



Strathclyde Pension Fund

ANNUAL REPORT & ACCOUNTS
FOR THE YEAR TO 31st MARCH 2004



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.

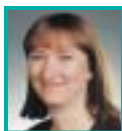
The SPF Sub-Committee is responsible for all decisions concerning Pensions and Pension Fund Policy and Strategy.

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



Having assumed the convenership of the Sub-Committee immediately after the Council elections in May 2003 it has been my good luck to preside, so far, over a period of recovery in the fortunes of the Fund.

But having served on the committee throughout the previous three years of the bear market, I am acutely aware of the legacy which that period has left, both in terms of pressure on the funding position, and damaged public confidence in the pensions industry.

The funding position is heavily influenced by the state of the markets. But market direction is of course outwith our control. So, whilst short-term market performance forms the context against which we operate, the focus of our operations is on those elements we can control. On the investment side, the main focus of the Sub-Committee's attention during the year was the conclusion of the Fund's three-yearly review of investment strategy and structure. The "headline" changes agreed as the culmination of the review were not radical: a modest reduction in equity exposure within the strategy; and one new manager within the structure. But the review process was extremely rigorous and thorough, and with a large amount of fine-tuning within the details of the mandates.

The effectiveness of these decisions may not be clear for some time, so what must be clear is that they have been taken properly. The 2001 Myners report set new standards for pension fund decision-making. The Strathclyde fund has always endeavoured to conform with best practice in this and other areas. With the adoption in the current year of a formal "Trustee" Training Plan and Business Plan, the fund now complies with all of the Myners principles. As a result of recent difficulties, it is likely that governance will continue to be a burning issue for the pensions industry and will remain high on the agenda of the sub-committee. Working with the Director of Financial Services we will ensure that the Strathclyde fund's governance continues to develop and that the highest standards, processes and levels of transparency are maintained.



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.
 Northern Trust
 Investment Property Databank

Advisers



AVC Provider



Valuers

Colliers CRE

Auditors

Audit Scotland



DIRECTOR'S SUMMARY REPORT

Lynn Brown

Director of Financial Services



Joining Glasgow in September 2003 as director of Financial Services, it was immediately apparent that it was, to say the least, a very interesting point at which to take responsibility for one of the UK's largest pension funds.

On a positive note, equity markets had been rising for six months and continued to do so for the remainder of the year, having finally broken out of the downward spiral into which they had been locked for three years. The impact on the Fund of this market recovery was very significant: the most salient feature of this year's accounts is a gain in market value of over £1 billion. Full details are in the investment report.

Against this background, the main investment activity during the year was the implementation of various changes agreed by the Fund's Sub-Committee as the culmination of the Fund's three-yearly review of investment strategy and structure. Implementation took the form of a major transition exercise which involved trading more than 1,800 lines of stock in 23 countries and with an aggregate value of £1.7 billion. The process was completed quickly and at minimal cost with the use of a specialist transition manager working alongside the Fund's appointed investment managers.

Away from the vicissitudes of the investment markets, the administration functions of the Strathclyde Pension Fund Office tend to operate against a more stable background. Change is currently afoot, however, as the last year has seen the Pensions Bill and the "Stocktake" review of the Local Government Pension Scheme progress towards new legislation and regulation respectively. We have participated actively in all stages of the debate and consultation surrounding the "Stocktake" review. As it moves towards its conclusion, and the likely amendments to the Scheme regulations become clearer, we have been busy assessing the implications of the SPFO itself and for Scheme members. As such we have, through the various strands of our Communications Strategy, endeavoured to ensure that members are made aware of the prospective changes as early as possible.

Again, whilst the context for Scheme administration may be changing, our attentions have remained focused on the job in hand. The performance figures in the Administration Report may seem less dramatic than the investment returns, but the story they tell is no less compelling. Operational performance has been rising for years and showed further significant improvement in all key measurables this year. Combined with our commitment to staff training, we are confident that both the efficiency and the quality of the service which we deliver to scheme members are currently higher than they have ever been.

Pension funds continue to operate in a very difficult environment. And challenges remain. But progress made in the last year means that the Strathclyde Pension Fund is well placed to rise to them from a position of relative strength.



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 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 little or no risk to members' benefits. As part of the ongoing "Stocktake" review of the Local Government Pension Scheme, the Government has reaffirmed its commitment to the LGPS remaining as a final salary scheme.

Membership

As at 31st March 2004, membership of the Fund comprised over 87,000 active members, almost 21,000 deferred members, and a pension payroll which consisted of almost 57,000 LGPS pensioners and dependants. A full reconciliation of LGPS member numbers is presented in the table on page 8. In addition, SPFO pays almost 15,000 Police, Fire and Teachers Scheme pensions.

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 2004.

ADMINISTRATION SECTIONS: The three administration sections within the Pension Fund Office deliver the full range of benefit calculation services to the membership of the Local Government, Police and Fire Pension schemes. The statistics in the operational performance table highlight the performance improvements achieved by these sections during the year 2003/04. In addition, the performance of

these sections provides the basis for the data used in the PALS and CIPFA benchmarking clubs in which SPFO participates. Draft results from the CIPFA benchmarking club are covered in the performance section.

COMMUNICATIONS SECTION: The Communications Section is responsible for implementing the Communications Strategy, with the objectives of ensuring member access to all necessary information, 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. Details of Communications activities are contained in the Communications Report.

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. The section is anticipating a substantial increase in workload associated with amendments to the Local Government Pension Scheme scheduled for April 2005 and April 2006 and a major update to the pensions administration software due in 2004/05.

PENSIONS PAYROLL: Continuity of income from employment to retirement for members has always been a priority for the Fund, and the Pensions Payroll Section is committed to ensuring that members receive prompt and accurate payment of pension and lump sum benefits. During the year to 2004 pensions payroll has been preparing for Electronic Data Interchange (EDI) as part of the drive by the Inland Revenue to accept data electronically. It is anticipated that this exercise will be completed in 2004/05.

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 2004 thirteen members of staff had gained a Diploma in Pensions Management from the Institute of Payroll and Pensions Management (IPPM). A further five staff were



currently studying to gain this qualification. In addition, thirty-four staff had gained the IPPM Advanced Certificate in Pensions Administration, with a further twenty-three staff currently undertaking this course.

Administration Developments

BENEFIT STATEMENTS: During 2003/04 the planned issue of Benefit Statements to one-third of the LGPS membership on a three-year rolling basis continued with the issue of statements to the employees of the following:-

Argyll & Bute Council, East Ayrshire Council, North Ayrshire Council, South Ayrshire Council, West Dunbartonshire Council, East Dunbartonshire Council, Inverclyde Council and also Scottish Enterprise, Scottish Water Strathclyde Police, Strathclyde Fire.

Amendments to the Local Government Pension Scheme, applicable from April 2005, will require administering authorities to issue Benefit Statements to live and deferred members on an annual basis. In preparation for this amendment it is intended that a Benefit Statement will be issued to all live scheme members towards the end of 2004 and thereafter to both live and deferred members on an annual basis.

DOCUMENT IMAGING: Strathclyde Pension Fund has completed the process of scanning all live and deferred member files onto its Document Image Processing System (DIPS). Work on transferring approximately 72,000 pensioner member files is due to commence during 2004/05.

OPERATIONAL PERFORMANCE: Work within SPFO is managed and monitored through the Task Management Workflow System, a subsystem of the AXISE pensions administration system.

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. SPFO also participates in the PALS and CIPFA benchmarking clubs to compare its own operational performance with that of other local authority funds and large private sector schemes. Performance within the PALS group has been very satisfactory - results for 2003/04, once available, are expected to continue this trend. 2003/04 results from the CIPFA benchmarking club are similarly satisfactory. The "headline" unit cost figure for Strathclyde Pension Fund at £14.75 per member is significantly below the average cost of £21.38 per member across all participating funds. Service standards also reported as part of the benchmarking exercise demonstrate that SPFO's target turnaround times are amongst the most challenging within the club, and attainment against target compares favourably against all other participants.

A summary of performance for the main operational activities, including comparison with 2002/03, is presented in the table below.

Comparison of the total number of processes logged through the administration system over the previous three years demonstrates a significant increase in the workload of the office as shown in the table below.

PROCESSES COMPLETED		
2001/02	2002/03	2003/04
44,504	62,788	82,665

TABLE OF OPERATIONAL PERFORMANCE						
Activity	Volume		Average Days ¹		Work in Progress ²	
	2003/04	(2002/03)	(2002/03)	(2002/03)	(2002/03)	(2002/03)
Retirals	1,456	(1,557)	3.39	(5.67)	5	(0)
Estimates	3,076	(2,877)	4.98	(9.12)	25	(50)
Deferred Benefits	2,558	(2,178)	2.11	(3.21)	9	(3)
Refunds	2,910	(2,516)	4.98	(6.4)	5	(5)
Transfer Out Quotes	708	(873)	3.86	(9.51)	7	(10)
Transfers Inward Actuals	2,273	(1,734)	1.17	(6.62)	0	(2)
Transfers Inward Quotes	2,577	(2,154)	3.09	(8.79)	11	(25)
New Start Administration	10,190	(8,736)	16.71	(17.37)	5	(33)

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 2004.



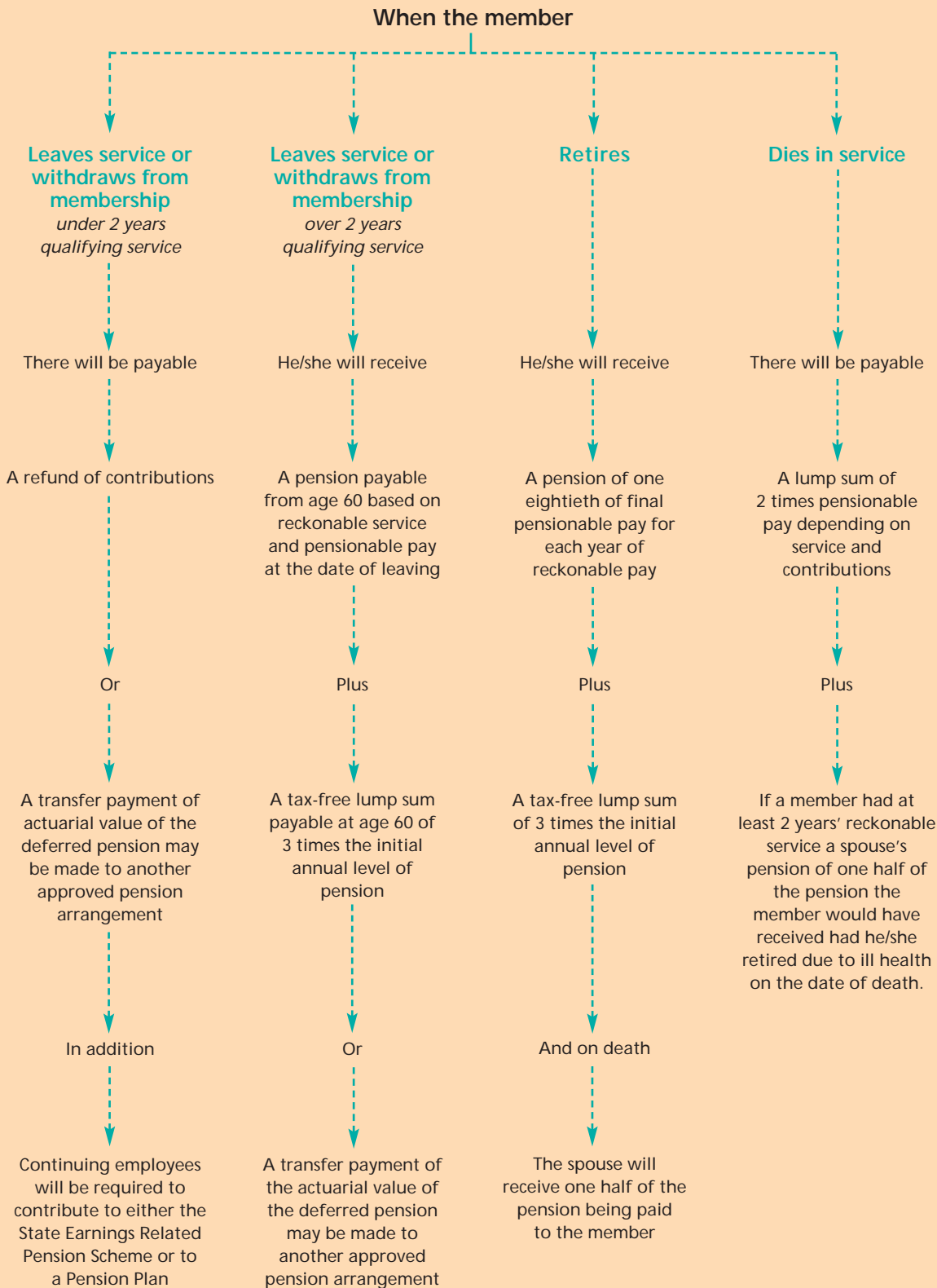
MEMBERSHIP OF THE FUND Analysis of Movements				
	Contributors	Pensioners	Dependants	Deferred
As at 1st April 2003	81,584	46,400	10,734	20,443
New Contributors	9,408	-	-	-
New Pensioners	-1,125	1,468	-	-343
Deferred Membership	-1,470	-	-	1,470
Became Dependants	-	-	811	-
Rejoined Scheme	313	-	-	-313
Left Scheme	-1,411	-	-46	-391
Died	-111	-1,806	-637	-35
Membership as at 31st March 2004	87,188	46,062	10,862	20,831
Police, Fire + Teachers Pensioners			14,682	

Future Developments

Looking forwards, there are a number of imminent developments in the pensions field that will impact significantly on Strathclyde Pension Fund Office. Some of the changes are of a statutory nature whilst others result from internal measures to continuously improve service delivery to the scheme membership. The principal developments are as follows.

1. "Stocktake" Phase One changes to the Local Government Pension Scheme which will be effective from April 2005 and will involve changes to internal working practices and scheme documentation.
2. Preparation for Phase Two changes to the LGPS scheduled for implementation in April 2006. Both phases of amendments to the LGPS will involve intensive communications exercises.
3. Participation in the final stage of the "Stocktake" review of LGPS - the development of a new Final Salary Scheme for Local Government for implementation from 2008.
4. Participation in the National Fraud Initiative exercise being carried out by Audit Scotland during 2004/05.
5. Review of various elements of work and systems configuration within SPFO to ensure continuing improvement to service delivery and efficiency.

Summary of Benefits





Market Report

2003 Review

Equity markets recovered in 2003 following three consecutive years of negative returns. Markets fell initially, then rallied sharply from their lows as geopolitical concerns started to diminish and risk appetites increased. The rally was sustained as signs of a synchronized global economic recovery began to emerge in the second half of the year and corporate profitability increased significantly, driven by earlier cost cutting and margin expansion. Cyclical stocks and sectors that had performed particularly poorly in the highly risk averse market environment of the past few years produced the strongest gains in 2003, while more defensive sectors were left behind.

The **US** dollar continued to depreciate against all major currencies in the year, driven by increasing concern over the twin budget and current account deficits. The euro bore the brunt of dollar weakness amid substantial intervention from Asian central banks to curb the appreciation of their currencies. Dollar weakness contributed to the comparatively weak return of the US equity market to sterling-based investors.

The US economy recovered sharply, boosted by expansionary monetary and fiscal policies, and corporate profits trends improved, although relatively high valuations limited the market's gains in the year.

Continental **European** equities rebounded vigorously as risk aversion subsided, and outperformed in sterling terms as a result of the appreciation of the euro. The expectation that the region would benefit from improving global growth supported performance as recovery in the euro area remained subdued. Weak domestic demand and restrictive fiscal and monetary conditions, as euro strength effectively tightened policy despite further interest rate cuts, increased the region's reliance on export growth.

Leading economic indicators suggested activity in the euro area would begin to accelerate, however, and the effective suspension of the Stability and Growth Pact towards the end of 2003 provided greater scope for governments to loosen their fiscal policy in 2004.

UK economic performance was unexpectedly resilient, in marked contrast to the euro area. Strong government and consumer spending provided the impetus for the UK economy as manufacturing activity remained subdued, to the benefit of stocks and sectors sensitive to domestic growth. Small and mid-cap stocks outperformed larger, more defensive companies in the year as a whole, although this pattern was reversed slightly towards the end of the year as the Bank of England raised interest rates.

Japanese equities lagged the global rally in its initial stages as a result of some heavy selling pressure by domestic pension funds and banks. However, rising inflows from international investors encouraged by attractive relative valuations, ongoing corporate restructuring and improving global growth, underpinned stronger performance in the second half of the year. High quality companies with strong balance sheets and reliable earnings growth were largely overlooked as cyclically sensitive stocks considered to have significant recovery potential led the market higher. Elsewhere in Asia, Hong Kong and Singapore benefited from their sensitivity to improving global growth and links with China, where the domestic economy remained extremely robust. In addition, their economies started to recover, supported by various stimulative measures adopted to counteract the economic impact of the outbreak of SARS. The more defensive markets of Australia and New Zealand were comparatively weak, although currency appreciation boosted their returns in sterling terms.

Emerging markets continued to outperform developed markets in an environment of rising global growth, stronger commodity prices and abundant global liquidity.

Bonds significantly underperformed equities in an environment of improving global growth and higher risk appetites. Even so, bonds produced positive returns, supported by further monetary easing in the first half of the year, fears of deflation and as interest rates in general stayed low. Bond markets were surprisingly resilient towards the end of the year as economic data and growth expectations started to improve. Higher interest rates were not considered an immediate threat as inflation remained low, and Asian central banks' efforts to prevent significant appreciation of their currencies relative to the US dollar by buying US Treasuries also supported the market. Conventional government bonds underperformed index-linked gilts and corporate bonds in the year. Corporate bonds benefited from strong risk appetites and the improving corporate outlook, and credit spreads narrowed substantially in the year.

UK property continued to produce reasonable returns and outperformed bonds, although underperformed the FTSE All-Share Index. Strong demand for investment property supported performance in an environment of weak rental growth. There was marked divergence in sector returns, with the strongest returns from the retail sector and the weakest performance in the office sector.

The Market Report was provided by Schroder Investment Management.





Investment Report

Performance Measurement

In 2003 the Fund appointed Northern Trust as provider of independent investment performance measurement. This role complements their existing functions as the Fund's global custodian.

Previously (in fact since 1976), performance measurement had been carried out by the WM Company, an Edinburgh based subsidiary of State Street bank. The Fund has maintained a relationship with WM Co. 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 2003. Figures for the financial year - 1st April 2003 to 31st March 2004 - are also available and are shown in the Local Authority Review.

Background

The early part of 2003 remained overshadowed by the now 3 year old bear market. The first quarter saw further negative returns and a new low was reached during March. This seemed to mark a turning point, however, and for the remainder of the year equity markets rose strongly boosted by the speedy end of official hostilities in Iraq, improvements in economic data and the implications of \$350 billion of tax cuts in the US. This ensured that 2003 went on record as a year of significant recovery for pension funds and other investors. (See the Market Report for a more detailed analysis.)

2003 RESULTS

Fund Return	19.9%
Benchmark Return	20.9%
Average Fund Return	17.0%

The Strathclyde Pension Fund's asset structure - as a result of its customised benchmark - differs from that of the average UK fund. A higher exposure to equities and lower allocation to bonds had been detrimental in the previous 3 years of falling equity markets but was very beneficial as markets recovered in 2003.

The Fund's return was -1.0% behind its own benchmark, largely as a result of being overweight in property and underweight in equities. This same features had had a positive performance impact in the preceding 2 years. There was also some marginal impact from investment manager underperformance and from the process of restructuring portfolios at the end of the year.

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

ASSET CLASS	Fund Return	Benchmark Return
UK Equities	22.1%	20.9%
Overseas Equities		
US	19.5%	16.4%
Europe	28.5%	29.7%
Japan	23.3%	23.0%
Pacific	35.2%	31.4%
Emerging Markets	37.9%	40.5%
UK Bonds	5.8%	4.7%
Overseas Bonds	6.1%	3.0%
UK Index Linked	7.6%	7.0%
Cash	0.6%	-
UK Property	14.1%	10.1%
TOTAL FUNDS	19.9%	20.9%



Investment Report

Review

	LONG TERM PERFORMANCE										Annualised		
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	3yr	5yr	10yr
Retail Prices	2.9%	3.2%	2.5%	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.8%	2.1%	2.2%	2.6%
Average Earnings	4.4%	2.9%	4.9%	4.7%	4.1%	6.2%	4.5%	2.1%	4.1%	3.3%	3.2%	4.0%	4.1%
Fund Benchmark	-	-	-	-	-	28.3%	-4.3%	-10.0	-16.5%	20.9%	-3.1%	1.8%	-
Fund Return	-3.6%	16.9%	10.4%	14.8%	13.0%	28.2%	-2.5%	-9.7%	-15.4%	19.9%	-2.9%	2.7%	6.3%
WM All Funds	-3.9%	19.1%	10.7%	16.8%	14.0%	21.3%	-1.3%	-8.9%	-13.9%	17.0%	-2.8%	1.9%	6.4%
Fund Ranking (/100)*	18	91	68	73	57	7	64	43	35	18	29	16	50

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

The strong recovery in 2003 was of course extremely welcome. But it was not sufficient to undo all of the damage of the three preceding years. As a result the middle term returns remain very depressed. The 3 year annualised return is negative. And even over 5 years returns have failed to keep up with either price or earnings inflation. But the Fund has outperformed both its own benchmark (introduced in 1998) and the average UK fund over this period.

The longer term record is better in absolute terms. The 10 year annualised return of +6.3% per annum comfortably outstrips inflation and is close to the expected long-term return on assets. Relative performance suffered in the mid-1990's as a result of investment manager underperformance, but even so, performance is in line with the average UK fund over 10 years.

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

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 table below.

Investment Arrangements

Following the actuarial valuation in 2002, a review of the Fund's investment arrangements was carried out during 2003. Revised arrangements were agreed during a series of meetings of the Strathclyde Pension Fund Sub-Committee during August 2003, and implemented towards the end of the year.

	LOCAL AUTHORITY REVIEW					Annualised		
	1999/00	2000/01	2001/02	2002/03	2003/04	3yr	5yr	10yr
Fund Return	18.7%	-8.6%	-0.2%	-20.8%	26.6%	0.0%	1.7%	6.9%
Local Authority Average	13.6%	-6.3%	-0.5%	-19.5%	23.4%	-0.4%	1.0%	6.7%
Fund Ranking (/100)*	3	74	29	62	10	-	-	-

*percentile ranking within the WM ALL Funds Universe



Investment Strategy

The Fund's investment strategy was revised as follows.

	Existing	Revised
UK Equity	46%	38%
Small Companies	4%	3%
Overseas Equity	28%	29%
North America	6.8%	9.75%
Europe (ex UK)	7.7%	9.75%
Japan	5.3%	3.25%
Pacific	5.0%	3.25%
Emerging Markets	3.2%	3.0%
Private Equity	3.0%	5.0%
Total Equity	81%	75%
Property	8.0%	10.0%
Index Linked	4.0%	3.0%
UK Gilts	2.5%	3.0%
Corporate Bonds	2.5%	6.0%
Overseas Bonds	2.0%	3.0%
TOTAL FUNDS	100%	100%

The principal features were an increased allocation to property and corporate bonds, and a consequent reduction in equity exposure. Within the equity allocation there was a further shift from UK to overseas, consistent with previous revisions to the Fund's strategy.

Structure

As part of the investment review the Fund tendered a number of large investment mandates during the year. The appointments subsequently made represented a significant step towards more specialist management.

A newly created global bond portfolio was awarded to **Western Asset**, a dedicated bond house with its origins, and much of its present operations, in California. The Western mandate will be a little more aggressive than the fund's existing specialist bond mandate for which **Henderson Global Investors** were retained. Both mandates represent around 5% of total fund assets.

An equity manager search concluded with three appointments. **Baillie Gifford**, **Capital International** and **Schroder** were all awarded global equity mandates but with different regional allocations. Each mandate represents around 15% of total Fund value. All three managers were already running mandates for the Fund.

The Fund retained **Legal & General** as its passive manager together with **JP Morgan Fleming** and **Gartmore** (small companies), **Aberdeen** (property), **Pantheon** (private equity) and **Genesis** (emerging markets).

A multi-asset portfolio managed by **JP Morgan Fleming** was deleted from the Fund's structure.

Other Developments

During the year the Fund adopted a Business Plan and an Elected Member Training plan to ensure compliance with all of the Myners Principles for investment decision-making.

Angus Mathieson decided to stand down from the Fund's Investment Advisory Panel at the end of 2003 having made a very significant contribution to the work of the Panel over a 10 year period.

Dick Barfield was subsequently recruited to the Panel. Dick spent a large part of his career at Standard Life where he was Chief Investment Manager from 1988 until his departure in 1996. Since then he has undertaken a varied portfolio of directorships and consultancy assignments for a variety of UK companies, pension funds and investment trusts.

The Fund's internal resource was increased with the creation of a new post of Chief Pensions Officer (Investments) within the staffing structure.



Statement of Investment Principles

1. 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.

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, in normal market conditions, all accrued benefits should be fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions should be agreed by the administering authority to meet the cost of future benefits accruing.

4. Investment Policy

The strategic benchmark, and in particular the allocation to equities, aims to deliver a long term in excess of inflation. 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 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.

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 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.

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 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 may be realised quickly if required. Property and Private Equity investments, which are relatively illiquid, currently make up around 15% of the Fund.

11. 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.

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 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 broadly compliant with the Myners Principles as set out in the CIPFA Pensions Panel guidance (Issue No.5) published April 2002. There is only one specific point on which the Fund does not comply: the production of a forward looking business plan. This had not previously been recognised as best practice for pension funds. The Fund would expect to comply in this area in early 2004.

Annex

1. A Reference Guide to the Statement of Investment Principles
 2. The Myners Principles - Assessment of Compliance
- The Statement and its annexes are available in full on the Fund's website: www.spfo.org.uk



No.1 Fund

FUND ACCOUNT			
2002/03		2003/04	
£000		£000	£000
	CONTRIBUTIONS		
73,019	Contributions Receivable from Employees	79,460	
159,913	Contributions Receivable from Employers	181,888	
15,093	Additional Contributions from Employers	15,534	
24,859	Transfers In	41,121	
301	Other Income	219	
<u>273,185</u>			318,222
	BENEFITS		
	Benefits Payable		
186,473	Pensions	192,325	
33,760	Lump Sums	31,344	
	Payments to and on account of leavers		
791	Refund of Contributions	1,548	
14,275	Transfers Out	25,272	
<u>2,696</u>	Administrative and Other Expenses borne by the scheme	<u>2,728</u>	
<u>237,995</u>			253,217
35,190	Net Addition from dealings with members		65,005
	RETURNS ON INVESTMENTS		
138,334	Investment Income	163,690	
	Less:		
(8,494)	Investment Management Expenses	(9,889)	
<u>(1,289)</u>	Overseas Tax	<u>(1,313)</u>	152,488
128,551			
<u>(1,379,550)</u>	Change in Market Value of Investments		<u>1,125,545</u>
<u>(1,250,999)</u>	Net Returns on Investments		<u>1,278,033</u>
<u>(1,215,809)</u>	Net (Decrease)/Increase in the fund during the year		<u>1,343,038</u>
6,039,199	Opening Net Assets of the Scheme		4,823,390
<u>4,823,390</u>	Closing Net Assets of the Scheme		<u>6,166,428</u>
<u>(1,215,809)</u>	Asset Movement during the year		<u>1,343,038</u>



No.1 Fund

NET ASSETS STATEMENT

2002/03 £000	2003/04 £000	
	£000	£000
INVESTMENT ASSETS AT MARKET VALUE		
Listed Investments		
1,440,698	- UK Equities	1,435,590
89,894	- UK Fixed Interest (Public Sector)	100,838
132,772	- UK Fixed Interest (Others)	180,485
778,802	- Overseas Equities	1,403,772
141,425	- Overseas Fixed Interest	259,489
190,196	- Index Linked	<u>45,248</u>
		3,425,422
Unlisted Investments		
440,668	- Property (Freehold)	393,126
57,028	- Property (Long Lease)	45,067
103,505	- Venture Capital	<u>108,514</u>
		546,707
958,548	Managed Funds	1,531,505
Unit Trusts		
77,107	- Property	90,130
<u>211,294</u>	- Other	<u>276,314</u>
4,621,937		5,870,078
Current Assets		
215,102	Sundry Debtors	312,041
61,215	Advances to Loans Fund	34,959
<u>114,162</u>	Bank	<u>251,473</u>
390,479		598,473
Less: Current Liabilities		
<u>(189,026)</u>	Sundry Creditors	<u>(302,123)</u>
<u>201,453</u>	Net Current Assets	<u>296,350</u>
4,823,390	Net Assets	6,166,428
STATEMENT OF MOVEMENT IN NET ASSETS		
6,039,199	Fund Balance as at 1st April 2003	4,823,390
(123,511)	Surplus/(Deficit) for Year	391,950
287,252	Less: Realised Gains/Add: Realised Losses	<u>(174,457)</u>
		217,493
(1,379,550)	Change in Market Value of Investments	1,125,545
<u>4,823,390</u>	Net Assets at 31st March 2004	<u>6,166,428</u>



Notes to the Accounts

Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2004, 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 2004. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2004.
- ✦ Valuation of the property portfolio was carried out at 31st December 2003 by an independent valuer. Property values have been trended to show the estimated value as at 31st March 2004.

Other

- ✦ The Fund had contractual commitments totalling £146.7million as at 31st March 2004 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. An investment review carried out during 2003/04 resulted in :

- ✦ the appointment of Western Asset to manage a specialist global bond mandate
- ✦ termination of JP Morgan Fleming from a multi-asset mandate
- ✦ significant changes to a number of other mandates

Investment management arrangements as at 31st March 2004 are shown below.

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

- ✦ Value of purchases and sales in the year were £5.9 billion and £5.6 billion respectively.
- ✦ The Fund participates in a stocklending programme managed by Northern Trust. As at 31st March 2004 the total amount of stock released by the Fund under this arrangement was £538 million.

FUND MANAGEMENT

Asset Class	Fund Manager	% Under Management
Multi Asset - Passive	Legal & General	25.9%
Global Equity	Baillie Gifford	16.0%
Global Equity	Capital International	15.8%
Global Equity - Active	Schroder	14.2%
Specialist - Property	Aberdeen PI	10.7%
Specialist - Bonds	Henderson	4.9%
Specialist - Bonds	Western	4.9%
Equities - UK Small Companies	Gartmore	2.1%
Equities - Overseas Small Companies	JP Morgan Fleming	2.1%
Specialist - Venture Capital	Pantheon	1.9%
Specialist - Emerging Markets	Genesis	1.5%
		100%



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.

FUNDING LEVEL	
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 paid additional contributions of £0.5m in 2003/04, and will pay a further £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	5.2%	
Discount Rate	6.2%	3.6%
Pay Increase	4.1%	1.5%
Price Inflation/Pension Increases	2.6%	0.0%

Fund Membership Profile

At the 2002 actuarial valuation, the membership profile of the No.3 Fund was as follows.

No.3 FUND	Members	Liabilities	
Active Members	562	£35.3m	48%
Deferred Pensioners	225	£7.0m	10%
Pensioners	520	£31.0m	42%
Total	1,307	£73.3m	100%

**FUND ACCOUNT**

2002/03		2003/04	
		£000	£000
	CONTRIBUTIONS		
413	Contributions Receivable from Employees	392	
1,425	Contributions Receivable from Employers	1,449	
5	Additional Contributions from Employers	504	
<u>1,843</u>			2,345
	BENEFITS		
	Benefits Payable		
2,235	Pensions	2,336	
722	Lump Sums	616	
	Payments to and on account of leavers		
267	Transfers Out	37	
41	Administrative and Other Expenses borne by the scheme	26	
<u>3,265</u>			3,015
(1,422)	Net Reduction from Dealing with Members		(670)
	Returns on Investments		
2,035	Investment Income	2,293	
	Less :		
(163)	- Investment Management Expenses	(152)	
(15)	- Overseas Tax	(14)	2,127
<u>(14,715)</u>	Change in Market Value of Investments		11,755
<u>(12,858)</u>	Net Returns on Investments		13,882
<u>(14,280)</u>	Net Decrease in the fund during the year		13,212
71,546	Opening Net Assets of the Scheme		57,266
57,266	Closing Net Assets of the Scheme		70,478
<u>(14,280)</u>	Asset Movement during the year		13,212



No.3 Fund

NET ASSETS STATEMENT

2002/03 £000		2003/04	
		£000	£000
INVESTMENT ASSETS AT MARKET VALUE			
Listed Investments			
20,897	- UK Equities	27,543	
1,991	- UK Fixed Interest (Public Sector)	2,483	
1,871	- UK Fixed Interest (Others)	1,101	
6,781	- Overseas Equities	8,960	
2,301	- Overseas Fixed Interest	3,668	
3,214	- Index Linked	<u>2,471</u>	46,226
Unit Trusts			
7,915	- Property	7,718	
10,519	- Others	15,028	22,746
<u>55,489</u>			<u>68,972</u>
Current Assets			
2,287	Sundry Debtors	1,247	
312	Advances to Loans Fund	791	
1,061	Bank	<u>242</u>	
<u>3,660</u>			2,287
Less :Current Liabilities			
1,883	Sundry Creditors		774
<u>1,777</u>	Net Current Assets		<u>1,506</u>
<u>57,266</u>	Net Assets		<u>70,478</u>
STATEMENT OF MOVEMENT IN NET ASSETS			
71,546	Fund Balance as at 1st April 2003		57,266
(2,226)	Surplus for Year	1,965	
2,661	Less: Realised Gains/Add: Realised Losses	<u>508</u>	1,457
(14,715)	Change in Market Value of Investments		<u>11,755</u>
<u>57,266</u>	Net Assets at 31st March 2004		<u>70,478</u>

Notes to the Accounts

Accounting Policies

- ✦ The accounts have been prepared on an accruals basis to 31st March 2004, 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 2004. Items denominated in foreign currencies have been translated into sterling at the closing foreign exchange rate at 31st March 2004.

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 £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.



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%

FRS 17

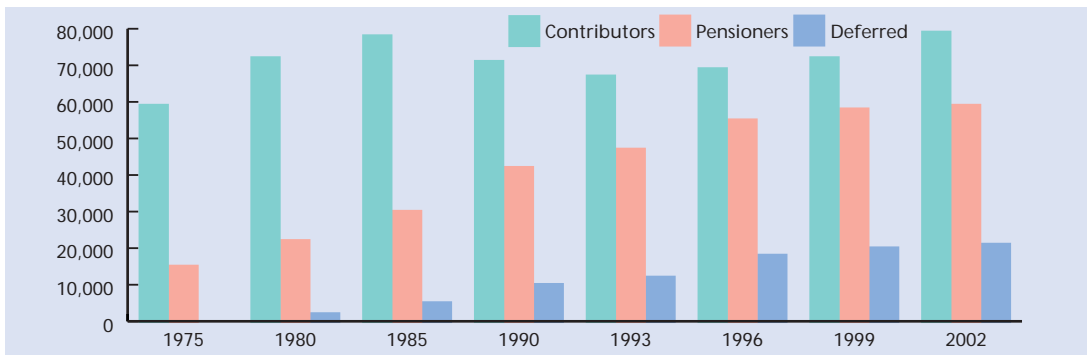
Since 2001, Financial Reporting Standard 17 has required many employers participating in the Fund to disclose details of pensions costs and funding balances within their annual financial statements.

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 2003/04 for employers participating in the Fund resulted, in all cases, in employers reporting deficits.

Fund Membership Profile (1975-2002)

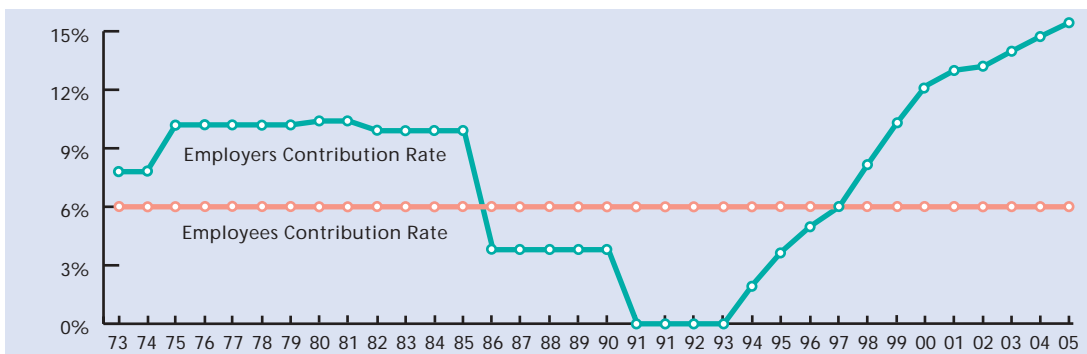


The above chart outlines the ratio of contributors to pensioners over the 27-year history of the Fund, and shows that the ratio of pensioners to current contributors has increased steadily over the years.

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%
Total	£5,594m	100%

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 2003/04 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
 Anniesland 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 Ltd
 Bridgeton Calton & Dalmarnock Credit Union
 Burns National Heritage Park Joint Board

C

Caladh House Childrens Home
 Cambuslang Community Carers
 Cambuslang Community Resource Unit
 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
 Developing North Ayrshire Ltd
 Developing Strathclyde
 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 City Centre Partnership Ltd



FUND MEMBERSHIP

Glasgow City Council Vision
 Glasgow Council for Voluntary Services
 Glasgow Council on Alcoholism
 Glasgow Cultural Enterprises Ltd
 Glasgow Film Theatre
 Glasgow Housing Association
 Glasgow North East Carers Centre
 Glasgow School of Art
 Glasgow West Credit Union
 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
 Hills Trust Parents Community Group
 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
 Lanarkshire Community Care Forum
 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 & 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
 Paths For All Partnership
 Pensioners Action Group East
 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
 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

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

V

Village Project St James' (Pollok) Parish Church

Voluntary Association for Mental Welfare

Volunteer Centre

W

West of Scotland Colleges Partnership

Women's Support Project

ANALYSIS OF CONTRIBUTIONS RECEIVED

	Scheduled Bodies	Admitted Bodies
Contributions Received	£228,785,000	£34,404,000

Communications Report

Communications Team

The Team has spent much of the last 12 months "on tour", delivering pension presentations the length and breath of the West of Scotland. Feedback on the Communications Strategy and the value of the Team has been very positive. Question and answer sessions have been lively events, proving the continuing thirst for pensions knowledge.

The next year looks likely to be even busier as the team gears up for presentations on forthcoming changes resulting from the 'Stocktake' review of the Local Government Pension Scheme. Future presentations will inform members of the impending changes and their implications.

Pension presentations and other services are available to all employers on request.

Pension Database

The Communications Team has responsibility for maintaining the SPFO member database. Constant updating is required to ensure that information provided to members is both accurate and properly addressed.

The Team relies on employers to provide a regular flow of employee data. Several employers have been particularly helpful over the last year in providing bulk updates of change of home address details.

The issue of Benefit Statements continues to help to cleanse records as errors identified and notified to SPFO by members on receipt of their statements are rectified.

Employer Relationships

Within the Communications Team, the four Liaison Officers have been making steady progress building up relationships with employers with a view to ensuring a better flow of information between the Strathclyde Pension Fund Office and its stakeholders.

The Team firmly believes that the running of the pension scheme is a partnership between SPFO and employers with the common aim of providing a first class pensions service to all scheme members.

Progress of the Communications Strategy

The 10 point Communications Strategy forms the basis of the Communications Team's remit. Detailed below is a brief update on the Strategy's progress to date, point by point.

1. SPFO WEBSITE

The SPFO website has proved very popular. Since its introduction in June 2001 the website has had over 32,000 "hits". The site now receives more than 200 hits per week, reflecting the level of interest which pensions issues currently generate. Several employers now have a hyperlink on their own websites, which allows their employees direct access to the SPFO website. The website address is www.spfo.org.uk.

2. NEWSLETTERS

The annual newsletter - 'Fundnews' - which is issued to the home address of all contributing members, was increased in size this year from 4 pages to 6. The increased capacity allowed the inclusion of a detailed report on the "Stocktake" review of the Scheme.

'Pensionnews' is the annual newsletter for retired members. In addition to regular items such as a summary of the Fund accounts and investment report, the latest issue advised pensioners of SPFO's participation in the National Fraud Initiative (NFI). The NFI is an anti-fraud initiative organised by Audit Scotland, which is being carried out under powers in section 100 of the Local Government (Scotland) Act 1973 and section 53 of the Local Government in Scotland Act 2003.



SERVICE LEVEL AGREEMENTS

3. HANDBOOKS

The Local Government Pension Scheme handbook (produced by SPFO) is currently under review due to the significant changes to the scheme being brought about by the "Stocktake" review. The handbook is issued to all new members of the scheme, and any updates are issued direct to members' home addresses.

4. TECHNICAL BULLETINS

The Technical Bulletin advises employers about significant technical developments in the scheme rules or in SPFO's administration arrangements. Employers have now been issued with 9 Bulletins covering various topics including the Earnings Cap, FRS17, AVCs and concurrent employment.

5. MEETINGS

"It's good to talk" has become something of a mantra for Senior Communications Officer Alistair Gray and his team, who have had a very busy 12 months spreading the pensions gospel throughout the west of Scotland.

The Team has built a large network of contacts amongst both employer and trade union organisations, and has regular meetings with both individuals and groups to ensure that relevant information is widely disseminated.

The Team is also responsible for organising the Fund's more formal Annual Meeting, to which finance, personnel and trade union representatives from all participating employers are invited. Held in June each year, the Annual Meeting has adopted the Glasgow Royal Concert Hall as its venue. Transparency and accountability figure prominently in the objectives of the Annual Meeting, and a wealth of valuable information is made available through interactive presentation of the Fund Accounts and Investment, Administration and Communication Reports. Levels of attendance, and delegate feedback attest to the value of this event in its current format.

6. CONSULTATION

All papers considered by the Strathclyde Pension Fund Sub-Committee are available on the SPFO website at www.spfo.org.uk. Minutes of Sub-Committee meetings are distributed to major employers and their trade union representatives. Both of these groups have a formal right to respond.

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

7. ANNUAL REPORTS & ACCOUNTS

The Report and Accounts is now a well established element of the communications cycle. Copies are distributed widely amongst the Fund's stakeholders including: all contributing member organisations, investment managers, counterparties, advisers, consultants, and various media and research groups. The report is also accessible to members on the website.

8. BENEFITS STATEMENTS

Benefit Statements will in future be issued on an annual basis, replacing the current practice of issuing them to contributing members on a 3 yearly cycle.

Work is also on-going for the issue of annual Benefits Statements to all deferred beneficiaries of the Fund.

9. SERVICE LEVEL AGREEMENTS

After some time spent developing the form of Service Level Agreement, the implementation phase commenced in the last year. The first phase has targeted the unitary authorities. Typically, an initial meeting has been followed by a period of discussion before signature.

The agreement reinforces the partnership aspects of pensions provision within the LGPS with a view to optimising the service to members through collaborative effort.

10. PROMOTING THE LOCAL GOVERNMENT PENSION SCHEME

The Communications Team has had a busy 12 months actively promoting the benefits of membership of the LGPS to both members and non-members. The team has delivered presentations across the Strathclyde area - from Oban to Girvan and all stops in between!

The longer-term plan is to continue to educate and inform existing members about their scheme, and to promote the benefits of membership of the LGPS to non-contributors.



Contacts



Investment

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Glasgow G1 3DN

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Glasgow G1 3DN

0141 287 7432

Operations

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Glasgow G1 3DN

0141 287 7414

Internet

Visit Strathclyde Pension Fund's website at
www.spfo.org.uk

E-mail us at spfo@fs.glasgow.gov.uk
or follow the link on the website.

Accounting

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

0141 287 7398

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

Employer Communications

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

0141 287 7416

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.opra.gov.uk

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



