Asset Value of £6,990 million confirms that the Fund is now bigger than at any time in the past. This is largely attributable to the recent strength of the investment portfolios which generated £164 million in investment income and £601 million in capital gains over the course of the year. Further details are provided in the Investment Report which notes a total investment return of +12.4% for the financial year.

Elsewhere, in the Administration Report and Communications Report there are also clear signs of strength. Administration performance, already very robust, improved further during 2004/05. This is a quantifiable measure of the ongoing commitment by Strathclyde Pension Fund Office to deliver a first rate pensions service. The Communications Report confirms the same commitment in some of the less measurable aspects of service delivery.

These strengths must be acknowledged, as must the credit which is due to the multiplicity of parties who contribute to the work of the Fund. These include advisers, consultants, investment managers, Sub-Committee Members and, most importantly, the Pension Fund Office staff, all of whose continuing best efforts are dedicated to ensuring the Fund's success

It would be a very uninformed or complacent reader, however, who concluded from this that all is unquestionably well and will continue to be so. Financial accounting is largely historic in nature. Pension funding is about the future. So whilst the accounts inform us that pension payments from the Fund in the last year totalled £234 million (including lump sums), they reveal little about the future. The Fund's long-term liabilities take the form of future pensions payments. But estimating these is an actuarial rather than an accounting function and so they are not disclosed in the annual financial statement but in the three-yearly actuarial valuation. At the time of writing, an actuarial valuation as at 31st March 2005 is underway. The detailed results will not be available until early 2006, but it is fully expected that regardless of the asset growth of the last year shown in the accounts, the actuarial valuation will reveal a funding deficit. As a consequence employer contributions to the Fund which in 2004/05 totalled £217 million (including additional contributions for early payment of pensions) will continue to rise.

This seemingly inexorable rise in contribution rates inevitably presents issues for the Fund's participating employers and is one (though only one) of the factors informing the review of the Local Government Pension Scheme which has attracted much attention in the last year. The review is ongoing into the current year and may shape the future course of the Scheme beyond that. It is not within the scope of this Annual Report to comment further on future developments. Nor is it my intention to detract from what has unquestionably been a very busy and successful year for the Fund. But it would be disingenuous to present this summary without having made some reference to the wider pensions context and the existence of some uncertainty about the future.



# Administration Report

## Introduction

Strathclyde Pension Fund Office (SPFO) is a division of Glasgow City Council's Financial Services department. SPFO administers the Local Government Pension Scheme (LGPS) on behalf of the twelve unitary authorities situated in the former Strathclyde area, and for over 200 other employing bodies. In addition, SPFO administers the Police and Fire Pension Schemes on behalf of Strathclyde Police Force and Strathclyde Fire Brigade and pays Teachers Compensation payments under the Scottish Teachers Superannuation Scheme in conjunction with the Scottish Public Pensions Agency.

The LGPS is a traditional final salary scheme, where benefits are 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 2005, membership of the fund comprised 84,486 active members, 23,388 deferred members, and a pension payroll, which consisted of 57,056 LGPS pensioners in addition to Police, Fire and Teachers Scheme pensioners.

The figure of 84,486 active members has reduced from the 87,188 members quoted in the Annual Report and Accounts to 31st March 2004. This difference is due entirely to a data cleaning exercise undertaken in the past year to update unnotified terminations of scheme membership from the SPFO database in preparation for the 2005 actuarial valuation. This will be covered further in the administration section of the service delivery update.

## Service Delivery Update

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 2005:

**ADMINISTRATION SECTIONS:** The three administration sections deliver the full range of benefit calculation services to the membership of the Local Government, Police and Fire Pension schemes. The statistics in Table of Operational Performance highlight the performance

improvements achieved by these sections during the year. In addition, the performance of these sections provides the basis for the data used in the benchmarking clubs in which Strathclyde Pension Fund participates.

During 2004 an extensive data validation exercise was carried out in conjunction with the Fund's actuaries in preparation for the 2005 valuation of the scheme as required by legislation. The results revealed deficiencies in the data held, requiring staff resources to be diverted to resolving these data issues. All employing authorities within the Fund have been advised of the need to provide timely and accurate data in respect of members to assist in this data cleaning exercise in order to ensure the accuracy of the valuation.

**TECHNICAL SECTION:** The Technical Section provides training, 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. The section is facing a substantial increase in workload associated with amendments to the Local Government Pension Scheme scheduled for June 2005 and April 2006, a major update to the pensions administration software due in 2004/2005 and preparation for the actuarial valuation of the Fund as at 31st March 2005.

**PENSIONS PAYROLL:** Continuity of income from employment to retirement for members has always been a priority for the Fund, and the Pensions Payroll team are committed to ensuring that members receive prompt and accurate payment of pension and lump sum benefits. During the year, Electronic Data Interchange was implemented as part of HM Revenue & Customs' drive towards on-line filing.

This year, the Fund again participated in the National Fraud Initiative. As a result, 123 pension payment cases have been highlighted for further investigation.

## 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 2005 twenty members of staff had gained a Diploma in Pensions Management from the Institute of Payroll and Pensions Management; a further three were currently studying to gain this qualification. In addition, forty-two staff had gained the Advanced Certificate in pensions administration through the Institute of Payroll and Pensions Management, with a further twelve staff committed to undertake this course.

### Administration Developments

**BENEFIT STATEMENTS:** During 2004/2005, benefit statements were issued to 82,000 members of the Local Government Pension Scheme and a resultant 4,000 enquiries were received from members following this issue (equating to an error rate of 4.88%).

SPFO is committed to providing combined benefit statements by the end of 2005. Combined benefit statements will show details of benefits accrued by the member in respect of the LGPS together with details of state scheme pension accumulated. This will aid more accurate financial planning for retirement. Preparations have been made to this end by exchanging test data with HM Revenue & Customs.

**DOCUMENT IMAGING:** SPFO has completed the process of scanning all live and deferred member files onto our DIPS system. Work on transferring approximately 72,000 pensioner member files commenced during 2004/2005.

**OPERATIONAL PERFORMANCE:** Operational performance is monitored and reported at several levels within SPFO from Team through to Senior Management level. Performance also forms the basis of a quarterly report to the

Pension Fund Sub-Committee. The office also participates in various benchmarking clubs (including CIPFA and PALS) to compare operational performance with other local authority funds and large private sector schemes.

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 of operational performance.

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 2005. To demonstrate continuous improvement comparison is made with the operational performance from the 2003/2004 report and accounts.

Work within SPFO is monitored through the Task Management Workflow System - a subsystem of the AXISE pensions administration system. Comparison of the total number of processes logged through this system has shown a significant increase in recent years. Totals for the last three years are shown in the table below.

PROCESSES COMPLETED		
2004/05	2003/04	2002/03
81,161	82,665	62,788

TABLE OF OPERATIONAL PERFORMANCE						
Activity	Volume		Average Days <sup>1</sup>		Work in Progress <sup>2</sup>	
	2004/05	(2003/04)	(2003/04)	(2003/04)	(2003/04)	(2003/04)
Retirals	1,384	(1,458)	2.93	(3.39)	1	(5)
Estimates	3,759	(3,076)	4.71	(4.98)	30	(25)
Deferred Benefits	3,679	(2,558)	2.15	(2.11)	6	(9)
Refunds	3,419	(2,910)	4.12	(4.98)	18	(5)
Transfer Out Quotes	593	(708)	3.30	(3.86)	5	(7)
Transfers Inward Actuals	1,884	(2,273)	1.13	(1.17)	5	(0)
Transfers Inward Quotes	2,252	(2,577)	4.33	(3.09)	7	(11)
New Start Administration	9,324	(10,190)	13.85	(16.71)	26	(5)

1. The average days shown 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 2005.



## ADMINISTRATION REPORT to 31st March 2005

MEMBERSHIP OF THE FUND Analysis of Movements				
	Contributors	Pensioners	Dependants	Deferred
As at 1st April 2004	87,188	46,062	10,862	20,831
Cases under review	-2,236	-	-	-
<b>Movements</b>				
New Contributors	6,979	-	-	-
New Pensioners	-1,341	1,715	-	-374
Deferred Membership	-3,484	-	-	3,484
Became Dependants	-	-	830	-
Rejoined Scheme	185	-	-	-815
Left Scheme	-2,696	-	-47	-334
Died	-109	-1,755	-611	-34
<b>Membership as at 31st March 2005</b>	<b>84,486</b>	<b>46,022</b>	<b>11,034</b>	<b>23,388</b>

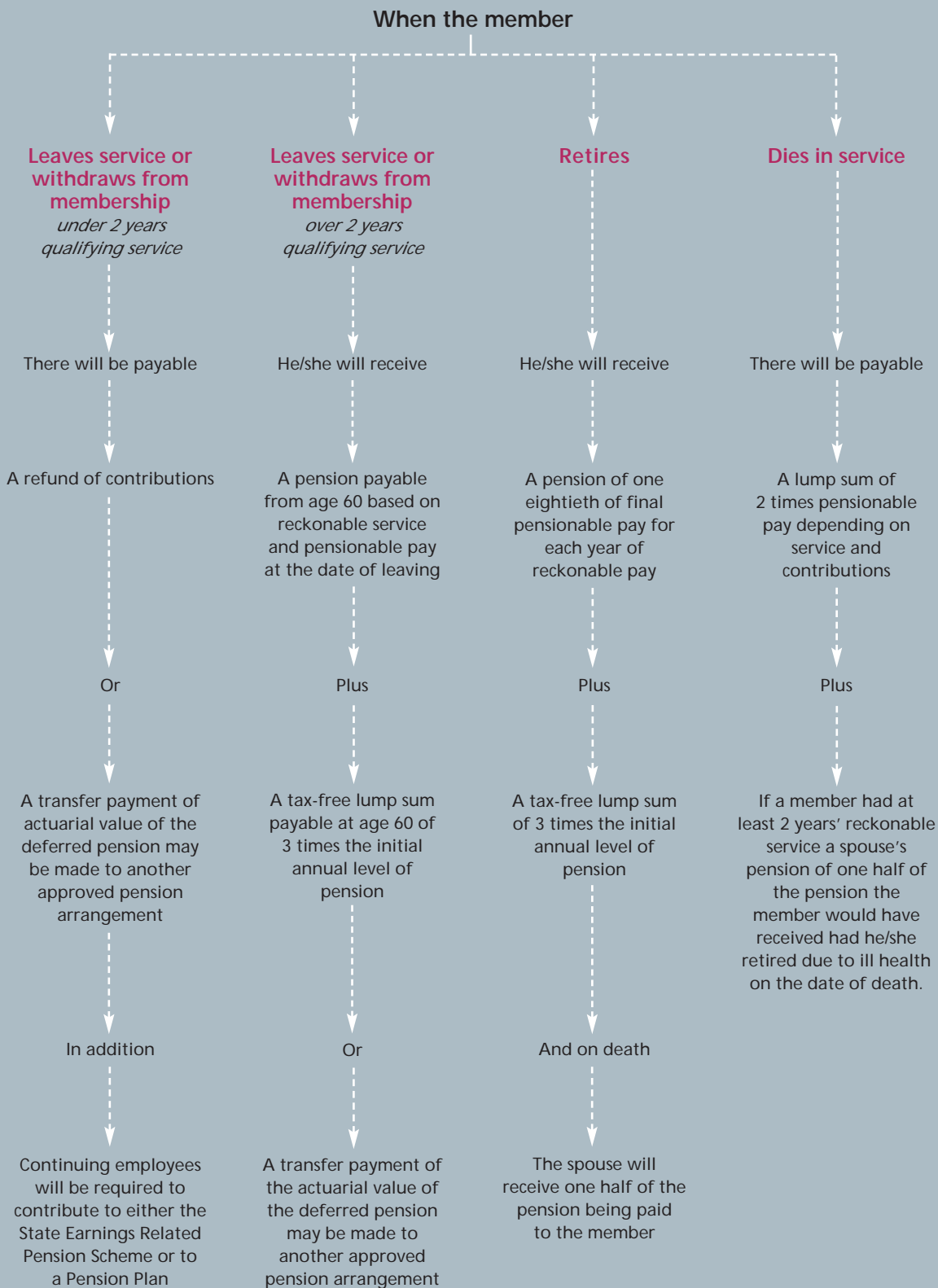
Police, Fire + Teachers Pensioners 14,654

### Future Developments

On an annual basis, the Strathclyde Pension Fund Sub-Committee now approves a business plan for the Strathclyde Pension Fund Office. The business plan sets performance targets for the coming year and identifies development priorities. The 2005/06 development priorities for administration include the following.

- 1. "Stocktake" Review of LGPS**  
Implementation of Phase 1 Regulations and continuing participation in consultation on Phase 2 and New Scheme proposals.
- 2. National Fraud Initiative**  
Participate for the second time in NFI, cross-matching pensioner records with other public sector data sources to identify fraud.
- 3. Deferred Benefit Statements**  
Issue of benefits statements to deferred beneficiaries for the first time.
- 4. Issue of Combined Benefits Statements**  
Work with Department of Work and Pensions on production of combined State and Occupational benefits statement.
- 5. Triennial Actuarial Valuation**  
Provide data to actuary in respect of active deferred and pensioner members, movement analysis on an annual basis and extract information on early leavers.
- 6. Internet Member Self-Service**  
Develop SPFO internet site to allow members to view and amend own records
- 7. Review of Independent Financial Advisers**  
Review list of retained IFAs for member referrals.

## Summary of Benefits





# Market Report

The Market Report was provided by Baillie Gifford.

## 2004 Review

2004 turned out better than expected, in many ways. Companies' earnings rose strongly, by 19% in the US, 12% in the UK, and by similar amounts in the other major markets, generally beating expectations. This was not accompanied by rapidly accelerating economic growth and interest rates, as most commentators had expected earlier in the year. In fact, growth slowed over the summer, mainly because of higher oil prices, and inflation remained subdued. The dollar was weak, but not dramatically so. Dollar weakness was most painful for countries such as Germany and Japan, where local demand was weak. Local demand improved in other parts of Europe and in Asia, offsetting the effects of dollar weakness.

This all should have been a fairly benign environment for businesses, yet company managers remained cautious and continued to concentrate on paying down debt. The debt ratio of the US corporate sector, for example, ended the year at 33%, a third lower than it was 15 years ago.

Evidence that such reticence was shared by investors is rather mixed. Among the best performing sectors in 2004 were both defensives such as Tobacco and Electricity as well as economically sensitive areas such as Real Estate and Construction. Other notable movers were Oil and Gas, buoyed by the strong oil price and Pharmaceuticals where there was a storm of bad news on existing drugs with some proving less efficacious than expected, or actually dangerous. Clearer evidence of investors' appetite for risk can be seen in market returns with Asia Pacific and Emerging Markets posting by far and away the best performance. This was also reflected in bond markets where corporate and emerging market bonds performed well and the income earned over government bonds, the 'spreads', narrowed significantly. Over the year equity markets became cheaper because share prices did not rise as rapidly as earnings, but company profitability is high by historic standards.

The major bubbles and imbalances that developed in the global economy over the year were the housing markets in most Western countries, and the US current account deficit.

Both ended the year near their peak. They were useful in rescuing the world economy from the deflationary aftermath of the last bubble, but have become destabilising factors themselves and there appeared to be an increasing official appetite to tackle them.

Bond yields continued to decline in the major markets, especially in the Euro zone where the strong currency, increasing concerns about feeble growth and heavy buying by insurance companies had their effect. Real long bond yields crept down by degrees to low levels with US Treasury prices assuming a fall in inflation which may not happen. Following a brief summer lull, the US economy began strengthening again latterly and the Federal Reserve set on a path of rising short rates.

The main economic debate in the UK through the year was whether interest rates had risen far enough. The pessimists pointed to the tightening labour market, the continuing strong growth in liquidity and the muted reaction to the increases already seen. The strongest argument of the optimists was 'Wait and See': interest rates were already high by international standards and, in any case, inflation remained very low. Anecdotal evidence confirmed that retailers had to cut prices to entice Christmas shoppers.

The rise in the Euro became a challenge to those parts of Europe which had little growth in domestic demand, especially Germany and Italy, but was less problematic where consumption was more buoyant - in France, Spain and Sweden, for example.

Elsewhere, growth in America was among the most rapid in 2004, outstripping all other developed economies and in stark contrast to the economic progress of Japan which was very disappointing, according to the official government figures at least, which showed that growth virtually came to a halt over the summer. Consumption was feeble and public investment fell. Despite this, businesses still seemed to be optimistic; operating profits rose by 28% in the 6 months to the end of September, and the gradual recovery in the health of the banking system continued. The decision to allow the government's restructuring corporation to take over Daiei, a large general retailer weighed

down by debt, was a particular positive development. There was little sign of a slackening in overseas demand: shipping and steel companies continued to do well. The technology sector was somewhat overshadowed by overcapacity among makers of digital cameras, but industrial activity remained generally robust.

The Boxing Day tsunami was clearly an appalling tragedy, and its consequences for the people and areas of Asia affected were devastating. However, stock markets in the region were little affected. The disaster's economic implications appeared likely to be less severe than the human tragedy. Despite the tragedy, the major question dominating investors' thoughts remained, 'Will China have a hard landing?' To date, the answer seems to be 'no'. The economy has slowed slightly, but the authorities appeared more concerned about it decelerating too quickly rather than not enough and seemed prepared to revalue the Chinese currency, at some point. Elsewhere among the Emerging Markets, perceptions of a deterioration in the political background hit the Russian market while socialist Brazil showed the way to the rest of Latin America where a timely rise in interest rates prevented exuberance tipping over into inflation.

In keeping with the strong performance of the quoted sector, Property performed particularly well in 2004, with the IPD Monthly Index for commercial property, for example, providing higher returns than all equity and bond markets with the exception of Asia Pacific. In addition to asset values, rental growth and occupancy rates rose in most major markets.



# Investment Report

## Performance Measurement

In 2003 the Fund appointed Northern Trust as provider of independent investment performance measurement. Previously (in fact since 1976) WM Performance Services had held this appointment. The Fund has maintained a relationship with WM to provide an annual investment report including comparison with the WM Universes which capture performance data from up to 1,000 UK pension funds.

The analysis presented in the following sections comprises:

- ✦ fund and benchmark returns as calculated by Northern Trust;
- ✦ universe comparisons as provided by WM Co. and
- ✦ property returns calculated by the Investment Property Databank (IPD).

All returns are total gross investment return figures expressed in percentage terms. In line with the industry norm, the Fund's principal investment review is presented on a calendar year basis for 2004. Figures for the financial year - 1st April 2004 to 31st March 2005 - are also available and are shown in the Local Authority Review.

2004 RESULTS	
Strathclyde Pension Fund Return	11.9%
Strategic Benchmark Return	12.2%
Average Fund Return	11.2%

## Market Background

Global equity markets made steady progress for most of 2004, then finished with a flourish, to record a very satisfactory year. Investors were encouraged by evidence of continuing recovery in many of the world's major economies and generally positive corporate results and

profitability. However, geopolitical tensions, a rise in oil prices to record highs and central banks tightening global monetary policy all contributed to a marked pick up in market volatility.

The Fund's return was -0.3% behind that of the strategic benchmark. This lag in performance comes largely from underperformance by Capital International. Capital is a high conviction manager that takes substantial stakes in companies which it believes will deliver over the longer term. This approach can result in short term performance 'blips' - which is the case here. Some of the Fund's other managers had an excellent year - notably Gartmore (UK Small Cap), Genesis (Emerging Markets) and Arlington (Property).

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

ASSET CLASS	Fund Return	Benchmark Return
UK Equities	13.5%	12.8%
Overseas Equities		
US	3.9%	4.1%
Europe	10.7%	13.8%
Japan	10.8%	7.9%
Pacific	14.8%	20.4%
Emerging Markets	15.5%	17.4%
Private Equity	10.0%	12.8%
UK Govt Bonds	7.4%	8.4%
Corporate Bonds	7.0%	7.7%
Overseas Bonds	7.2%	2.4%
UK Index Linked	9.1%	9.1%
Cash	3.7%	-
UK Property	21.2%	18.0%
<b>TOTAL FUNDS</b>	<b>11.9%</b>	<b>12.2%</b>

## LONG TERM PERFORMANCE

											Annualised		
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	3yr	5yr	10yr
Retail Prices	3.2%	2.5%	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.8%	3.5%	3.1%	2.6%	2.7%
Average Earnings	2.9%	4.9%	4.7%	4.1%	6.2%	4.5%	2.1%	4.1%	3.4%	3.5%	3.7%	3.5%	4.0%
Fund Benchmark	-	-	-	-	28.3%	(-4.3%)	(-10.0)	(-16.5%)	20.9%	12.2%	4.3%	(0.5%)	-
Fund Return	16.9%	10.4%	14.8%	13.0%	28.2%	(-2.5%)	(-9.7%)	(-15.4%)	19.9%	11.9	4.3%	0.0%	7.9%
WM All Funds	19.1%	10.7%	16.8%	14.0%	21.3%	(-1.3%)	(-8.9%)	(-13.9%)	17.0%	11.2%	3.9%	0.1%	7.9%
Fund Ranking (/100)*	91	68	73	57	7	64	43	35	18	21	18	37	43

\*percentile ranking within the WM ALL Funds Universe of UK pension funds



Review

LOCAL AUTHORITY REVIEW	Annualised								
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	3yr	5yr	10yr
Fund Return	18.7%	-8.6%	-0.2%	-20.8%	26.6%	12.4%	4.1%	0.6%	8.2%
Local Authority Average	13.6%	-6.3%	-0.5%	-19.5%	23.4%	11.3%	3.4%	0.6%	7.8%
Fund Ranking (/100)*	3	74	29	62	10	13	-	-	-

\*percentile ranking within the WM ALL Funds Universe

The strong recovery of 2003 continued in 2004, with another double digit return for the Fund. The 3-year return of +4.3% per annum is in line with the benchmark, and the 5-year return of 0.0% is ahead of the benchmark figure of -0.5%. The Fund created a specific benchmark in 1999, when previously its performance had been measured against the WM All Funds Universe. The 10-year return of +7.9% per annum is in line with the WM Average, and is comfortably ahead of inflation and average earnings.

The Fund ranks in the top half of the WM Universe over 3, 5 and 10 years.

Local Authority Review

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

Investment Strategy

The Fund's investment strategy is as follows:

	Fund Weight
UK Equities	38.0%
Small Companies	3.0%
Overseas Equity	29.0%
North America	9.75%
Europe (ex UK)	9.75%
Japan	3.25%
Pacific	3.25%
Emerging Markets	3.0%
Private Equity	5.0%
Total Equity	75.0%
Property	10.0%
Index Linked	3.0%
UK Gilts	3.0%
Corporate Bonds	6.0%
Overseas Bonds	3.0%
Total Bonds	15.0%
<b>TOTAL</b>	<b>100%</b>

The Fund remains committed to having a high Equity exposure, to benefit from the expected excess returns over bonds in the long term. The Fund also has a significant exposure to Property, with the remainder being held in Bonds.

Developments

During the year the Fund carried out fundamental reviews of its Corporate Governance and Socially Responsible Investment policies. Both policies were found to remain entirely appropriate for an externally managed Fund, and minor enhancements were made to each policy. The Fund continues to report on Corporate Governance and SRI matters every quarter, and these reports continue to be made publicly available via the Council's (and the Fund's) website.

The Fund also reviewed its Investment Consultancy arrangements in 2004. A full Tender process was carried out in accordance with European Union public procurement regulations. Three investment consultancy firms were shortlisted for detailed assessment and interview. The outcome of the review was that Hymans Robertson were appointed as Investment Consultants to the Strathclyde Pension Fund for a 5-year period, commencing in February 2005. Officers, Advisors and the Investment Consultant continue to look at ways of enhancing investment management arrangement and investment returns. During the year this included a review of the Fund's Alternative Assets strategy which resulted in an increased allocation to the existing Private Equity programme. Further development of the Private Equity programme is also planned. Diversification into other Alternative classes, such as Hedge Funds, is not a current development priority.



## Statement of Investment Principles

### 1. Introduction

Glasgow City Council is the administering authority for 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.

### 2. Advisers

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

### 3. Funding Policy

The primary objective of the Fund is to provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefit basis. The funding policy is that over the long term all accrued benefits should be fully covered by the actuarial value of the Fund's assets and that in order to secure this objective an appropriate level of employer contributions and an appropriate investment policy should be agreed by the administering authority.

### 4. Investment Policy

The strategic benchmark, and in particular the allocation to equities, aims to deliver a long-term return in excess of the rate of growth of the accrued liabilities. Return enhancement is also achieved by active management of some of the assets. It is anticipated that this will make a significant contribution to the overall control of the costs of providing benefits to members.

### 5. 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 subdivisions. 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.

### 6. 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.

### 7. Expected Return on Investments

The strategic benchmark is expected to produce a return over the long term in excess of the risk free return. 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.

### 8. 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.

### 9. Monitoring

The Fund's officers and advisers meet with 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.

### 10. Realisation of Investments

The majority of investments held by the Fund are quoted on major stock markets and could be realised quickly if required. Property and Private Equity investments, which are relatively illiquid, currently make up less than 15% of the Fund.

### 11. Social, Environmental & Ethical Consideration

The Fund believes that, where they may be relevant to shareholder value, social, environmental and ethical considerations are among the factors which managers should take into account 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.

### 12. 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 current best practice and the Combined Code on Corporate Governance.

### 13. 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.

### 14. Myners Principles

The fund is compliant with each of the Myners Principles as set out in the CIPFA Pensions Panel guidance (Issue No. 5) published in April 2002.





# No.1 Fund

FUND ACCOUNT			
2003/04 £000		2004/05	
		£000	£000
	<b>CONTRIBUTIONS</b>		
79,460	Contributions Receivable from Employees	86,011	
181,888	Contributions Receivable from Employers	204,686	
15,534	Additional Contributions from Employers	12,080	
41,121	Transfers In	31,494	
219	Other Income	235	
<u>318,222</u>		<u>334,506</u>	
	<b>BENEFITS</b>		
	<b>Benefits Payable</b>		
192,325	Pensions	200,462	
31,344	Lump Sums	33,461	
	<b>Payments to and on account of leavers</b>		
1,548	Refund of Contributions	1,860	
25,272	Transfers Out	23,948	
<u>2,728</u>	<b>Administrative and Other Expenses borne by the scheme</b>	<u>3,047</u>	
<u>253,217</u>			<u>262,778</u>
65,005	<b>Net Addition from dealings with members</b>		<b>71,728</b>
	<b>RETURNS ON INVESTMENTS</b>		
163,690	Investment Income		164,444
	Less:		
(9,889)	Investment Management Expenses		(12,184)
(1,313)	Overseas Tax		(2,139)
<u>152,488</u>			<u>150,121</u>
1,125,545	Change in Market Value of Investments		601,297
<u>1,278,033</u>	<b>Net Returns on Investments</b>		<u>751,418</u>
<u>1,343,038</u>	<b>Net Increase in the fund during the year</b>		<u>823,146</u>
4,823,390	<b>Opening Net Assets of the Scheme</b>		<b>6,166,428</b>
<u>6,166,428</u>	<b>Closing Net Assets of the Scheme</b>		<u>6,989,574</u>
<u>1,343,038</u>	<b>Asset Movement during the year</b>		<u>823,146</u>



**No.1 Fund**

<b>NET ASSETS STATEMENT</b>			
<b>2003/04</b>		<b>2004/05</b>	
£000		£000	£000
<b>INVESTMENT ASSETS AT MARKET VALUE</b>			
<b>Listed Investments</b>			
1,435,590	- UK Equities	1,705,257	
100,838	- UK Fixed Interest (Public Sector)	95,520	
180,485	- UK Fixed Interest (Others)	185,692	
1,403,772	- Overseas Equities	1,605,869	
259,489	- Overseas Fixed Interest	257,671	
45,428	- Index Linked	49,559	3,899,568
<b>Unlisted Investments</b>			
393,126	- Property (Freehold)	499,890	
45,067	- Property (Long Lease)	108,153	
108,514	- Venture Capital	131,512	739,555
1,531,505	<b>Managed Funds</b>		1,695,644
<b>Unit Trusts</b>			
90,130	- Property	87,708	
276,314	- Other	264,842	352,550
<u>5,870,078</u>			<u>6,687,317</u>
<b>Current Assets</b>			
312,041	Sundry Debtors	367,710	
34,959	Advances to Loans Fund	101,345	
251,473	Bank	158,651	
<u>598,473</u>		<u>627,706</u>	
<b>Less: Current Liabilities</b>			
(302,123)	Sundry Creditors	(325,449)	
<u>296,350</u>	Net Current Assets		302,257
<u>6,166,428</u>	<b>Net Assets</b>		<u>6,989,574</u>
<b>STATEMENT OF MOVEMENT IN NET ASSETS</b>			
4,823,390	Fund Balance as at 1st April 2004		6,166,428
391,950	Surplus/(Deficit) for Year	343,309	
174,457	Less: Realised Gains	121,460	
			221,849
1,125,545	Change in Market Value of Investments		601,297
<u>6,166,428</u>	<b>Net Assets at 31st March 2005</b>		<u>6,989,574</u>

## Notes to the Accounts

### Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2005, 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 2005. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2005.
- ✦ Valuation of the property portfolio was carried out at 31st December 2004 by an independent valuer. Property values have been trended to show the estimated value as at 31st March 2005.

### Other

- ✦ The Fund had contractual commitments totalling £292.6 million at 31st March 2005 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. There were no manager changes during 2004/05.

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

- ✦ Value of purchases and sales in the year were £5.2 billion and £5.6 billion respectively.
- ✦ The Fund participates in a stocklending programme managed by its Global Custodian, Northern Trust. As at 31st March 2005 the total amount of stock released by the Fund under this arrangement was £538 million.

Investment management arrangements as at 31st March 2005 are shown below.

FUND MANAGEMENT		
Asset Class	Fund Manager	Under Management
Multi Asset - Passive	Legal & General	26.1%
Global Equity	Baillie Gifford	16.2%
Global Equity	Capital International	15.2%
Global Equity - Active	Schroder	14.4%
Specialist - Property	Arlington PI	10.6%
Specialist - Bonds	Henderson	4.6%
Specialist - Bonds	Western Asset	4.7%
Equities - UK Small Companies	Gartmore	2.4%
Equities - Overseas Small Companies	JP Morgan	2.2%
Specialist - Venture Capital	Pantheon	2.0%
Specialist - Emerging Markets	Genesis	1.6%
		<b>100%</b>



# No.3 Fund

## Membership

The No.3 Fund was established in February 1993 in order to preserve the pensionable benefits of those remaining employees (1,362) of Strathclyde Buses who had transferred from the service of Strathclyde Regional Council upon the implementation of the Transport Act 1985 in October 1986. The value of those employees' benefits and the assets in respect of them were actuarially assessed by Hymans Robertson, the Fund's actuaries.

The sole employer contributing to the Fund is Strathclyde Buses.

## Administration

Fund administration is carried out by Glasgow City Council within the Strathclyde Pension Fund Office.

## Fund Management

The Fund's investments are managed by Schroder Investment Management. The market value of assets managed by the fund manager, excluding cash, as at 31st March 2004 was £69 million. Cash balances were managed by the Fund's Global Custodian, Northern Trust.

Value of purchases and sales in the year were £44.8 million and £43 million respectively.

The Fund participates in a stocklending programme managed by its Global Custodian, Northern Trust. As at 31st March 2004 the total amount of stock released by the Fund under this arrangement was £10.2 million. Stock on loan is secured via a pooled collateralisation arrangement. Initial collateral levels are not less than 102% of the market value of the borrowed securities for loans of fixed income, and not less than 105% of the market value of the borrowed securities for loans of equity securities. Marking to market is performed every business day.

The fund first published a Statement of Investment Principles in 1997. The Statement is updated regularly. It is available on request from Strathclyde Pension Fund Office.

## Actuarial Position of the Fund

The Fund is subject to Local Government Pension Scheme (Scotland) Regulations. Employees' contributions are fixed by statute whilst employers' contributions are assessed every three years by a consulting actuary and are calculated to ensure the actuarial solvency of the Fund.

The last completed valuation was as at 31st March 2002.

For actuarial purposes assets are valued using the average market value in the 12 months to the valuation date. The market value of the scheme's assets on this basis was £71.5 million.

The method of calculating the employers' contribution rate is known as the Attained Age Method.

This method calculates the future service cost for the current workforce allowing for the ageing of that group of employees. Thus it effectively assumes that there will be no new employees joining the Fund.

Taking account of historic financial evidence and future expectations the following financial assumptions were adopted:

Rate of Investment Return	6.5% per annum on equities
	5.2% per annum on bonds
Rate of Salary Increase	4.1% per annum
Rate of Pensions Increase	2.6% per annum

Statistical assumptions cover rates of mortality, retirement and withdrawal. The actuary is able to draw on a wide experience of Local Government Funds in constructing tables to reflect best estimates of future trends. The valuation showing a funding level of 97.6% in 2002.

The Common Rate of Contribution payable to the Fund by the employer was fixed at the following percentages of employee contributions:

370% during 2003/04
400% during 2004/05
400% during 2005/06

This compares to the future service or normal rate of 400% in 2002.

The employer paid an additional cash contribution of £0.5 million during 2004/05.

FUND ACCOUNT			
2003/04		2004/05	
£000		£000	£000
<b>CONTRIBUTIONS</b>			
392	Contributions Receivable from Employees	367	
1,449	Contributions Receivable from Employers	1,467	
504	Additional Contributions from Employers	613	
<u>2,345</u>			2,447
<b>BENEFITS</b>			
<b>Benefits Payable</b>			
2,336	Pensions	2,569	
616	Lump Sums	556	
<b>Payments to and on account of leavers</b>			
37	Transfers Out	78	
26	Administrative and Other Expenses borne by the scheme	19	
<u>3,015</u>			3,222
(670)	Net Reduction from Dealing with Members		(775)
<b>RETURNS ON INVESTMENTS</b>			
2,293	Investment Income	2,270	
Less :			
(152)	- Investment Management Expenses	(155)	
(14)	- Overseas Tax	(18)	2,097
<u>11,755</u>	Change in Market Value of Investments		6,152
<u>13,882</u>	Net Returns on Investments		8,249
<u>13,212</u>	Net Increase in the fund during the year		7,474
57,266	Opening Net Assets of the Scheme		70,478
70,478	Closing Net Assets of the Scheme		77,952
<u>13,212</u>	Asset Movement during the year		7,474



**No.3 Fund**

NET ASSETS STATEMENT			
2003/04		2004/05	
		£000	£000
<b>INVESTMENT ASSETS AT MARKET VALUE</b>			
<b>Listed Investments</b>			
27,543	- UK Equities	23,092	
2,483	- UK Fixed Interest (Public Sector)	6,057	
1,101	- UK Fixed Interest (Others)	4,461	
8,960	- Overseas Equities	9,015	
3,668	- Overseas Fixed Interest	1,753	
2,471	- Index Linked	3,934	
			48,312
<b>Unit Trusts</b>			
7,718	- Property	12,224	
15,028	- Others	14,525	24,749
<u>68,972</u>			<u>75,061</u>
<b>Current Assets</b>			
1,247	Sundry Debtors	4,378	
791	Advances to Loans Fund	1,241	
242	Bank	1,010	
<u>2,280</u>		<u>6,629</u>	
<b>Less: Current Liabilities</b>			
(774)	Sundry Creditors	(3,738)	
<u>1,506</u>	Net Current Assets		2,891
<u>70,478</u>	<b>Net Assets</b>		<u>77,952</u>
<b>STATEMENT OF MOVEMENT IN NET ASSETS</b>			
57,266	Fund Balance as at 1st April 2004		70,478
1,965	Surplus for Year	4,346	
508	Less: Realised Gains	3,024	
			1,322
11,755	Change in Market Value of Investments		6,152
<u>70,478</u>	<b>Net Assets at 31st March 2005</b>		<u>77,952</u>

## Notes to the Accounts

### Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2005, 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 2005. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2005.

### Other

- ✦ 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 by Schroder Investment Management.

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

- ✦ Value of purchases and sales in the year were £47.7 million and £44.7 million respectively.
- ✦ The Fund participates in a stocklending programme managed by its Global Custodian, Northern Trust. As at 31st March 2005 the total amount of stock released by the Fund under this arrangement was £18 million.



# 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.

FUNDING LEVEL	
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%

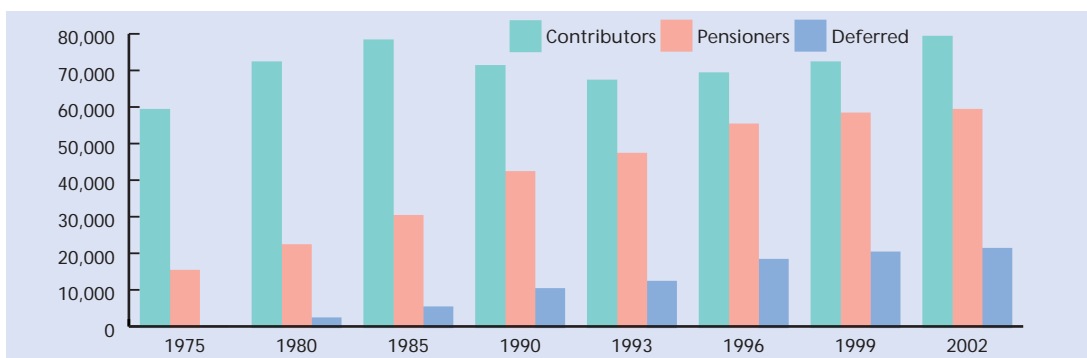


### Actuarial Valuation as at 31st March 2005

In accordance with the Regulations a further actuarial valuation of the Fund will be carried out as at 31st March 2005. The valuation is a data-intensive process involving checking and analysis of individual member records - over 160,000 in all - to produce aggregated results for individual employers and for the Fund as a whole. Provisional results will be produced

towards the end of 2005. Final results will be confirmed early in 2006. Revised employer contribution rates will become effective from 1st April 2006. It is expected that the valuation will show a deficit funding position. Participating employers have been advised that, as a result, employer contribution rates will continue to increase.

### Fund Membership Profile (1975-2002)

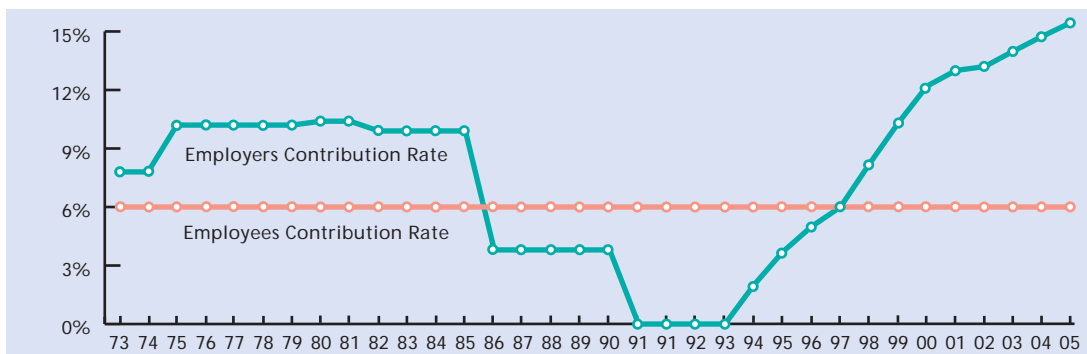


The above chart outlines the ratio of contributors to pensioners over the 27-year history of the Fund, and shows that the ratio of pensioners to current contributors has increased steadily over the years.

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.

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

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.



## 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 that made contributions to the Fund during 2004/2005 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  
Strathclyde Police Authority  
West Dunbartonshire Council  
Ayrshire Valuation Joint Board  
Dunbartonshire & Argyll & Bute Valuation Joint Board  
Lanarkshire Valuation Joint Board  
Renfrewshire Valuation Joint Board  
Greater Glasgow & Clyde Valley Tourist Board  
Annie'sland 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  
Auchenback Active Limited  
Ayr Action for Mental Health  
Ayr Housing Aid Centre  
Ayr North Community Forum  
Ayrshire & Arran Tourist Board  
Ayrshire Housing  
Ayrshire Initiatives Limited  
Ayrshire North Community Housing Organisation Ltd

#### B

Befriending & Respite Services Limited  
Bridgeton Calton And Dalmarnock Credit Union

#### C

Caladh House Children's Home  
Cambuslang Community Carers Care Partners  
Castlemilk Environment Trust  
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  
Create - Cambuslang & Rutherglen Ltd  
Cumbernauld Housing Partnership Limited  
Cycling Scotland

#### D

Dalmellington District Conservation Trust  
Deaf Connections  
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  
Fyne Homes

#### G

Geilsland School  
General Teaching Council for Scotland  
Glasgow Alliance  
Glasgow Anti-Racist Alliance  
Glasgow Association For Mental Health  
Glasgow Caledonian University  
Glasgow Colleges Group  
Glasgow City Centre Partnership Ltd  
Glasgow City Council Vision  
Glasgow Colleges Group  
Glasgow Council for Voluntary Services  
Glasgow Cultural Enterprises Ltd  
Glasgow Film Theatre



## FUND MEMBERSHIP

Glasgow Housing Association  
 Glasgow North East Carers Centre  
 Glasgow School of Art  
 Glasgow Women's Aid  
 Good Shepherd Centre  
 Govan Law Centre  
 Greater Easterhouse Women's Aid  
 Greater Easterhouse Development Company Ltd  
 Greater Glasgow & Clyde Valley Tourist Board  
 Greenspace Scotland

### H

H.E.L.P (Argyll & Bute) Ltd  
 Hamilton Furniture Initiative  
 Hansel Alliance  
 Hansel Foundation  
 Hemat Gryffe Women's Aid  
 Hillhead Housing Association  
 Hills Trust Parents Community Group  
 Home Group Limited  
 Home Start Kintyre  
 Housing Wider Action Group  
 Hutchesons Educational Trust

### I

Inverclyde Leisure  
 Irvine 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  
 Larkfield Ladybird Pre 5 Centre  
 Learning and Teaching Scotland  
 Linstone Housing Association Ltd  
 Loch Lomond & The Trossachs National Park

### M

Meridian  
 Milton Kids Dash Club

### N

New Lanark Conservation and Civic Trust  
 North Ayr Resource Centre  
 North Ayrshire Leisure Ltd  
 North Lanarkshire Carers Together

Northwest Economic Network  
 Notre Dame Child Guidance Clinic

### O

Objective 3 Partnership (Scotland) Ltd  
 One Plus One Parent Families – Strathclyde  
 Outdoor Resource Base

### P

Paisley Partnership Regeneration Company  
 Parkhead Citizens Advice Bureau  
 Parkhead Housing Association Ltd  
 Parkhead Youth Project  
 Parkinson's Self Help Group  
 Paths For All Partnership  
 Pensioners Action Group East  
 Possil/Milton Community Renewal Ltd  
 Prospects for Employment

### R

Rape Crisis Centre  
 Reidvale Adventure Playground  
 Renfrew Council on Alcohol  
 Renfrewshire Leisure Ltd  
 Renfrewshire Carers Centre  
 Richmond Fellowship Scotland  
 Routes to Work  
 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 Throughcare & Aftercare Forum  
 SCOTSS

Scotwest Credit Union Ltd  
 SLIMS

Social Welfare Commission Bishops Conference of Scotland

South Ayrshire Energy Agency  
 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  
 Town Centre Initiatives

### 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 SCRE)

University of Paisley

University of Strathclyde

Utheo Limited

### V

Village Project St James' (Pollok) Parish Church

Village Story Telling Centre

Voluntary Association for Mental Welfare

Volunteer Centre

### W

West of Scotland Colleges Partnership

West of Scotland Community Relations Council

Women's Support Project

### Y

Youth Counselling Service

### ANALYSIS OF CONTRIBUTIONS RECEIVED

	Scheduled Bodies	Admitted Bodies
Contributions Received	£255,948,000	£34,749,000



# Communications Report

## Communications Team

The last twelve months have seen the Communications Team continue to be particularly proactive in its implementation of the Communications Strategy.

A busy year has seen a continued effort to network across our stakeholders with provision of much needed and welcomed information sessions.

Communicating with our stakeholders is vital at this time given the increased interest in pensions, with the prospect of major changes to pension provision looming.

In light of the Stocktake review of the LGPS, the Communications Team typically seeks to clarify for members the Scheme Rules and Regulations as they stand at present before moving on to discuss any proposed changes and their impact on our members.

## Pension Database

We are responsible for maintaining, improving and ensuring the accuracy of the member database, so this has been a crucial year as we have stepped up efforts ahead of the actuarial valuation.

The data validation exercise which we have carried out has been our most detailed to date. In conjunction with our Administration colleagues, we have identified missing starting and leaving forms. Liaison officers have then approached employers and asked for the appropriate paperwork to be completed. This has been an enormous undertaking, (which is still ongoing) but will have far reaching benefits for all involved.

## Employer Relationships

Our links and relationships with employers continue to strengthen. Communication links are pivotal to the smooth administration of the scheme, and the team constantly strive to ensure good working relationships.

**Alistair Gray**

Senior Communications Officer



## Progress of the Communications Strategy

Implementation of 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 résumé of progress, point by point.

### 1. SPFO WEBSITE

The Team continues to promote the website - it contains all you need to know about the SPFO and the LGPS. Activity on the site remains high and we are now experiencing, on average, 225 visits per week.

### 2. NEWSLETTERS

We continue to publish our annual Newsletter - Fundnews - to our 85,000 active members. This is issued directly to their home addresses. Following on from our Stocktake information issue last year, we intend to keep our membership abreast of the latest pension news as best we can.

Our 57,000 pensioners receive an annual newsletter - Pensionnews - keeping them informed of the Fund's progress, and any changes which may impact on them.

We also aim to issue a newsletter to the members and pensioners of the No. 3 Fund during the course of 2005.



### 3. HANDBOOKS

The SPFO issues 'A Guide to the Local Government Pension Scheme' to all new members. Updates are issued as necessary. A flurry of activity is due, as there have been recent minor changes to the Scheme Rules with further changes expected in the near future. All members will need to be notified of these.

### 4. TECHNICAL BULLETINS

Technical Bulletins covering technical developments in the Scheme Rules or in the SPFO's administration arrangements are issued on an "as-and-when" basis.

Eleven Bulletins have been issued to date - the most recent covering the topic of 'Increase to Early Retirement Payments for Retirals after 1st April 2005'.

### 5. MEETINGS

The Communications Team continues to spread its net far and wide. Presentations have been particularly well received this year as members look for 'face to face' clarification of the impact of any proposed changes.

Our stakeholders fall into a variety of groups. We have facilitated meetings with new starts, soon to be retired members, mid career employees and also our contacts within the employers themselves, who assist us in administering the Scheme.

The Stocktake has been a recurring theme in all of our discussions over the last year. In the early part of the year, two special workshops were organised in order to afford our larger employers the opportunity to hear from a variety of sources the direction that the Scheme may take in the immediate and long term. The first of these workshops took place on the 7th of April and representatives of our 20 largest employers attended. A subsequent meeting included the next 20 largest employers.

The Fund's 2005 Annual Meeting was held at the Glasgow Royal Concert Hall on 24th June. Around 250 delegates from trade unions and the Fund's employers attended. The agenda covered presentations and discussion of a variety of items including presentation of the accounts, investment update, and a keynote session on possible changes to the Scheme.

### 6. CONSULTATION

Informal consultation is achieved by actively encouraging feedback and dialogue within all elements of the Communications Strategy

A high degree of transparency is also achieved through the publication of all Strathclyde Pension Fund Sub-Committee papers.

During 2004/05 a formal consultation was carried out on the Fund's review of its Admissions Policy. Further formal consultation exercises will be carried out during 2005/06.

### 7. ANNUAL REPORTS & ACCOUNTS

The Report and Accounts now form an established part of the SPFO's annual communication cycle. Copies are issued to the Fund's various stakeholders, including all contributing member organisations, investment managers, counterparties, advisers, consultants and various media and research groups.

### 8. BENEFITS STATEMENTS

Benefit Statements are now issued on an annual basis to all contributing members of the Fund. This year, details of state pension will be included for the first time.

Work is also being carried out which will enable us, again for the first time, to issue Benefit Statements to all deferred members of the Fund.

### 9. SERVICE LEVEL AGREEMENTS

Service Level Agreements continue to be implemented and adhered to and it is intended to use these agreements to reinforce the partnership that exists between the SPFO and its member organisations.

### 10. PROMOTING THE LOCAL GOVERNMENT PENSION SCHEME

Promotion of the Scheme is at the heart of all of the Communications Team's activities. The whole area of pensions has attracted a lot of bad press in recent years, but we strongly believe that the Scheme is an extremely valuable (but sometimes undervalued) benefit of local government employment. We will continue to enforce this message to existing members and prospective new members at every opportunity.



# Contacts



## Head of Pensions

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## Investment

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## Employer Communications

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## Pensions in Payment

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Strathclyde Pension Fund,  
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## 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

## Internet

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

F 0191 225 6390/6391

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

