

Strathclyde Pension Fund

ANNUAL REPORT
for the year to 31st March 2009





membership

grew

to 191,706 members



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CONVENER'S INTRODUCTION

Good progress in difficult times

The past year has been a very challenging one for anyone involved with pensions and especially those involved in local government pensions.

What started as a credit crunch in 2007 had turned into one of the worst economic and banking crises in history by 2008. By 2009 it has become a recession whose length and depth remain hard to predict. There can be no one untouched by events like the bank bail out, the collapse in demand for goods and services and the huge cost pressures on businesses.

Strathclyde Pension Fund has clearly been affected. The value of the Fund has dropped sharply and a variety of investment issues have had to be addressed in the course of the year.

These have included the nationalisation of banks in which the Fund is a shareholder, a small number of defaults on bonds which the Fund holds, and delays in finding tenants for some of the buildings in the property portfolio.

Difficult times. But the Fund will ride out these problems.

The Fund has always taken the view that it is investing for the long term. So, even if there are further falls in value, the Fund is well structured for a recovery in markets, whether it comes soon or later.

Aside from investment, the challenge of introducing the new Local Government Pension Scheme (LGPS) has been the main focus over the last year. I'm pleased to report that the project has been a success, with our communications programme receiving many well-deserved plaudits.

Another success story has been the 2008 actuarial valuation. The combined efforts of the SPFO and our employers to clean up our member records reaped significant rewards, resulting in the Fund being 95% funded as at 31 March 2008.

Summarising the year to 31 March 2009:

- The Fund's membership grew to:
 - > 91,148 active members.
 - > 40,804 deferred members.
 - > 59,754 pensioners.
- The Fund's investments fell by 20.8%.

Significant decisions by the Strathclyde Pension Fund Committee over the last year included:

- The introduction and ongoing monitoring of a detailed Risk Register.
- A detailed review of our adherence to the UN Principles for Responsible Investment.
- Stopping transfers in from non-public sector pension schemes.

Improvements like these continue to strengthen the investment, governance and operational structures that the Fund has in place. And the Fund remains committed to the development of the Fund and the service the Strathclyde Pension Fund Office provides to scheme members and other stakeholders.



Defending the LGPS

The LGPS has been the subject of a lot of comment in the press in recent months. Critics say that it is too generous on the one hand and insufficiently funded on the other. I am happy to defend the Strathclyde Pension Fund on both counts.

The LGPS is a very good scheme. And the new LGPS introduced some improvements as well as spreading the cost more fairly amongst members. But the average pension paid by the Fund is fairly modest at less than £4,500 per year.

The actuary reported a 5% deficit when the Fund was valued last year. This will have increased since then as a result of falling investment markets. No surprise, as we expect the value of the Fund to rise and fall but to grow over time to meet its purpose of paying pensions many years from now.

The LGPS is a defined benefit scheme, so pensions are not affected by investment returns and you can rest assured about the security and value of the pension you have built up.

Bailie James McNally

Glasgow City Council administers the Local Government Pension Scheme (LGPS) on behalf of 12 unitary local authorities and over 200 other public sector bodies in the west of Scotland.

As at 31st March 2009, the Fund had net assets of £7,597 billion and 191,706 scheme members. The Fund is one of the 20 largest pension funds in the UK and the 60 largest in Europe.



ABOUT THE FUND

The Fund was established in 1975 by Strathclyde Regional Council and transferred to Glasgow City Council on 1st April 1996.

The Fund is a pool into which employees' and employers' contributions and investment income are paid, and from which pensions and other lump sum benefits are paid out to Local Government Pension Scheme members.

All pension benefits are paid in accordance with the Local Government Pension Scheme (Scotland) regulations 2008.

The Fund's investments are externally invested in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) regulations 1998.

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 and Rescue;
- 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; and
- Former employees of authorities in existence pre 1975.

A full list of the Fund's contributing employers is included later in this document in the section entitled "Fund membership".

OUR VALUES

- Accuracy, accessibility and speed of response
- People, participation and partnership
- Proactiveness, initiative and innovation
- Transparency, accountability and value for money

OUR OBJECTIVES

- To deliver a professional, high quality service through having highly skilled, motivated and empowered staff
- To be fully accountable to all stakeholders for the governance of the fund and for scheme administration
- To achieve 100% accuracy of our member database in partnership with all our stakeholders

ENGAGED INVESTOR 
TRUSTEE AWARDS recognising commitment to pensions 2009

WINNER

Best Scheme Governance (Public Sector)

STRATHCLYDE PENSION FUND COMMITTEE

Glasgow City Council has the statutory role of administering authority for the Strathclyde Pension Fund. It delegates this role to the Strathclyde Pension Fund Committee.

The Committee is comprised of seven elected members of Glasgow City Council.

The Committee decides policy and investment strategy for the Fund and appoints investment managers, advisers and consultants, taking advice from the Representative Forum, from the Investment Advisory Panel, and from external consultants.

During 2008/09 Councillor Tom McKeown replaced Councillor Aileen Colleran and membership of the Strathclyde Pension Fund Committee was as below.

Bailie James McNally	(Convener)
Cllr. Paul Coeshill	
Cllr. Aileen Colleran	(part-year)
Cllr. Stephen Curran	
Cllr. Khalil Malik	
Cllr. John McKenzie	
Cllr. Tom McKeown	(part-year)
Cllr. Ruth Simpson	

Current membership is displayed on our website at: www.spfo.org.uk



INVESTMENT MANAGERS



OTHER SERVICE PROVIDERS



RISK REGISTER

A detailed Risk Register has been established and maintained for the Strathclyde Pension Fund and the complete register was reviewed by the Committee in June 2008.

The Risk Register is monitored on an ongoing basis by officers and by the Investment Advisory Panel. The top 5 risks, in terms of their residual ranking, are reported to the Strathclyde Pension Fund Committee each quarter for review.

The top 5 risks as at 31 March 2009 were as follows.

Risk ID	Description	Probability	Impact	Ranking
SPFO1	Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	3	4	12
SPFO3	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	3	4	12
SPFO14	Failure of investment strategy	3	4	12
SPFO23	CPX system failure	3	4	12
SPFO26	Failure to implement LGPS New Scheme	3	4	12

a broad
CROSS.
section
of the Fund's stakeholders



REPRESENTATIVE FORUM

The Strathclyde Pension Fund Representative Forum is a quarterly, formal meeting of designated representatives forming a broad cross-section of the Fund's stakeholders. Current membership is displayed on our website.

The Forum was established at the end of 2005 to provide an interface between the Fund's stakeholders and the Strathclyde Pension Fund Committee.

It allows interested parties, on a representative basis, to contribute to decisions regarding the Fund and facilitates ongoing dialogue on the management of the Fund and pensions issues generally between all interested parties.

During 2008/09 the Forum's membership was as follows.

Bailie James McNally	Glasgow City Council
Cllr Stephen Curran	Glasgow City Council
Carol Dick	Glasgow City Council
Cllr Robin Currie	Argyll & Bute Council
Janet Thomson	Cardonald College
Fiona Steel	East Ayrshire Council
David Smith	East Dunbartonshire Council
Cllr Ralph Robertson	East Renfrewshire Council
Julie Blackburn	Glasgow Metropolitan College
Eliot Leviten	Glasgow School of Art
Andrew Kyle	Inverclyde Council
Angus Grossart	North Ayrshire Council
Cllr Robert Burrows	North Lanarkshire Council
Cllr Alan Noon	Renfrewshire Council
Frank Burns	Scottish Enterprise National
Eileen Howatt	South Ayrshire Council
Jackie Taylor	South Lanarkshire Council
Sarah O'Donnell	Strathclyde Fire & Rescue
Neil Wylie	Strathclyde Partnership for Transport
Andrew Heron	University of West of Scotland
Vincent Gardiner	West Dunbartonshire Council
Robert Gordon	Amicus (UNITE)
Tommy Asken	GMB
Frank Murphy	T&G section of UNITE
Stewart Young	UCATT
Joe Connolly	UNISON
David Thomson	Pensioners Representative

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. A separate Funding Strategy Statement exists, but in short the funding policy is that over the long term all accrued benefits should be fully covered by 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 sought through active management of most 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 (UK, Overseas and Global) with the balance invested in Bonds (UK, Overseas and Index-Linked), and Property (UK only). 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. Most assets are directly held, but some use of pooled vehicles is made. Some use of derivatives may also be made. The core strategy is overlaid with an active currency strategy which uses forward foreign exchange contracts.

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 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 the funding valuation.

8. Risk

The Fund acknowledges that its equity based investment strategy may entail significant risk including short-term volatility or longer term underfunding. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants and is biased towards equities in the pursuit of long-term higher returns than from bonds. 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

All investment managers are required to report performance on a quarterly basis. An independent performance measurement service is also used to verify returns. The main forum for performance monitoring is the Fund's Investment Advisory Panel which meets quarterly. All active managers present to the Panel at least annually. Officers conduct an additional programme of quarterly reviews with managers. Consolidated performance is reported to the Committee quarterly.

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, make up less than 20% of the Fund.

11. Responsible Investment

The Fund believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). The Fund is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and these principles constitute its current policy on these issues. The Fund has affirmed its commitment to UNPRI to its investment managers along with its expectations of them. As a minimum the Fund ensures that the votes attaching to its holdings in all quoted companies, both in the UK and Overseas, are exercised whenever practical.

12. Custody

The Fund ensures separation of the custody of its assets from its investment managers and its officials by employing a Global Custodian.

13. 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.



developing and monitoring
**investment
strategy**



INVESTMENT ADVISORY PANEL

The role of the Investment Advisory Panel is to provide advice to the Strathclyde Pension Fund Committee and to assist its members in the discharge of their responsibilities. The Committee delegates much of the investment monitoring function to the panel.

The panel also spends considerable time developing and monitoring investment strategy. Members of the Committee may attend panel meetings in an observer capacity, at their discretion.

Panel membership during 2008/09 was:

Dick Barfield	Investment Adviser
Russell Borland	Managing Partner, Hymans Robertson,
Lynn Brown	Director of Financial Services, Glasgow City Council
Caroline Burton	Investment Adviser
Jacqueline Gillies	Chief Pensions Officer (Investments) Strathclyde Pension Fund
Richard Keery	Investment Manager, Strathclyde Pension Fund
Richard McIndoe	Head of Pensions, Strathclyde Pension Fund
Prof. Geoffrey Wood	Investment Adviser

INVESTMENT STRATEGY

The Fund's investment strategy is summarised in its strategic benchmark. The following benchmark was in place as at 31 March 2009. The only change in the benchmark during the year was a 2% reduction in UK equities (from 33.5% to 31.5%) to increase private equity from 3% to 5%.

Asset Class	Benchmark (%)
Equities	73
Global	15
UK	31.5
Overseas	21.5
Private Equity	5
Property	12
Bonds	15
Index Linked	3
UK Gilts	3
Corporate	6
Overseas	3
TOTAL	100

The Fund's strategy does not include an allocation to cash but does incorporate a currency overlay strategy.

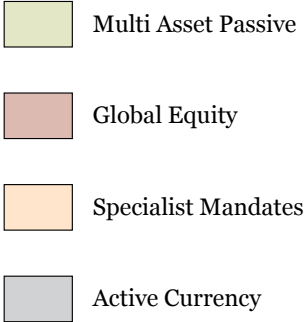






INVESTMENT MANAGER STRUCTURE

The investment assets of the Fund are externally managed. A revised investment manager structure was implemented in April 2008. There were no changes to the structure during the remainder of the year. The investment management arrangements as at 31st March 2009 are summarised and illustrated below.

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	23.39%
Global Equity	Baillie Gifford	14.63%
Global Equity	Capital International	13.67%
Global Equity	Alliance Bernstein	2.90%
Global Equity	Invesco Perpetual	3.15%
Global Equity	Lazard	4.98%
Global Equity	Edinburgh Partners	2.24%
Specialist – Property	Aberdeen Property Investors	8.55%
Specialist – Bonds	Western Asset	5.39%
Specialist – Bonds	Henderson	5.70%
Equities – UK Small Companies	Gartmore	1.56%
Equities – Overseas Small Companies	JP Morgan	2.23%
Specialist – Private Equity	Pantheon	5.70%
Specialist – Private Equity	Partners Group	2.71%
Specialist – Emerging Markets	Genesis	2.19%
Currency Overlay	Millennium*	0.92%
Currency Overlay	Record Currency Management*	0.00%
Currency Overlay	Mellon Capital*	0.00%

*Record and Mellon manage currency for the Fund on an overlay basis which does not require a pre-funded balance to be held. Millennium's mandate is partly pre-funded.

Record	Mellon	Millennium	
Legal & General	Baillie Gifford	Henderson	 <ul style="list-style-type: none">  Multi Asset Passive  Global Equity  Specialist Mandates  Active Currency
	Capital International	Western Asset	
	Edinburgh Partners	Genesis	
	Invesco Perpetual	Pantheon	
	Lazard	Partners Group	
	Alliance Bernstein	JP Morgan	
		Gartmore	
	Aberdeen PI		

Northern Trust has been the Fund's Global Custodian since 1997, safekeeping and servicing the Fund's investment assets.

INVESTMENT PERFORMANCE

SUMMARY

To set the Fund's investment performance in context, 2008/2009 proved to be one of the most difficult and extraordinary periods in financial markets for a generation.

What had started as a 'credit crunch' in 2007 developed in to one of the worst banking crises in history.

The presence of deteriorating 'sub-prime' mortgage assets on the books of commercial and investment banks led to takeovers, bankruptcies and government intervention among financial firms.

Central banks and governments across the globe synchronised interest rate cuts, developed large scale spending plans, recapitalised banks and created multiple programmes, all designed to restore liquidity to frozen credit markets.

Global markets responded with extreme volatility. Within a two week period, the FTSE 100 swung up to +/-10% on a daily basis. Despite a rally in equity markets in March 2009, the FTSE All Share Index ended the year down 29.3%, while the FTSE World Index lost 20.0%.

Corporate bond markets were similarly chaotic and the spreads of financial sector bonds over government securities soared to record highs.

Returns in the UK commercial property market deteriorated sharply as financing for investment vanished and confidence levels plummeted.

Meanwhile, falling stock markets and growing signs of a global economic downturn caused an exodus to government securities, with FTSE All Stock gilt index returning +10.3% for the year.

The US dollar rose +38% against sterling and +19% against the Euro as investors perceived the currency as a 'safe-haven'. But sterling suffered significant depreciation against all major currencies as concerns deepened over the UK's weak economic outlook.

PERFORMANCE MEASUREMENT

All performance figures are independently verified.

In 2003 the Fund appointed Northern Trust as provider of independent investment performance measurement. Previously (in fact since 1976) the WM Company had held this appointment. 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 over two thirds of the UK pension fund market.



INVESTMENT PERFORMANCE BY ASSET CLASS

The Fund's performance during scheme year 2008/09 by asset class is summarised in the following table.

Asset Class	Fund Return*	Benchmark Return*	WM** Average Return	Fund Ranking (v WM)
	(%)	(%)	(%)	(/100)
UK Equities	-29.1	-29.3	-29.0	48
Overseas Equities				
US	-16.7	-14.0	-18.0	60
Europe	-27.7	-30.8	-30.4	11
Japan	-13.7	-10.7	-15.2	44
Pacific	-19.9	-22.1	-24.7	37
Emerging Markets	-25.6	-26.4	-26.0	48
UK Gilts***	9.3	8.6	n/a	n/a
UK Corporates***	-13.3	-3.5	n/a	n/a
Overseas Bonds	18.2	36.7	9.3	54
UK Index Linked	-2.1	-2.8	1.2	42
Cash / Alts****	9.1	-29.3	-7.7	18
UK Property	-31.2	-25.5	-25.8	77
TOTAL FUNDS	-20.8	-21.0	-18.1	71

* Calculated by the Fund's main investment performance measurer, Northern Trust

** WM = average of the WM All Funds Universe = the "average" UK pension fund

*** WM All Fund rankings and returns not available for UK Gilts and UK Corporate Bonds

**** Cash / Alts includes Private Equity



LONG TERM INVESTMENT PERFORMANCE

Year to 31 March	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Yr Annualised	5Yr Annualised	10 Yr. Annualised
	%	%	%	%	%	%	%	%	%	%			
Retail Prices	2.6	2.3	1.3	3.1	2.6	3.2	2.4	4.8	3.8	-0.4	2.7	2.7	2.6
Avg. Earnings	5.5	4.9	3.0	3.4	3.9	4.4	3.9	4.3	4.9	-0.4	3.0	3.4	3.8
Fund Benchmark	15.8	-9.5	-1.1	-22.2	28.0	12.9	26.6	8.1	-3.8	-21.0	-6.4	3.3	2.0
Fund Return	18.9	-8.6	-0.2	-20.8	26.6	12.4	27.2	7.4	-2.9	-20.8	-6.2	3.4	2.5
WM All Funds	14.2	-6.8	-1.0	-18.5	22.6	11.6	24.2	7.0	-1.0	-18.1	-4.6	3.7	2.4
WM Ranking	14	56	23	34	25	18	10	30	8	71	65	44	33

The table above shows that the Fund has achieved a 10-year annualised return of +2.5%. This return illustrates the dramatic impact that the turmoil in financial markets has had on the long term performance of the Fund. Performance is now below average earnings and price inflation over the period and below (-3.8%) the Actuary's assumed return of +6.3% per annum.



RESPONSIBLE INVESTMENT

POLICY

The Fund believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

The Fund is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and these principles constitute its current policy on these issues. The Fund has affirmed its commitment to UNPRI to its investment managers along with its expectations of them.

As a minimum the Fund ensures that the votes attaching to its holdings in all quoted companies, both in the UK and Overseas, are exercised whenever practical.

REPORTING

Each manager must report back to the Fund every quarter on proxy voting activity and ESG engagements undertaken. A responsible investment report is considered by the Strathclyde Pension Fund Committee every quarter. Reports can be viewed either at www.spfo.org.uk or at www.glasgow.gov.uk.

Voting activity during 2008/09 is summarised in the following tables.



Voting Results 2008/2009

UK

Manager	No of meetings	No. of AGM's	No. of EGM's	No of Resolutions	Votes For	Votes Against	Abstentions	Not Voted	Proxies Lodged	Proxies Not Lodged
AllianceBernstein	14	8	6	169	162	6	1	0	14	0
Baillie Gifford	43	37	6	600	590	9	1	0	43	0
Capital International	49	38	11	640	626	13	1	0	49	0
Edinburgh Partners	5	3	2	58	57	0	1	0	5	0
Gartmore	282	209	73	2,285	2,217	42	25	1	281	1
Invesco	5	3	2	47	18	0	12	17	4	1
Lazard	11	9	2	166	166	0	0	0	11	0
Legal & General	971	733	238	9,732	9,474	172	86	0	971	0
Schroders (No. 3)	52	32	20	567	502	16	4	15	52	0
Total	1,432	1,072	360	14,264	13,812	258	131	33	1,430	2
					97%	2%	1%	0%	100%	0%

Voting Results 2008/2009

Overseas

Manager	No of meetings	No. of AGM's	No. of EGM's	No of Resolutions	Votes For	Votes Against	Abstentions	Not Voted	Proxies Lodged	Proxies Not Lodged
AllianceBernstein	44	30	14	493	419	20	2	52	40	4
Baillie Gifford	90	76	14	936	820	41	3	72	81	9
Capital International	277	228	49	3,050	2,722	192	4	132	262	15
Edinburgh Partners	19	16	3	157	151	6	0	0	19	0
Invesco	38	34	4	493	172	20	144	157	28	10
JP Morgan	339	283	56	2,564	2,128	303	30	103	319	20
Lazard	93	60	33	796	828	65	0	21	92	1
Schroders (No. 3)	112	99	13	1,379	1,194	85	5	95	103	9
Total	1,012	826	186	9,868	8,434	732	188	632	944	68
					85%	7%	2%	6%	93%	7%

ENGAGEMENT

During 2008/09, the Fund's external investment managers reported on several hundred specific company engagements.

The scope of engagement has noticeably grown and increasingly includes small companies and overseas companies.

Climate change and sustainability are increasingly dominant themes, but engagement frequently also involves human rights and employee issues.

The following list is just a selection of the engagement topics on which managers reported over the year:

- greater fuel efficiency
- EU commitment to reduce greenhouse gas emissions
- growing water risks in the supply chain
- the ESG challenges facing palm oil production
- Barclays' decision to issue shares to Middle East investors, circumventing the normal rights issue process
- the pressure faced by banks to increase capital ratios
- an allegation of child labour in a Liberian rubber plantation
- South African companies investment in improving workforce healthcare, skills and education
- ethical monitoring of orthopaedics businesses in the US
- adapting to climate change
- long working hours at a Korean tyre manufacturer's new plant in Hungary
- investment opportunities associated with those at the base of the economic pyramid
- reducing energy consumption through reducing the amount of fuel used in deliveries
- maximising the use of natural light at sites
- carbon neutrality

FAIRPENSIONS

The Fund was delighted to achieve third place in the 2009 FairPensions survey of responsible investment performance.

The Fund was the highest-placed local authority pension scheme in the survey.

Our third place is one place higher than the Fund achieved in FairPensions' last survey two years ago. And it was achieved against stiffer competition: the 2009 survey included 30 of the UK's largest pension schemes instead of just 20 in the 2007 survey.

Our score also rose to 90%, compared to 85% in 2007.

In their assessment of our responsible investment performance FairPensions commented that:

"Strathclyde Pension Fund continues to show strong commitment and action on responsible investment."

"The Strathclyde Pension Fund is to be commended for its clear commitment to responsible investment, as evidenced through their detailed policies and practice, and their strong understanding of the fundamental importance of transparency."

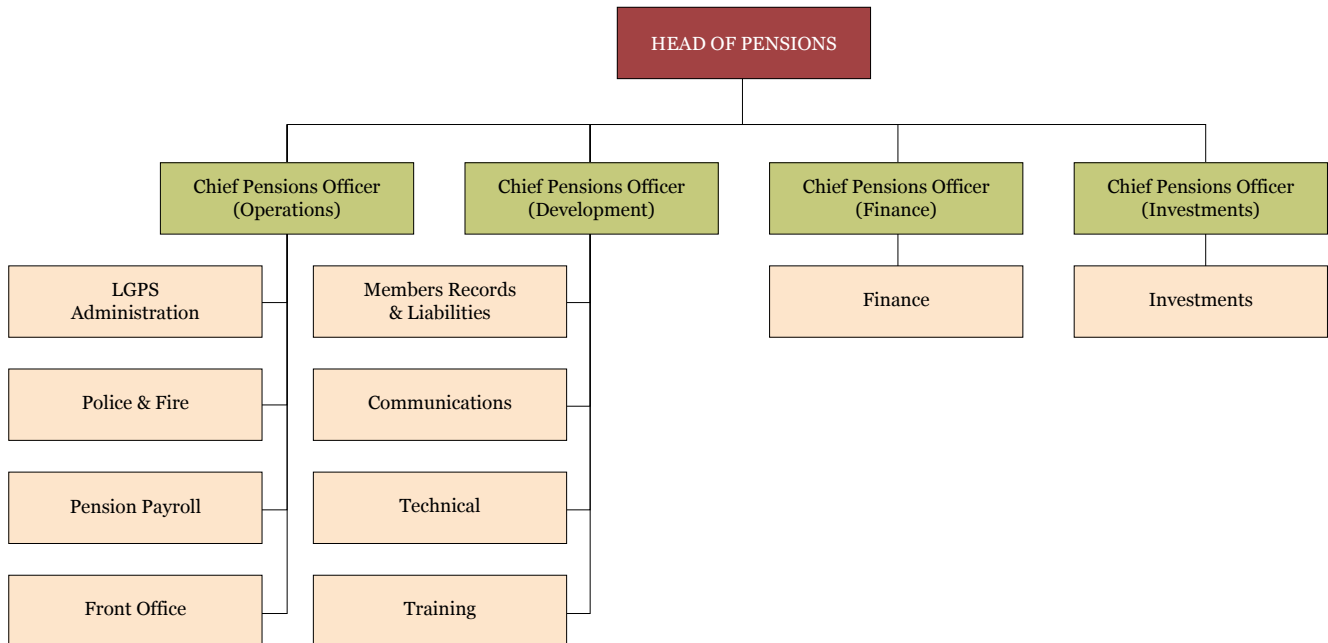
At a time when the financial world has been facing scrutiny over the current economic crisis receiving such a prestigious endorsement for our approach to investment is a source of great pride.

"We are delighted to have maintained our high ranking in the FairPensions 2009 survey. This reflects the commitment and effort we continue to devote to responsible investment. Given the manifold financial problems of the last year across the globe, and the resultant loss in fund values it would be easy to lose sight of the importance of social, environmental and governance issues. We believe that in many ways the opposite is true, and that, if value and confidence are to be rebuilt, these issues simply cannot be ignored."

RICHARD MCINDOE
HEAD OF PENSIONS

ADMINISTRATION

SPFO STAFFING STRUCTURE



ADMINISTRATION PERFORMANCE

A detailed administration performance report is presented quarterly to both the Representative Forum and the Committee. It is publicly available on our website.

Target measures for a range of core processes representative of SPFO's service delivery to its members are agreed in the annual business plan. The table below shows the targeted and actual performance for 2008/2009, together with previous year comparators.

Outturn performance for 2008/09 is extremely good. All targets were achieved in spite of additional workload from the actuarial valuation, implementation of the new LGPS and significantly increased volumes in most tasks.

**PERFORMANCE INDICATORS -
PENSIONS ADMINISTRATION**

	2006/2007 Performance (Actual)	2007/2008 Performance (Actual)	2008/2009 Performance (Target)	1 Apr 08 to 31 Mar 09 Performance (Actual)
a DEFERRED BENEFITS				
Turnaround Times	2.45 days	1.61 days	<3 days	0.82 days
% Caseload Outstanding	0.03%	0.19%	<0.5%	0.03%
Total Rolling Year Volume	2,709	4,205	4,315	
% On Target	95.00%	92.87%	90.00%	95.75%
b NEW STARTS				
Turnaround Times	1.79 days	0.46 days	<5 days	1.13 days
% Caseload Outstanding	0.40%	0.72%	<1%	0.25%
Total Rolling Year Volume	7,080	7,227	8,882	
% On Target	97.58%	98.83%	98.00%	98.94%
c RETIRAL QUOTES				
Turnaround Times		10.17 days	<15 days	7.57 days
% Caseload Outstanding		1.81%	< 1%	0.03%
Total Rolling Year Volume		5,140	4,842	
% On Target		76.82%	80.00%	86.33%
d RETIRALS				
Turnaround Times	6.53 days	4.25 days	<12 days	3.79 days
% Caseload Outstanding	0.06%	0.97%	< 1%	0.00%
Total Rolling Year Volume	1,577	1,744	1,855	
% On Target	78.42%	91.84%	80.00%	93.37%
e EARLY LEAVER OPTIONS				
Turnaround Times		6.07 days	<15 days	2.85 Days
% Caseload Outstanding		0.38%	<1%	0.03%
Total Rolling Year Volume		4,791	6,685	
% On Target		86.88%	85.00%	97.62%
f TRANSFERS INWARD				
Turnaround Times	7.79 days	4.79 days	<10 days	2.62 days
% Caseload Outstanding	0.62%	0.08%	<1%	0.97%
Total Rolling Year Volume	1,293	1,244	1,024	
% On Target	75.33%	86.01%	80.00%	94.62%
g CLUB* TRANSFER VALUES				
Turnaround Times	11.08 days	8.38 Days	<15 days	5.00 days
% Caseload Outstanding	1.11%	0.00%	<1%	0.60%
Total Rolling Year Volume	270	230	185	
% On Target	76.40%	83.84%	80%	96.22%
h NON CLUB** TRANSFER VALUES				
Turnaround Times	17.29 days	10.91 Days	<15 days	7.34 days
% Caseload Outstanding	0.00%	0.00%	<1%	1.00%
Total Rolling Year Volume	62	83	74	
% On Target	75.81%	78.05%	80%	90.54%

* To public sector schemes

** To private sector schemes

CUSTOMER FEEDBACK

In 2007, Strathclyde Pension Fund Office introduced a rolling customer survey. Scheme members receive a one-page questionnaire when each significant transaction is processed. This provides regular data on members' satisfaction with the quality of service provided.

A minimum average score of 75% for each question, and a minimum overall score of 80% for each transaction type were agreed as targets for 2008/09.

The table below shows good results for the year to 31 March 2009 in all categories, though a little behind target in 3 out of 4 as a consequence of delayed processing of joiners and leavers identified in the data management exercise described below.

	Joiners	Leavers	Deferreds	Retirals
Forms issued	8,882	6,685	4,315	1,855
Responses	1,389	811	242	561
Response rate (%)	15.6	12.1	5.6	30.2
"Satisfaction Rating" (%)	77.9	78.7	79.8	91.1
2007/08 (%)	78.1	75.6	78.4	91.5



MEMBER DATA

One of SPFO's current operational priorities is to improve data management and the quality of member data held in the pensions system.

This is an area which was historically neglected by employers and under-resourced within SPFO.

Serious efforts to remedy this started with a data-cleansing exercise ahead of the Fund's 2005 actuarial valuation, and continued with the establishment of a small data team within the SPFO Technical section in April 2006.

The 2007 service reform significantly enhanced these initial efforts with the creation of a permanent Member Records and Liabilities team of 12 staff from January 2008.

The root of the data issue lies in inaccurate or incomplete data supplied to SPFO by employers.

The most visible problems are mismatches between employee contributions data (supplied by employers' payroll offices) and data held on the SPFO member database (built up from data supplied by employers' HR departments). These are essentially categorised as missing joiner or leaver notifications.

The table overleaf summarises the current incidence of these two problems in respect of the Fund's major employers.

Improvements in our data have resulted in the value of the liabilities as at 31 March 2008 being £435m less than in the previous (2005) actuarial valuation of the Fund.

This achievement scooped Strathclyde Pension Fund Office the Team Excellence in Improving the Efficiency and Effectiveness of our Services Award in this year's Glasgow City Council Flourish Awards. The Awards recognise and celebrate staff who demonstrate exceptional performance at work and who have demonstrated competencies in providing excellent customer service, personal effectiveness, delivering results, managing change and leadership.



MEMBER DATA CONTINUED

Employer	2008		2009		Active Members	08 Error Rate (%)	09 Error Rate (%)
	Missing Joiner Details	Missing Leaver Details	Missing Joiner Details	Missing Leaver Details			
Argyll & Bute	235	370	136	83	3,323	17.9	6.5
East Ayrshire	79	80	0	0	3,926	4.0	0.0
North Ayrshire	128	310	3	20	4,573	9.2	0.5
South Ayrshire	165	192	10	55	3,485	10.8	1.8
West Dunbartonshire	142	287	12	20	3,797	11.0	0.8
East Dunbartonshire	74	188	0	34	2,811	9.1	1.2
Glasgow	880	601	0	85	15,811	9.3	0.5
North Lanarkshire	1,241	446	10	61	9,678	18.2	0.7
South Lanarkshire	85	357	5	20	10,002	4.4	0.2
East Renfrewshire	19	112	0	35	2,838	4.7	1.2
Renfrewshire	411	144	0	0	5,998	9.7	0.0
Inverclyde	55	140	5	52	2,536	7.6	2.2
Scottish Water	15	29	0	0	1,313	3.3	0.0
Strathclyde Police	14	21	0	0	2,568	1.3	0.0
Strathclyde Fire	7	4	0	0	530	2.1	0
Grand Total	3,550	3,281	181	465	73,189	9.3	0.8

The Member Records and Liabilities team continues to make progress with these residual historic errors achieving an overall reduction from 9.3% last year to 0.8%.

Similar improvements in our service and transparency across the board were endorsed by our double at the Professional Pensions Awards 2008 where we scooped Best Scheme Administration and Premier Scheme of the Year.



SUMMARY OF THE LGPS

The LGPS is one of the best pension schemes going. It delivers:

- A pension based on final pensionable pay.
- A pension that increases each year in line with price inflation.
- The flexibility to exchange pension to provide a tax-free lump sum.
- A permanent ill health pension paid from any age for those with two years service who are unable to work in their present job.
- Lump sum death in service protection of three times final pensionable pay.
- A pension payable to a surviving spouse, surviving registered civil partner or surviving nominated cohabiting partner on death in service or after retirement.

A Scheme Summary of the LGPS is available on our website.

Internal Disputes Resolution Procedure

For disputes involving our administration of the Local Government Pension Scheme Regulations, application forms can be obtained from the Strathclyde Pension Fund Office, and should be submitted to the Executive 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 also be referred to the Executive Director of Financial Services.



FINANCIAL STATEMENTS

STRATHCLYDE PENSION FUND FUND ACCOUNTS (YEAR TO 31 MARCH 2009)

	2007/08 £000	2008/09 £000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME		
Contributions receivable		
From employers		
- normal	269,022	292,381
- additional	<u>16,643</u>	<u>20,090</u>
	285,665	312,471
From members		
- normal	100,041	104,829
Transfers in		
- individual transfers in from other schemes	23,175	21,842
- group transfers in from other schemes	<u>1,421</u>	<u>774</u>
	24,596	22,616
Other income		
- other income	364	377
Benefits payable		
- pensions	235,288	247,481
- commutation of pension and lump sum retirement benefits	57,264	65,427
- lump sum death benefits	<u>5,125</u>	<u>6,623</u>
	297,677	319,531
Payments to and on account of leavers		
- refunds of contributions	1,152	970
- state scheme premiums		1,466
- group transfers out to other schemes		1,289
- individual transfers out to other schemes	<u>15,705</u>	<u>14,719</u>
	16,857	18,444
Administrative expenses	4,028	4,085
Net additions from dealings with members	<u>92,104</u>	<u>98,233</u>
RETURNS ON INVESTMENTS		
Investment income		
- interest from fixed interest securities	25,454	27,680
- dividends from equities	173,272	121,528
- income from index linked securities	67	130
- income from pooled investment vehicles	9,168	18,795
- net rents from properties	41,824	42,557
- interest on cash deposits	20,359	14,567
- other	<u>(45,316)</u>	<u>6,362</u>
	224,828	231,619
Change in market value of investments	(512,433)	(2,177,802)
Taxation	4,774	3,345
Investment management expenses	<u>19,391</u>	<u>17,495</u>
Net returns on investments	<u>(311,770)</u>	<u>(1,967,023)</u>
Net increase (decrease) in the Fund during the year	(219,666)	(1,868,790)
Add: opening net assets of the Fund	9,686,371	9,466,705
Closing net assets of the Fund	<u>9,466,705</u>	<u>7,597,915</u>

NET ASSETS STATEMENT

	2007/08 £000	2008/09 £000
Investment assets		
Fixed interest securities (public sector)	115,414	78,905
Fixed interest securities (other)	1,230,241	285,947
Equities (including convertible shares)	4,837,581	3,635,383
Index linked securities	4,412	7,062
Pooled investment vehicles (unit trusts)	2,193,109	2,638,271
Derivative contracts	839,218	949,919
Property	758,250	596,797
Cash deposits	203,116	199,139
Other investment assets	<u>92,455</u>	<u>635,313</u>
	10,273,796	9,026,736
Investment liabilities		
Derivative contracts	842,094	946,799
Creditors	<u>93,468</u>	<u>599,694</u>
	935,562	1,546,493
Current assets		
Contributions due from employers	22,267	23,649
Unpaid benefits	9,060	16,697
Cash balances	102,119	83,880
Other current assets	<u>3,010</u>	<u>935</u>
	136,456	125,161
Current liabilities		
Unpaid benefits	2,757	2,972
Other current liabilities	<u>5,228</u>	<u>4,517</u>
	7,985	7,489
Net assets	<u>9,466,705</u>	<u>7,597,915</u>

Important note: the results for the 2007/08 financial year have been restated due to post audit changes. The cumulative effect on reserves of prior year adjustments made during the period is a decrease of £12.320 million.

NOTES TO THE ACCOUNTS 08/09

1. General Description of the Fund and its Membership

The Strathclyde Pension Fund was established in 1974 by Strathclyde Regional Council. Glasgow City Council became the administering authority for the Fund on 1 April 1996. The Fund is a pool into which employees' and employers' contributions and income from investments are paid to and from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) Regulations.

The Local Government Pension Scheme is a statutory scheme established under the Superannuation Act 1972 and is contracted out of the State Second Pension.

Glasgow City Council has delegated decision making for the Fund to its Strathclyde Pension Fund Committee. Scheme and Fund administration are carried out by the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department. The investment assets of the Fund are externally managed.

Fund Membership

Membership of the Strathclyde Pension Fund comprises:

- Employees and pensioners of the 12 local authorities in the former Strathclyde area;
- Civilian employees and pensioners of Strathclyde Police and Strathclyde Fire and Rescue;
- 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 scheduled bodies is as follows:

Major employers

Argyll & Bute Council
East Ayrshire Council
North Ayrshire Council
South Ayrshire Council
West Dunbartonshire Council
East Dunbartonshire Council
Glasgow City Council
North Lanarkshire Council
South Lanarkshire Council
East Renfrewshire Council
Renfrewshire Council
Inverclyde Council
Scottish Water
Strathclyde Police Authority
Strathclyde Fire and Rescue
Strathclyde Partnership for Transport

Other scheduled bodies

Anniesland College
Ayr College
Ayrshire Valuation Joint Board
Bell College
Cardonald College
Central College of Commerce
Clydebank College
Coatbridge College
Cumbernauld College
Dunbartonshire Valuation Joint Board
Glasgow College of Nautical Studies
Glasgow Metropolitan College
James Watt College
John Wheatley College
Kilmarnock College
Lanarkshire Valuation Joint Board
Langside College
Motherwell College
North Glasgow College
Reid Kerr College
Renfrewshire Valuation Joint Board
South Lanarkshire College
Stow College
Visit Scotland

2. Accounting Policies

The financial statements have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Scheme Accounts 2008 (SORP). The financial statements summarise the transactions of the Fund during the year and the net assets at the year end.

• Basis

The Fund's financial statements are generally prepared on an accruals basis. The net assets statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits to and from other schemes are treated on a cash basis. Previous year numbers are shown.

• Valuation of Investments

Quoted investments are valued at closing prices; these prices may be the last trade prices or bid prices depending on the convention of the stock exchange or other market on which they are quoted. Overseas investments and cash are stated in sterling using exchange rates as at close of business. The direct property portfolio was valued at 31 March 2009 by Colliers CRE, the valuer being qualified for that purpose in accordance with the Royal Institute of Chartered Surveyor (RICS) Appraisal and Valuation Standards. Unquoted holdings in private equity funds have been included at the fund managers' valuation adjusted for cash movements since the last valuation date.

• Investment Income

Dividends are accounted for when the price of the stock is quoted on an ex-dividend basis. Interest is included in the accounts on an accruals basis.

• Liabilities

The financial statements do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the scheme, which does take account of such obligations, is summarised below and fully reported elsewhere. These financial statements should be read in conjunction with that information.

3. Actuarial Position of the Fund

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 31 March 2008. Results of the valuation were confirmed during March 2009, and a copy of the valuation report was issued to all participating employers.

The funding level as at 31 March 2008 was 95% (97% at 31 March 2005) and there was a funding shortfall of £486 million:

	£ million
Fund Assets	9,493
Fund Liabilities	9,979
Deficit	486

Liabilities have been valued on an "ongoing" basis anticipating an element of future out-performance from equity investments.

The deficit funding position indicates that the Fund's objectives were not fully met at the valuation date. However, the Funding policy seeks to ensure that these are met over the long term.

• Funding Policy

On completion of the actuarial valuation as at 31 March 2008 the Fund published a revised Funding Strategy Statement in accordance with regulation 75A of the Local Government Pension Scheme (Scotland) Regulations 1998. The actuary's report and the Funding Strategy Statement are available from www.spfo.org.uk or the Strathclyde Pension Fund Office, Charlotte House, 78 Queen Street, Glasgow G1 3DN.

• Funding Method

At the 2008 actuarial valuation and for previous valuations a funding method was used that identifies separately the expected cost of members' benefits in respect of:

- > Scheme membership completed before the valuation date ("past service");
- > Scheme membership expected to be completed after the valuation date ("future service").

To determine the employers' contribution requirement for future service for the Fund as a whole and for employers who continue to admit new members, the cost of future service benefits for the year following the valuation date, taking account of expected future salary increases are assessed.

The contribution rate required to meet the expected cost of future service benefits is derived as this value less expected member contributions expressed as a percentage of the value of members' pensionable pay over the year. This is known as the "Projected Unit method".

The common contribution rate payable is the cost of future benefit accrual, increased by an amount calculated to bring the funding level back to 100% - the "past service adjustment". At the 2008 valuation the past service adjustment was based on repaying the funding deficit over 11 years - the average remaining period of contributory membership of the current active members.

3. Actuarial Position of the Fund continued

The total employers' contribution rate based on the funding position as at 31 March 2008 is as follows:

31 March 2008	Pensionable Payroll %
Total Future Service Cost	24.0
Less Employee Contributions	6.3
Add Expenses	0.2
Net Employer Future Service Cost	17.9
Past Service Adjustment	2.7
Total Employer Contribution Rate	20.6

In order to achieve stability of contributions, the required increase is phased in. The following common contribution rates for employers were agreed:

Year to	Rate (as % of pensionable payroll)
31 March 2010	17.3
31 March 2011	18.2
31 March 2012	19.3

In addition, a number of employers have been set contribution rates which include individual adjustments (increases). In most cases this is due to the employers closing membership of the Fund to new employees. The full list of these rates and adjustments are detailed in the valuation report, and are available from www.spfo.org.uk or on request from the SPFO.

4. Actuarial Assumptions

For valuation purposes the actuary uses assumptions about the factors affecting the Fund's finances in the future. The most sensitive assumptions are detailed below:

Assumption	Derivation	Nominal %	Real %
Price inflation (RPI)	Market expectation of long term future inflation as measured by the geometric difference between yields on fixed and index-linked Government bonds as at the valuation date	3.6	-
Pay increases *	Assumed to be 1.5% p.a. in excess of price inflation	5.1	1.5
Gilt - based discount rate	The yield on fixed-interest (nominal) and index linked (real) Government bonds	4.5	0.9
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1	2.5

* Plus an allowance for promotional pay increases.

In addition to the financial assumptions outlined above, valuation results are also sensitive to the future longevity of officers. The assumptions used by the actuary in respect of future life expectancies for member profiles are detailed below:

Assumptions to assess funding position at 31 March 2008*	Male Officers	Female Officers
Average future life expectancy (in years) for a pensioner aged 65 at the valuation date	20.3	23.2
Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at the valuation date	21.7	24.6
Average future life expectancy (in years) at age 45 for a non-pensioner aged 45 at the valuation date	40.9	43.9

* Based on PMA92 and PFA92 mortality tables with projections based on members' years of birth, allowing for a loading of 110% on the rate of mortality.

• Funding Projection as at 31 March 2009

An intervaluation monitoring report provided by the Fund's actuary as at 31 March 2009 recorded a projected funding position of 75%. The next formal funding valuation will be carried out as at 31 March 2011 with results being available by 31 March 2012.

5. Investments

Statement of Movement in Investments

	Opening Market Value £000	Purchases and Derivative Payment £000	Sales and Derivative Receipts £000	Other Movements £000	Closing Market Value £000
Investment Assets					
Fixed Interest Securities (Public Sector)	115,414	363,039	-414,718	15,170	78,905
Fixed Interest Securities (Other)	1,230,241	51,282	-38,395	-957,181	285,947
Equities (including convertible shares)	4,837,581	2,203,791	-2,042,316	-1,363,673	3,635,383
Index Linked Securities	4,412	14,995	-14,426	2,081	7,062
Pooled Investment Vehicles	2,193,109	572,529	-511,276	383,909	2,638,271
Derivative Contracts	839,218	804,578	-833,314	139,437	949,919
Property	758,250	31,508	0	-192,961	596,797
Cash Deposits	203,116	0	0	-3,977	199,139
Other Investment Balances	782,005	0	0	-146,692	635,313
Total Assets	10,963,346	4,041,722	-3,854,445	-2,123,887	9,026,736
Investment Liabilities					
Derivative Contracts	842,094	-828,520	799,737	133,488	946,799
Creditors	783,018	0	0	-183,324	599,694
Total Liabilities	1,625,112	-828,520	799,737	-49,836	1,546,493
Net Assets	9,338,234	4,870,242	-4,654,182	-2,074,051	7,480,243

Other movements during the year includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

• Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds and are charged directly to the Fund. Transaction costs such as fees, commissions and stamp duty incurred during the year amounted to £6.464 million (£7.959 million in 2007/2008).

In addition to the transaction costs disclosed above, indirect costs may be incurred through the bid-offer spread on some pooled investment vehicles. The amount of any such costs is not separately provided to the Fund.

- **Derivatives**

Derivatives comprise futures, margined options and forward derivative contracts. The Market values as at 31 March 2009 and a summary of contracts held are summarised in the tables below:

	31 March 2008	31 March 2009
	£000	£000
Futures and Options	-2,840	996
Forwards	2,000	2,124
Market Value as at 31 March	-840	3,120

Contract	Settlement Date	Asset £000	Liability £000	Net £000
Derivatives - Futures				
LIFFE Long Gilt	3 Months	580	0	580
ERX Euro BOBL	3 Months	90	0	90
ERX Euro BUND	3 Months	65	0	65
S and P 500	3 Months	122	0	122
EMINI S and P 500	3 Months	51	0	51
Derivatives – Margined Options				
LIFFE Short Gilt	3 Months	94	0	94
ERX Euro BOBL	3 Months	0	5	-5
ERX Euro BUND	3 Months	0	1	-1
Contracts Held at 31 March 2009		1,002	6	996

The Fund uses futures for the purposes of efficient portfolio management and or risk reduction. During the year, the Fund's bond managers transacted futures to manage interest rate exposure and equity managers used options to manage risk. All futures contracts are exchange traded.

- **Forwards**

Derivatives - Forward Foreign Exchange Contract	Settlement Date	Asset £000	Liability £000	Net £000
Various Currency Forwards	1 Month	256,747	254,440	2,307
Various Currency Forwards	2 Months	38,070	38,750	-680
Various Currency Forwards	3 Months	162,169	162,427	-258
Various Currency Forwards	4 Months	279,224	278,077	1,147
Various Currency Forwards	5 Months	50,101	51,042	-941
Various Currency Forwards	6 Months	162,606	162,057	549
Contracts Held at 31 March 2009		948,917	946,793	2,124

The above table summarises the contracts held by maturity date - 24 foreign currencies being involved. All contracts are traded on an over the counter basis.

The Fund's currency and bond managers use forward foreign exchange contracts for the purposes of efficient portfolio management.

Derivative market pricing is provided by the Fund's custodian Northern Trust.

6. Fund Management

• Investment Managers and Mandates

The market value of assets under the management of fund managers as at 31 March 2009 was £7,464.983 million.

Investment management arrangements as at 31 March 2009 are summarised below:

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	23.39%
Global Equity	Baillie Gifford	14.63%
Global Equity	Capital International	13.67%
Global Equity	Alliance Bernstein	2.90%
Global Equity	Invesco Perpetual	3.15%
Global Equity	Lazard	4.98%
Global Equity	Edinburgh Partners	2.24%
Specialist – Property	Aberdeen Property Investors	8.55%
Specialist – Bonds	Western Asset	5.39%
Specialist – Bonds	Henderson	5.70%
Equities – UK Small Companies	Gartmore	1.56%
Equities – Overseas Small Companies	JP Morgan	2.23%
Specialist – Private Equity	Pantheon	5.70%
Specialist – Private Equity	Partners Group	2.71%
Specialist – Emerging Markets	Genesis	2.19%
Currency Overlay	Millennium	0.92%
Currency Overlay	Record Currency Management	0.00%
Currency Overlay	Mellon Capital	0.00%

• Currency Overlay

Record Currency Management and Mellon Capital manage currency for the Fund on an overlay basis which does not require a pre-funded balance to be held.

• Private Equity

Unquoted holdings in private equity funds have been included at the fund managers' valuation adjusted for cash movements since the last valuation date. Unquoted fund investments are valued at fair value as determined by the Directors or General Partner. The valuations provided by the general partners or managers typically reflect the fair value of the Company's capital account balance of each fund investment, including unrealised gains and losses, as reported in the financial statements of the respective fund. Private equity investments are typically illiquid and resale is restricted.

• Property

As at 31 March 2009 the Fund held property assets with a value of £543.280 million. This valuation was calculated by Colliers CRE on the Fund's behalf in accordance with RICS appraisal and Valuation Standards

As at 31 March 2009 the Fund's indirect property assets had a value of £53.242 million. This valuation was conducted by external valuers CBRE, King Sturge and DTZ and prepared in accordance with RICS Appraisal and Valuation Standards.

7. Notifiable Holdings

Notifiable holdings are holding which exceed 5% of the total value Fund net assets. As at 31 March 2009 the Fund had holdings of £1,322.134 million (18.1%) in the Legal & General UK Equity Index Fund. This investment takes the form of a unitised insurance policy providing passive exposure to the UK equity market.

8. Analysis of Investments

Investments can be further analysed as follows:

	Quoted £000	Unquoted £000	Other £000	Total £000
Assets				
Fixed Interest Securities (Public Sector)	64,730	14,175	0	78,905
Fixed Interest Securities (Other)	236,176	49,771	0	285,947
Equities (including convertible shares)	2,290,734	1,344,649	0	3,635,383
Index Linked Securities	7,062	0	0	7,062
Pooled Investment Vehicles	756,067	1,882,204	0	2,638,271
Derivative Contracts	78,738	0	871,181	949,919
Property	0	596,797	0	596,797
Cash Deposits	0	0	199,139	199,139
Debtors	0	0	635,313	635,313
Total Assets	3,433,507	3,887,596	1,705,633	9,026,736
Liabilities				
Derivative Offset	0	-79,298	-867,501	-946,799
Creditors	0	0	-599,694	-599,694
Total Liabilities	0	-79,298	-1,467,195	-1,546,493
Net Assets	3,433,507	3,808,298	238,438	7,480,243

8. Analysis of Investments continued

	UK £000	Overseas £000	Total £000
Assets			
Fixed Interest Securities (Public Sector)	39,672	39,233	78,905
Fixed Interest Securities (Other)	117,768	168,179	285,947
Equities (including convertible shares)	1,245,223	2,390,160	3,635,383
Index Linked Securities	0	7,062	7,062
Pooled Investment Vehicles	2,121,524	516,747	2,638,271
Derivative Contracts	949,919	0	949,919
Property	596,797	0	596,797
Cash Deposits	199,139	0	199,139
Debtors	<u>635,313</u>	<u>0</u>	<u>635,313</u>
Total Assets	5,905,355	3,121,381	9,026,736
Liabilities			
Derivative Offset			-946,799
Creditors			<u>-599,694</u>
Total Liabilities			-1,546,493
Net Assets			7,480,243

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

9. Contributions and Benefits

The total contributions receivable and benefits payable analysed between the Administering Authority, Other Scheduled Bodies and Admitted Bodies were as follows:

	Administering Authority £000	Other Scheduled Bodies £000	Admitted Bodies £000	Total £000
Contributions				
Employee	19,674	65,882	19,273	104,829
Employer	58,515	192,863	61,093	312,471
Benefits				
Pension	24,339	69,634	153,508	247,481
Lump Sum	17,704	39,744	14,602	72,050

10. Transactions with Related Parties

Pension receipts and payments are transacted using Glasgow City Council's financial systems and banking arrangements. Throughout the year the Fund maintains a cash balance within the Council's loans fund for this purpose which is listed as 'cash balances' in the net assets statement.

There were no other material transactions with related parties during the year.

11. Stock Lending

The Fund participates in a stock lending programme managed by its global custodian, Northern Trust. All loans are fully collateralised. The Fund suspended its participation during the period and the value of stock released at the period end was nil (£578 million as at 31 March 2008).

12. Contractual Commitments

As at 31 March 2009 the Fund had contractual commitments of £850.400 million within its private equity portfolios. The Fund had no material contingent assets or liabilities at the period end and there were no material non-adjusting events occurring subsequent to the period end.

13. Statement of Investment Principles

In accordance with Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 the Fund maintains and publishes a written statement of the principles governing decisions about investments. The statement is available at www.spfo.org.uk or on request from the SPFO.

14. Additional Voluntary Contributions (AVCs)

AVC investments are managed by Prudential and Standard Life. As these are invested separately from the investments of the Fund itself and secure extra benefits only for the AVC contributors on an individual basis, the relevant figures have not been included in the financial statements. Members participating in this arrangement receive an annual statement confirming the amount held in their account and the movements in the year.

The market value of AVCs as at 31 March 2009 was £24.9 million (£22.7 million). Contributions which are used in their entirety to purchase investments, totalled £6.1 million (£5.1 million) whilst sales of investments to settle benefits due to members totalled £3.6 million (£3.1 million). The change in market value of investments over the year was £0.3 million (£0.7 million).

Working in partnership with our
contributing employers to deliver

a very good scheme



FUND MEMBERSHIP

The full list of member organisations that made contributions to the Fund during 2008/2009 and will continue so to do 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 & Rescue
Strathclyde Partnership For 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
Visit Scotland (Ayrshire)
Visit Scotland (Glasgow)
Anniesland College
Ayr College
Cardonald College
Central College Of Commerce
Clydebank College
Coatbridge College
Cumbernauld College
Glasgow College Of Nautical Studies
Glasgow Metropolitan College
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 to Employment Ayr Ltd
Alcohol Focus Scotland
Alternatives West Dumbarton Community Drug
AMEY BFO Services Ltd (Renfrewshire Schools PPP)
Arden Out of School Project
Argyll & Bute Local Learning Partnership Ltd
Argyll Community Housing Association Ltd
Auchenback Active Ltd
Ayr Action for Mental Health
Ayr Housing Aid Centre
Ayrshire Housing
Ayrshire Initiatives Ltd
Ayrshire North Community Housing Organisation Ltd

B

Befriending & Respite Services Ltd
Bridgeton Calton And Dalmarnock Credit Union
Broadwood Stadium (Cumbernauld) Ltd

C

Caladh House Childrens Home
Cambuslang Community Carers Care Partners
(Three Towns Family Respite)
Care Partners
Castlemilk Environment Trust
Castlemilk Stress Centre
Childcare First
City Building (Glasgow) LLP
City Markets (Glasgow) LLP
City Parking (Glasgow) LLP
Clyde Gateway Urban Regeneration Company
Clydebank Rebuilt
Coatbridge Citizens Advice Bureau
Colleges Open Learning Exchange Group
Community Central Hall
Community Enterprise In Strathclyde
Community Volunteers Enabling Youth Ltd
Craigholme School
Culture & Sport (Glasgow)
Culture & Sport (Glasgow Trading)
Cumbernauld Housing Partnership Ltd
Cycling Scotland

D

Deaf Connections
Developing Strathclyde Ltd

E

East Ayrshire Carers Centre
East End Community Law Centre
East End Respite Care Group
East Renfrewshire Carers
Easterhouse Citizens Advice Bureau
Employee Counselling Service
Enable Services Ltd
Equals Advocacy Partnership

F

First Bus
Flourish House
Fyne Homes

G

Geilsland School
General Teaching Council for Scotland
Glasgow 2014 Ltd
Glasgow Anti-Racist Alliance
Glasgow Association For Mental Health
Glasgow Caledonian University
Glasgow City Heritage Trust
Glasgow City Marketing Bureau
Glasgow Community Justice Authority
Glasgow Community and Safety Services Ltd
Glasgow Community Planning Ltd
Glasgow Council for Voluntary Services
Glasgow Cultural Enterprises Ltd
Glasgow Cultural Enterprises (Trading) Ltd
Glasgow East Regeneration Agency Ltd
Glasgow Film Theatre
Glasgow Housing Association
Glasgow North East Carers Centre
Glasgow School of Art
Glasgow Women's Aid Good Shepherd Centre
Good Sheperd Centre
Govan Law Centre
Greater Easterhouse Women's Aid
Greenspace Scotland

H

H.E.L.P (Argyll & Bute) Ltd
Haden Building Management (North Lanarkshire
Education PPP)
Hamilton Furniture Initiative
Hansel Alliance
Hansel Foundation
Hemat Gryffe Women's Aid
Highlands & Islands Enterprise
Hillhead Housing Association
Hill's Trust Home School Community Project
Home Group Ltd
Home Start MAJIK
Hutchesons Educational Trust

I

Inverclyde Leisure
Irvine Bay Urban Regeneration Group
Irvine Housing Association

J

Jordanhill School

K

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

L

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

M

Milton Kids Dash Club
Mitie PFI Ltd (Argyll & Bute Education PPP Project)
Mitie PFI Ltd (East Ayrshire Education PPP Project)
Mitie PFI Ltd (North Ayrshire Education PPP Project)
Mitie PFI Ltd (South Ayrshire Education PPP Project)

N

National Commission For Social Care
New Lanark Conservation and Civic Trust
North Ayr Resource Centre
North Ayrshire Leisure Ltd
North Lanarkshire Carers Together
North Lanarkshire Leisure Ltd
Notre Dame Child Guidance Clinic

P

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

R

Rape Crisis Centre
RCA Trust
Regen: FX Youth Trust
Reidvale Adventure Playground
Renfrew Council on Alcohol
Renfrewshire Carers Centre
Renfrewshire Leisure Ltd
Richmond Fellowship Scotland
River Clyde Homes
Riverside Inverclyde
Routes to Work
Routes to Work South
Royal Scottish Academy of Music and Drama

S

SACRO
Scottish Centre for Children With Motor Impairments
Scottish Environmental & Outdoor Centres Association Ltd
Scottish Further Education Unit
Scottish Institute of Human Relations
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 Water Business Stream Ltd
Scotwest Credit Union Ltd
Service Glasgow LLP
Skills Development Scotland Ltd
SLIMS
South Ayrshire Energy Agency
South Ayrshire Women's Aid & Women's Centre
South Lanarkshire Leisure
South West Scotland Community Justice Authority
SportScotland
Springboig St John's School
St Columba's School
St James Tenant Management Co-operative
St Philip's Approved School
Strathclyde Wing Hong Chinese Elderly Group
Strathleven Regeneration Company Ltd

T

TATA Consultancy Services (TCS)
The Advocacy Project
The Alpha Project (Cumbernauld)
The CORA Foundation
The Financial Fitness Resource Team
The Jeely Piece Club
The Outdoor Resource Base
The Scottish Police Services Authority
The Village Story Telling Centre
The Volunteer Centre
Time Capsule (Monklands)
Town Centre Initiatives
TNT UK 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 SCRE)
University of Strathclyde
University of the West Of Scotland
Utheo Ltd

V

Voluntary Action East Renfrewshire
Voluntary Association for Mental Welfare

W

West of Scotland Colleges Partnership
West of Scotland Loan Fund
West of Scotland Community Racial Equality Council
Women's Support Project

Y

Youth Counselling Service

NO. 3 FUND FINANCIAL STATEMENTS

FUND ACCOUNTS NO. 3 FUND (FOR THE YEAR ENDED 31ST MARCH 2009)

	2007/08 £000	2008/09 £000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME		
Contributions receivable		
From employers		
- normal	1,570	1,615
- additional	<u>2,004</u>	<u>2,100</u>
	3,574	3,715
From members		
- normal	353	351
Benefits payable		
- pensions	3,103	3,350
- commutation of pension and lump sum retirement benefits	916	1,098
- lump sum death benefits	<u>41</u>	<u>5</u>
	4,060	4,453
Payments to and on account of leavers		
- individual transfers out to other schemes	110	37
Administrative expenses	32	28
Net (reduction)/increase from dealings with members	(275)	(452)
RETURNS ON INVESTMENTS		
Investment income		
- interest from fixed interest securities	305	0
- dividends from equities	1,288	1,072
- income from index linked securities	80	0
- income from pooled investment vehicles	819	896
- interest on cash deposits	360	208
- other	<u>566</u>	<u>64</u>
	3,418	2,240
Change in market value of investments	(2,918)	(14,489)
Taxation	61	17
Investment management expenses	105	50
Net returns on investments	<u>334</u>	<u>(12,316)</u>
Net increase in the fund during the year	59	(12,768)
Add : opening net assets of the No.3 Fund	<u>103,241</u>	<u>103,300</u>
Closing net assets of the No. 3 Fund	<u>103,300</u>	<u>90,532</u>

NO. 3 FUND NET ASSETS STATEMENT AS AT 31 MARCH 2009

	2007/08 £000	2008/09 £000
Investment assets		
Equities (including convertible shares)	33,829	25,274
Pooled investment vehicles (unit trusts)	64,917	58,887
Cash deposits	15,168	1,543
Other investment assets	<u>286</u>	<u>310</u>
	114,200	86,014
Investment liabilities		
Creditors	15,216	99
Current assets		
Contributions due from employer	190	193
Cash balances	<u>4,126</u>	<u>4,424</u>
	4,316	4,617
Net assets	103,300	90,532

1. General Description of the Fund and its Membership

The Strathclyde Pension Fund was established in 1974 by Strathclyde Regional Council. Glasgow City Council became the administering Authority for the Fund on 1 April 1996. The Fund is a pool into which employees' and employers' contributions and income from investments are paid to and from and which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) regulations.

The Local Government Pension Scheme is a statutory scheme established under the Superannuation Act 1972 and is contracted out of the State Second Pension.

The No.3 Fund is a sub-fund of the Strathclyde Pension Fund and 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, when the Fund was established. The No.3 Fund is an "admission agreement fund" as defined within the regulations and was established as a closed fund – i.e. it is not open to new membership.

Glasgow City Council has delegated decision making for the Fund to its Strathclyde Pension Fund Committee. Scheme and Fund administration are carried out by the Strathclyde Pension Fund Office (SPFO), a division of the Council's Financial Services Department. The investment assets of the Fund are externally managed.

2. Accounting Policies

The financial statements have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Scheme Accounts 2008 (SORP). The financial statements summarise the transactions of the Fund during the year and the net assets at the year end.

• Basis

The Fund's financial statements are generally prepared on an accruals basis. The net assets statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits from and to other schemes are treated on a cash basis.

• Valuation of Investments

Investments are valued at closing prices; these prices may be the last trade prices or bid prices depending on the convention of the stock exchange or other market on which they are quoted. Overseas investments and cash are stated in sterling using exchange rates as at close of business.

• Investment Income

Dividends are accounted for when the price of the stock is quoted on an ex-dividend basis. Interest is included in the accounts on an accruals basis.

• Liabilities

The financial statements do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the scheme, which does take account of such obligations, is summarised below and fully reported elsewhere.

3. Actuarial Position

In accordance with Regulation 76 of the Local Government Pension Scheme (Scotland) Regulations 1998 an actuarial valuation of the No.3 Fund was carried out as at 31 March 2008. Results of the valuation were confirmed during March 2009.

The funding level as at 31 March 2008 was 88% (86% at 31 March 2005) and there was a funding shortfall of £14 million:

	£ million
Fund Assets	103
Fund Liabilities	117
Deficit	14

Liabilities have been valued on an "ongoing" basis anticipating an element of future outperformance from equity investments.

The deficit funding position indicates that the Fund's objectives were not fully met at the valuation date. The Funding policy seeks to ensure that the funding objectives are met over the remaining life of the Fund.

• Funding Policy

On completion of the actuarial valuation as at 31 March 2008 the Fund published a revised Funding Strategy Statement in accordance with regulation 75A of the Local Government Pension Scheme (Scotland) Regulations 1998. The actuary's report and the Funding Strategy Statement are available from www.spfo.org.uk or the Strathclyde Pension Fund Office, Charlotte House, 78 Queen Street, Glasgow G1 3DN.

• Funding Method

At the 2008 actuarial valuation and for previous valuations a funding method was used that identifies separately the expected cost of members' benefits in respect of:

- Scheme membership completed before the valuation date ("past service");
- Scheme membership expected to be completed after the valuation date ("future service").

To determine the employers' contribution requirement for future service the actuary assesses the cost of future service benefits over the expected remaining period of contributory membership of employee members, taking account of expected future salary increases.

The contribution rate required to meet the expected cost of future service benefits is then derived as this value less expected member contributions expressed as a percentage of the value of members' pensionable pay over their expected remaining period of contributory membership. This is known as the "Attained Age method".

The common contribution rate payable is the cost of future benefit accrual, increased by an amount calculated to bring the funding level back to 100% - the "past service adjustment". At the 2008 valuation the past service adjustment was based on repaying the funding deficit over 6 years - the average remaining period of contributory membership of the current active members.

The total employers' contribution rate based on the funding position as at 31 March 2008 is as follows:

31 March 2008	Pensionable Payroll
Total Future Service Cost	35.1%
Less Employee Contributions	6.0%
Add Expenses	0.5%
Net Employer Future Service Cost	29.6%
Past Service Adjustment	£2.5 million*
Total Employer Contribution Rate	29.6%
	plus £2.5m*

* increasing by 4% per annum

In order to achieve stability of contributions, the required increase is phased in. The following common contribution rates for employers were agreed:

Year to	Rate (as % of pensionable payroll)	Additional Monetary Payments £000
31 March 2010	25.8	2,400
31 March 2011	27.8	2,500
31 March 2012	29.6	2,600

4. Actuarial Assumptions

For valuation purposes the actuary uses assumptions about the factors affecting the Fund's finances in the future. The most sensitive financial assumptions are detailed below:

Assumption	Derivation
Price inflation (RPI)	Swaps implied inflation curve
Pay increases*	Swaps implied inflation curve +0.375%
Funding basis discount rate (pre-retirement)	Swaps nominal yield curve plus 2% per annum
Funding basis discount rate (post-retirement)	Swaps nominal yield curve

*Plus an allowance for promotional pay increases.

4. Actuarial Assumptions continued

In addition to the financial assumptions outlined above, valuation results are also sensitive to the future longevity of officers. The assumptions used by the actuary in respect of future life expectancies for member profiles are detailed below:

Assumptions to Assess Funding Position at 31 March 2008*	Male Officers	Female Officers
Average future life expectancy (in years) for a pensioner aged 65 at the valuation date	20.3	23.2
Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at the valuation date	21.7	24.6
Average future life expectancy (in years) at age 45 for a non-pensioner aged 45 at the valuation date	40.9	43.9

* Based on PMA92 and PFA92 mortality tables with projections based on members' years of birth, allowing for a loading of 110% on the rate of mortality.

• Funding Projection as at 31 March 2009

An intervaluation monitoring report provided by the Fund's actuary as at 31 March 2009 recorded a projected funding position of 60%. The next formal funding valuation will be carried out as at 31 March 2011 with results available by 31 March 2012.

5. Investments

Statement of Movement in Investments					
	Opening Market value £000	Purchases and Derivative Payment £000	Sales and Derivative Receipts £000	Other Movements £000	Closing Market Value £000
Investment Assets					
Equities (including convertible shares)	33,829	12,032	-12,132	-8,455	25,274
Pooled Investment Vehicles	64,917	15,774	-16,079	-5,725	58,887
Cash Deposits	15,168	0	0	-13,625	1,543
Other Investment Balances	286	0	0	24	310
Total Assets	114,200	27,806	-28,211	-27,781	86,014
Investment Liabilities					
Creditors	15,216	0	0	-15,117	99
Total Liabilities	15,216	0	0	-15,117	99
Net Assets	98,984	27,806	-28,211	-12,664	85,915

Other movements during the year includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

• Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds and are charged directly to the Fund. Transaction costs such as fees, commissions and stamp duty incurred during the year amounted to £57,000 (£73,000 in 2007/08).

In addition to the transaction costs disclosed above, indirect costs may be incurred through the bid-offer spread on some pooled investment vehicles. The amount of any such costs is not separately provided to the Fund.

• Derivatives

The Fund had no derivative contracts in place at the period end.

6. Notifiable Holdings

As at 31 March 2009 the Fund had holdings exceeding 5% of the total value of net assets in:

	£000	%
Legal & General HD Active Corp (All Stocks)	17,250	20.36
Ruffer Absolute Return Fund	16,192	19.11
Schroder Exempt Property Unit Trust Fund	6,309	7.45
Legal & General – Enhanced Matching Fund 2035 RPI	6,212	7.33
Schroder North American Equity Fund	4,294	5.07

• Fund Management

The investment assets of the Fund are externally managed.

Investment management arrangements as at 31 March 2009 are shown below:

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	30.21%
Multi Asset – Passive	Ruffer	18.85%
Global Equity and Property	Schroder	50.94%

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

7. Analysis of Investments

Investments can be further analysed as follows:

	Quoted £000	Unquoted £000	Other £000	Total £000
Assets				
Equities (including convertible shares)	23,919	1,355	0	25,274
Pooled Investment Vehicles	12,801	46,086	0	58,887
Cash Deposits	0	0	1,543	1,543
Debtors	0	0	310	310
Total Assets	36,720	47,441	1,853	86,014
Liabilities				
Creditors	0	0	-99	-99
Total Liabilities	0	0	-99	-99
Net Assets	36,720	47,441	1,754	85,915

	UK £000	Overseas £000	Total £000
Assets			
Equities (including convertible shares)	15,585	9,689	25,274
Pooled Investment Vehicles	51,875	7,012	58,887
Cash Deposits	1,543	0	1,543
Debtors	310	0	310
Total Assets	69,313	16,701	86,014
Liabilities			
Creditors			-99
Total Liabilities			-99
Net Assets			85,915

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

8. Contributions and Benefits

The sole employer contributing to the Fund is Strathclyde Buses, now part of FirstGroup.

9. Transactions with Related Parties

Pension receipts and payments are transacted using Glasgow City Council's financial systems and banking arrangements. Throughout the year the Fund maintains a cash balance within the Council's loans fund for this purpose which is listed as 'cash balances' in the net assets statement.

There were no other material transactions with related parties during the year.

10. Stock Lending

The Fund participates in a stock lending programme managed by its global custodian, Northern Trust. All loans are fully collateralised. The Fund suspended its participation during the period, and the value of stock released at the period end was nil (£5.65 million as at 31 March 2008).

11. Contingent Assets and Liabilities

The Fund had no material contingent assets, liabilities or contractual commitments at the period end and there were no material non-adjusting events occurring subsequent to the period end.

12. Statement of Investment Principles

In accordance with Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 the Fund maintains and publishes a written statement of the principles governing decisions about investments. The statement is available on request from SPFO.

09

Contacts

Key SPFO Personnel

Head of Pensions

Chief Pensions Officer (Development)

Chief Pensions Officer (Finance)

Chief Pensions Officer (Investments)

Chief Pensions Officer (Operations)

Richard McIndoe

Sharon McKechnie

Alison Duffy

Jacqueline Gillies

Andy Knox

Managing the Local Government Pension Scheme in the west of Scotland

Strathclyde Pension Fund, 78 Queen Street, Glasgow G1 3DN

Email: spfo@glasgow.gov.uk

Web: www.spfo.org.uk

Tel: 0845 213 0202

Delivering excellence in Scotland's public sector pensions

