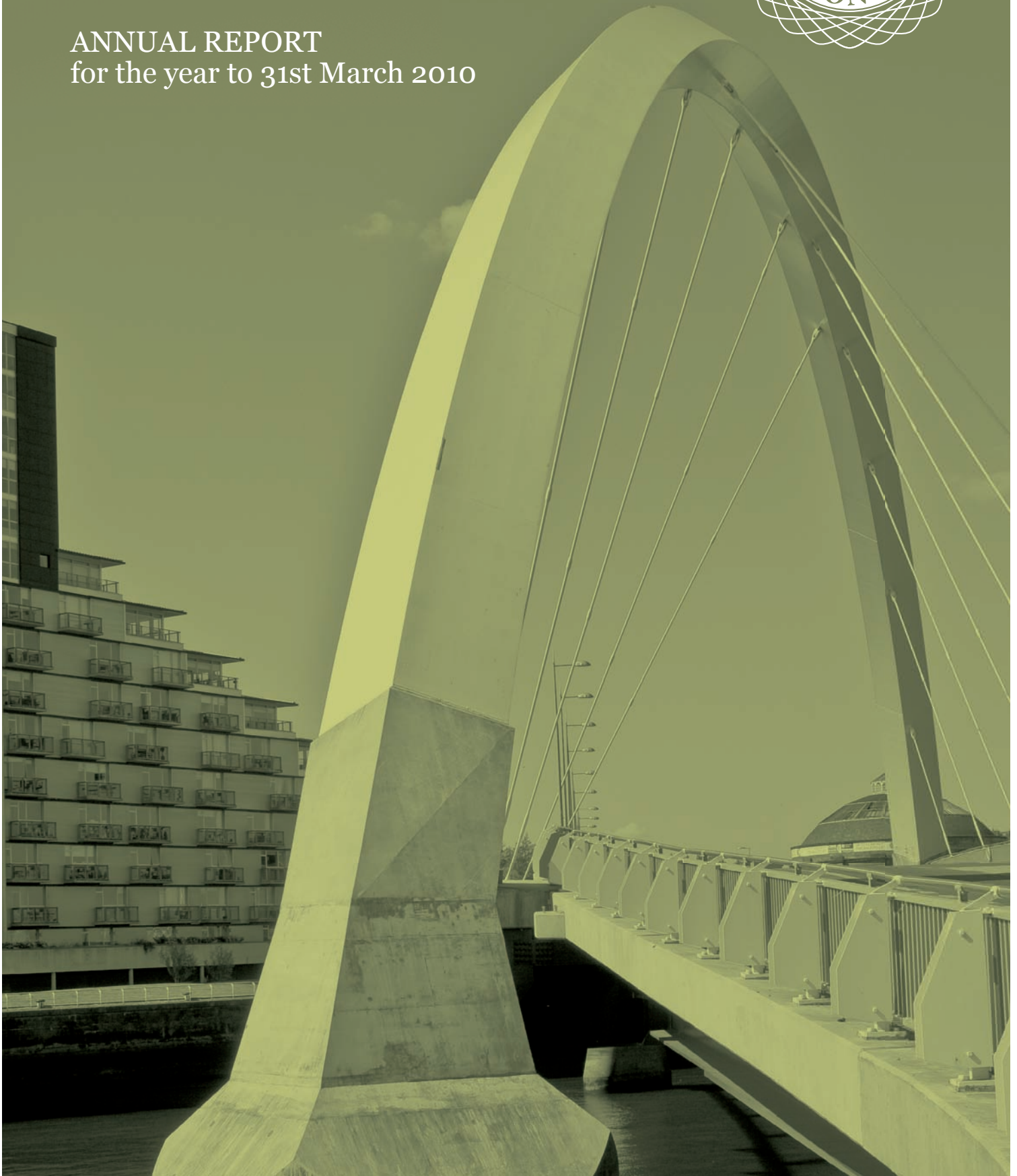
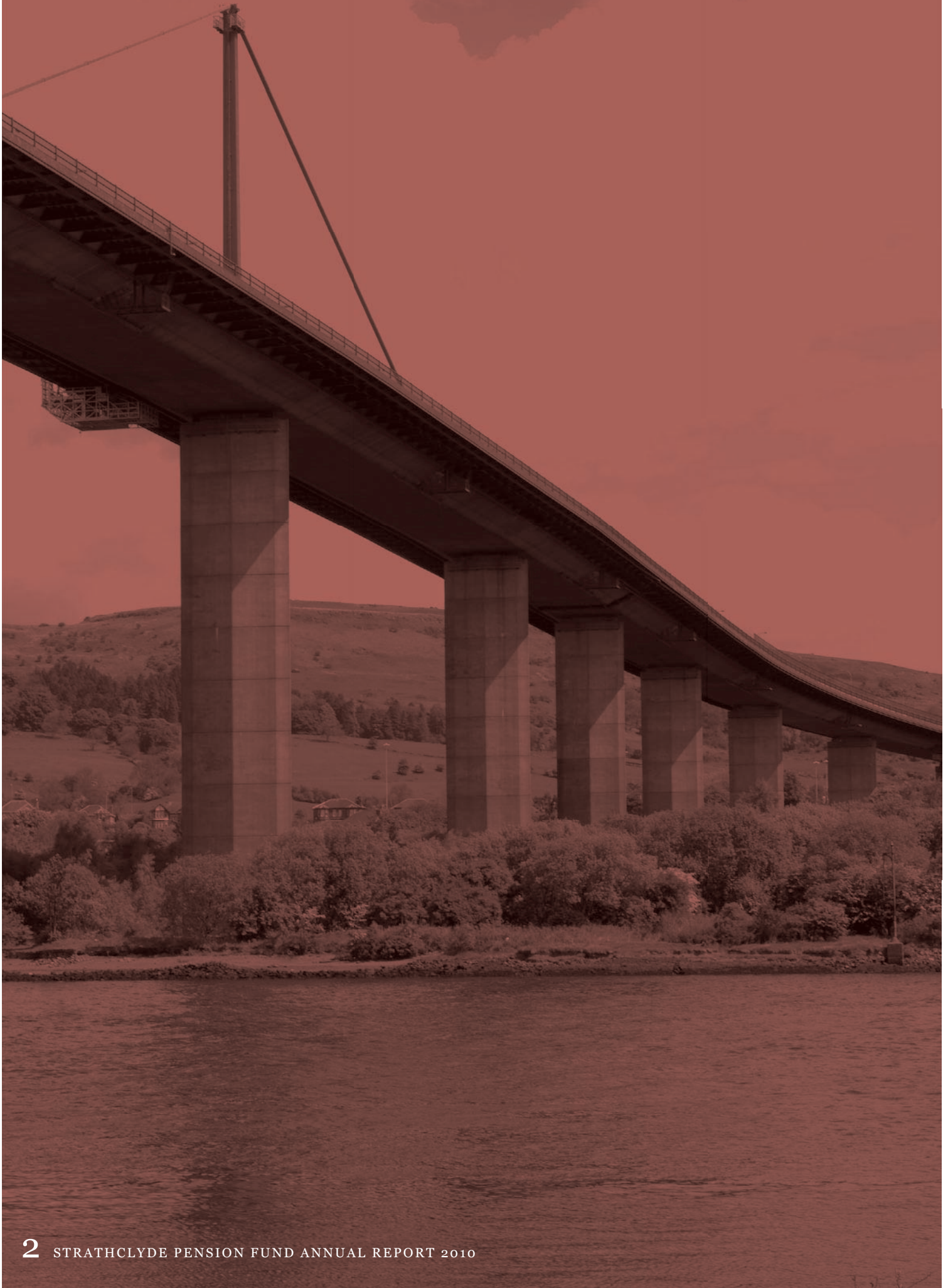


Strathclyde Pension Fund

ANNUAL REPORT
for the year to 31st March 2010





2010

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CONVENER'S INTRODUCTION

Summarising the year to 31 March 2010, the Fund produced a total annual return of 36.3% for 2009 / 2010. This compares favourably to the average UK pension fund, as measured by the WM All Funds Universe, returning 30.3 % and the average local authority pension fund, as measured by the WM Local Authority Universe, returning 35.1%.

As at 31 March 2010 (when the Fund's total asset value was £10,307m) the Fund was estimated to be 89.8% funded.



Average LGPS fund 72% funded



SPF 89.8% funded

Source: Hymans Robertson Navigator Report as at 31 March 2010

The Fund's membership has grown slightly to 193,488 comprising:

89,109 active members.

43,090 deferred members / undecided leavers.

61,289 pensioners.

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

- Approving our Administration Strategy. This new document sets out how we will work in partnership with our scheme employers and our respective roles and responsibilities.
- Making a number of changes to our investment strategy and approach including reappointing Hymans Robertson as our investment consultants.

Looking ahead, I am confident that we will continue to deliver an excellent pension scheme for you, with strengthened investment, governance and operational structures.

Councillor Philip Braat

Convener, Strathclyde Pension Fund Committee



2009 / 2010 was a year of phenomenal and unadulterated success for the Fund.

The Fund's value at 31st March 2010 was a new high water mark and an increase of over £2.5 billion over the year.

The year's investment return was one of the best ever and certainly the best in real (inflation adjusted) terms.

The year was also one of the best years ever for the benefits administration side of the Fund, starting with the very successful implementation of the New Scheme at 1st April 2009 and carrying on with business as usual throughout the year.

One measure of how good 2009 / 2010 was is our success in winning various industry awards.

- Professional Pensions Public Sector Scheme of the Year 2009
- Professional Pensions Premier Scheme of the Year 2009
- FT Pensions And Investment UK Schemes Best New Implementation of a Scheme/Benefit Strategy 2009
- FT Pensions And Investment UK Schemes Best Administration 2009
- Funds Europe European Public Sector Institutional Investor of the Year 2009

So whatever challenges lie ahead, I'm confident that we have strengthened ourselves and positioned ourselves extremely well to face them.

Lynn Brown

Executive Director of Financial Services
Glasgow City Council



ABOUT THE FUND

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 2010, the Fund had net assets of £10,307 billion and 193,488 scheme members. The Fund is the 15th largest pension fund in the UK, the 71st largest in Europe and the 207th largest in the world.

The Fund was established in 1974 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 (Benefits, Membership and Contributions) (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" on page 47.

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

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 eight 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 2009/10 Councillor Philip Braat replaced Bailie James McNally as Convener of the Strathclyde Pension Fund Committee. Its membership as at 31 March 2010 was as below.

Cllr Philip Braat (Convener)

Cllr Paul Coleshill

Cllr Stephen Curran

Cllr Khalil Malik

Cllr Gordon Matheson

Cllr John McKenzie

Cllr Tom McKeown

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.

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 6 risks as at 31 March 2010 were as follows.

Risk ID	Description	Probability	Impact	Ranking
SPFO44	Impact of Tomorrow's Workforce and other redundancy exercises on service levels provided by SPFO.	4	4	16
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
SPFO45	Service disruption as result of SPFO relocation.	3	3	9



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 2009/10 the Forum's membership was as follows.

Cllr Philip Braat	Glasgow City Council
Bailie James McNally	Glasgow City Council
Cllr Stephen Curran	Glasgow City Council
Carol Dick	Glasgow City Council
Cllr Gordon Mathieson	Glasgow City Council
Cllr Robin Currie	Argyll & Bute Council
Janet Thomson	Cardonald College
Robin Baker	East Ayrshire Council
Ian Black	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)
William Bremner	GMBU
Peter Longworth	GMBU
Frank Murphy	T&G section of UNITE
Stewart Young	UCATT
Joe Connolly	UNISON
David Thomson	Pensioners Representative

FUNDING STRATEGY STATEMENT

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

It is available in full from the Governance/Policy documents area of our website.

Some points worth highlighting from the latest statement are that:

- It is assumed that the Fund's equity investments will deliver an average additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation.
- It is assumed that property and corporate bonds will deliver an average return in excess of gilts of 1% a year and 0.5% a year respectively.
- Employers should pay the whole Fund common rate as a minimum in any one year (i.e. 17.3% of pay in 2009/10, 18.2% in 2010/11 and 19.3% in 2011/12).
- From 1st April 2010 strain on the Fund costs will be extended to all retirals on redundancy or efficiency grounds where the scheme member is over 60 and would otherwise have suffered an actuarial reduction to their benefits.
- Annex B contains a summary of our policy on Administering Authority's discretions.

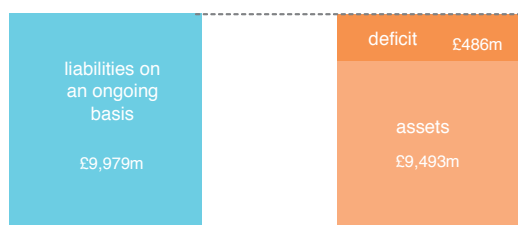
2008 VALUATION EXECUTIVE SUMMARY

Executive summary

We have carried out an actuarial valuation of the Strathclyde Pension Fund ('the Fund') as at 31 March 2008 ('the valuation date'). The results are presented in this report and summarised below.

The Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits) was not met at the valuation date. The funding level was 95% (compared to 97% at 31 March 2005) and there was a funding shortfall of £486m.

The Fund's financial position at the valuation date is illustrated graphically in the chart below.



Without anticipating an element of future equity out-performance, the 'gilt-based' funding level would be 71% at the valuation date, and there would be a shortfall of £3,889m.

The employers' average future service contribution rate as at 31 March 2008 (ignoring the past service shortfall) is 17.9% of pensionable pay. Assuming that a funding level of 100% is to be targeted over a period of the average remaining working lifetime of the active members (currently 11 years), the common contribution rate (employers' total contribution rate) is 20.6% of pensionable pay. These figures take advance credit for outperformance of the Fund's assets relative to gilt yields on the valuation basis, as set out in the Funding Strategy Statement. Ignoring this credit for outperformance, the future service rate would be 29.7%, and the total common contribution rate would be 47.0% of pensionable pay.

Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers, as required by Regulation 76(6) of the Local Government Pension Scheme (Scotland) Regulations 1998 and confirmed in the Funding Strategy Statement. The minimum contributions to be paid by each employer from 1 April 2009 to 31 March 2012 are shown in the Statement to the Rates and Adjustment Certificate in Appendix H.

The results of the valuation are very sensitive to the actuarial assumptions made. If actual future demographic and economic experience does not match the assumptions, the financial position of the Fund could deteriorate materially.

Alison Murray

Fellow of the Faculty of Actuaries

31 March 2009

Catherine McFadyen

Fellow of the Faculty of Actuaries

March 2009

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STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

Glasgow City Council is the administering authority for the Strathclyde Pension Fund. The council delegates this responsibility to the Strathclyde Pension Fund Committee. The council and the committee recognise that they have fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers that are analogous to those holding the office of trustee in the private sector. In carrying out those duties the committee adopt the following approach.

2. Regulations

Management of the Fund's investments is carried out in accordance with relevant governing legislation and regulations, in particular the Local Government Pension Scheme (Management and Investment of Funds)(Scotland) regulations. Schedule 1 to this statement contains certain disclosures required by the regulations.

3. Key Principles

There have been a number of underlying investment principles which have guided the evolution of the Fund's structure. These principles will be as important in the future as they have been in the past. The key principles are as follows

Long-term perspective – by the nature of its liabilities and sponsor covenants, the Fund is able to take a long-term view and position its investment strategy accordingly.

Diversification – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns.

Efficiency – the Fund aims to achieve an efficient balance between investment risk and reward.

Competitive advantage – the Fund's size, time-perspective and risk appetite give it some competitive advantages which it seeks to exploit.

Pragmatism – the Fund recognises that there are implementation considerations including cost and manageability which may lead it to favour practical investment solutions over optimised model structures.

4. Investment Objective

The Fund's investment objective is to reduce the cost to employers of providing pension benefits by adopting a strategy and structure which produce an expected return on investments which exceeds that of a minimum risk model portfolio.

5. Investment Strategy

The Fund's investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund's key investment principles, is agreed by the committee and reviewed regularly. The investment strategy is consistent with the Funding Strategy.

6. Investment Structure

The committee agrees an investment structure to deliver the investment strategy. The current investment objective, strategy and structure are set out in Schedule 2 to this statement.

7. Roles and Responsibilities

The roles and responsibilities of the main parties involved in management of the Fund are set out in Schedule 3 to this statement.

8. Risk

In order to achieve its investment objective the Fund takes investment risk including equity risk and active management risk. It is understood and acknowledged that this leads to significant volatility of returns and an ultimate risk that its objectives will not be met. The Fund pursues a policy of lowering risk through diversification of investments by asset class, manager and geography. Risk is also be controlled by setting appropriate benchmarks and investment guidelines and maintaining a robust investment monitoring regime. The Fund employs a global custodian to ensure safekeeping and efficient servicing of its assets.

9. Liquidity

The majority of the Fund's investments are traded on major stock markets and could be realised quickly if required. The Fund does not rely on investment income or realisation of investments to meet immediate pensions payments. This allows it to selectively invest in illiquid assets which provide a return premium.

10. Responsible Investment

The Fund is a signatory to the United Nations Principles for Responsible Investment and has adopted the principles as its responsible investment policy. The principles are set out in full in Schedule 4.

11. 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 corporate governance policies, and taking account of current best practice including the Combined Code on Corporate Governance.

12. Additional Voluntary Contributions (AVCs)

The Fund provides an in-house AVC arrangement. Further details, including investment choices available to scheme members are set out in Schedule 5.

13. CIPFA/Myners Principles

The Fund is compliant with each of the six Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2009 published by CIPFA and based on the updated Myners principles.

The full SIP is available at www.spfo.org.uk



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 2009/10 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
Linda Selman	Partner, Hymans Robertson
Prof. Geoffrey Wood	Investment Adviser

INVESTMENT STRATEGY

Over the last year we have:

- Increased our holdings in US and UK equity market indices.
- Reviewed our property strategy.
- Restructured our bond portfolios, giving them an absolute return objective and replacing Henderson and Western with two new managers (PIMCO and Threadneedle).
- Increased the frequency and depth of our monitoring.
- Continued to build our private equity programmes.
- Terminated one currency mandate.
- Reinstated our securities lending programme on a more selective basis than previously.
- Created a “New Opportunities” portfolio of up to the lesser of 3% of total Fund assets or £300m at the time of any new investment on an opportunistic basis to provide access to areas not covered by the existing strategy.

The following strategy was in place as at 31 March 2010.

Asset Class		(%)
UK Equities		18 – 53
Overseas Equities		14 - 49
North America		11- 26
Europe (ex UK)		0 - 35
Japan		0 – 35
Pacific		0 – 35
Emerging Markets		1 - 36
Private Equity		5 – 10
Total Equities	73	
Property	12	
Index Linked Securities		1.5
UK Gilts		3
Corporate Bonds		3
Absolute Return Bonds		7.5
Total Fixed Interest	15	
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.

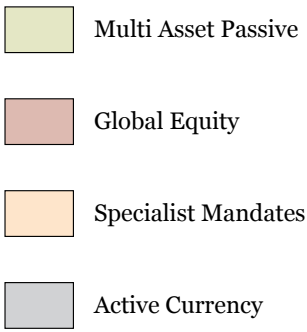
We replaced our bond managers Henderson and Western with two new managers (PIMCO and Threadneedle). We also terminated one currency mandate (Mellon).

The investment management arrangements as at 31st March 2010 are summarised and illustrated below.

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	35.08%
Global Equity	Baillie Gifford	11.54%
Global Equity	Capital International	9.25%
Global Equity	AllianceBernstein	3.21%
Global Equity	Invesco Perpetual	2.88%
Global Equity	Lazard	4.89%
Global Equity	Edinburgh Partners	2.44%
Specialist – Property	Aberdeen Property Investors	7.31%
Specialist – Bonds	PIMCO	4.48%
Specialist – Bonds	Threadneedle	2.17%
Equities – UK Small Companies	Gartmore	1.98%
Equities – Overseas Small Companies	JP Morgan	2.53%
Specialist – Private Equity	Pantheon Ventures	4.63%
Specialist – Private Equity	Partners Group	2.15%
Specialist – Emerging Markets	Genesis	3.10%
Currency Overlay	Millennium*	0.60%
Currency Overlay	Record Currency Management*	0.00%
Cash	Northern Trust	1.76%

*Currency Overlay

MANAGER STRUCTURE

Millennium		Record		
Legal & General	Baillie Gifford	JP Morgan		
	AllianceBernstein	Gartmore		
	Edinburgh Partners	Genesis		
	Capital International	Pantheon		
	Invesco	Partners		
	Lazard	Threadneedle		
		PIMCO		
		Aberdeen		

Northern Trust has been the Fund's Global Custodian since 2007, safekeeping and servicing the Fund's investment assets.

INVESTMENT PERFORMANCE

SUMMARY

To set the Fund's investment performance in context, concerted efforts by governments and central banks to increase liquidity in the financial system appear to have allayed fears that the global economy could descend into depression. Instead, recovery took root during the year with all major markets making positive gains.

Companies took swift action to rein in costs as demand for goods declined and this, alongside government stimulus, helped fuel a substantial appreciation in world equity markets. Emerging markets led the way, with the MSCI Emerging Markets Index rising +71.6% in the year to end March and Latin America, India and China enjoying particularly strong recoveries. The FTSE All Share Index gained +52.3%, while Japan realised the lowest return (+29.6%) of the developed economies.

Returns on UK Gilts were only marginally positive (+0.8%). Yields rose towards the end of the year as worries over the level of UK government debt intensified. Similarly, Euro-zone fixed income markets became dominated by concerns over weak public finances, particularly those of Greece and other peripheral euro-zone countries.

In contrast to sovereign debt markets, corporate bond markets recovered dramatically. The Merrill Lynch Sterling Non Gilts Index returned +21.7%. Liquidity returned to the market and spreads over government bonds contracted, both indicators that investors' fear of default had reduced considerably.

Volatility in global currency markets was punctuated by events in Dubai and Greece. Sterling closed up against the dollar (+5.7%), yen (+0.1%) and euro (+3.8%), in spite of concerns over persistent weakness in UK economic indicators, its budget deficit and low interest rates. The US dollar lost ground at the start of the year, but appreciated against most major developed currencies in Quarter 1 2010, as increased risk aversion towards other economies channelled demand to US treasury assets.

Returns in UK commercial property were positive (+16.3%) over the one year period. Confidence returned to the market, the volume of investment transactions picked up and capital values increased. But recovery remains fragile. Rents continue to fall and, with debt financing still in short supply, a return to more normal market conditions is not yet assured.

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 2009/10 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	51.0	52.3	51.1	64
Overseas Equities				
US	39.9	43.2	42.7	77
Europe	45.7	47.4	48.3	72
Japan	34.3	30.4	31.5	28
Pacific	67.0	72.4	65.5	48
Emerging Markets	77.7	71.6	70.1	22
UK Corporates***	31.6	21.0	n/a	n/a
UK Index Linked	10.7	10.4	11.5	58
Cash / Alts****	-2.1	52.3	6.8	83
UK Property	4.9	16.3	12.0	92
TOTAL FUNDS	36.3	41.3	30.1	23

* 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

The Fund underperformed the WM average in most individual asset classes but outperformed overall because of its asset structure.

LONG TERM PERFORMANCE

Year to 31 March	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	3Yr Annualised	5Yr Annualised	10 Yr Annualised
	%	%	%	%	%	%	%	%	%				
Retail Prices	2.3	1.3	3.1	2.6	3.2	2.4	4.8	3.8	-0.4	4.2	2.6	2.9	2.7
Avg. Earnings	4.9	3.0	3.4	3.9	4.4	3.9	4.3	4.9	-0.4	4.5	2.9	3.4	3.7
Fund Benchmark	-9.5	-1.1	-22.2	28.0	12.9	26.6	8.1	-3.8	-21.0	41.3	2.4	8.0	4.0
Fund Return	-8.6	-0.2	-20.8	26.6	12.4	27.2	7.4	-2.9	-20.8	36.3	1.6	7.4	4.0
WM All Funds	-6.8	-1.0	-18.5	22.6	11.6	24.2	7.0	-1.0	-18.1	30.3	1.8	7.0	3.7
Fund Ranking	56	23	34	25	18	10	30	8	71	24	56	34	36

The table above shows that the Fund has achieved a 10-year annualised return of 4.0%. This is below (-2.1%) the Actuary's current assumed return of 6.1% per annum.

This return illustrates that, despite the recovery in financial markets, the turmoil caused by the credit crunch has still had a negative impact on the long term performance of the Fund. Performance is ahead of average earnings and price inflation over the period.

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.

We have been active in pushing the responsibility agenda, recognising that shareholder activism has moved on from just voting.

We want to know that managers are engaging with companies.

We are looking for assurances from managers that they are really looking at the potential financial impact of labour policies, employment policies and environmental policies.

REPORTING

Each manager must report back to the Fund every quarter on proxy voting activity and SRI 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 2009/10 is summarised in the following tables.

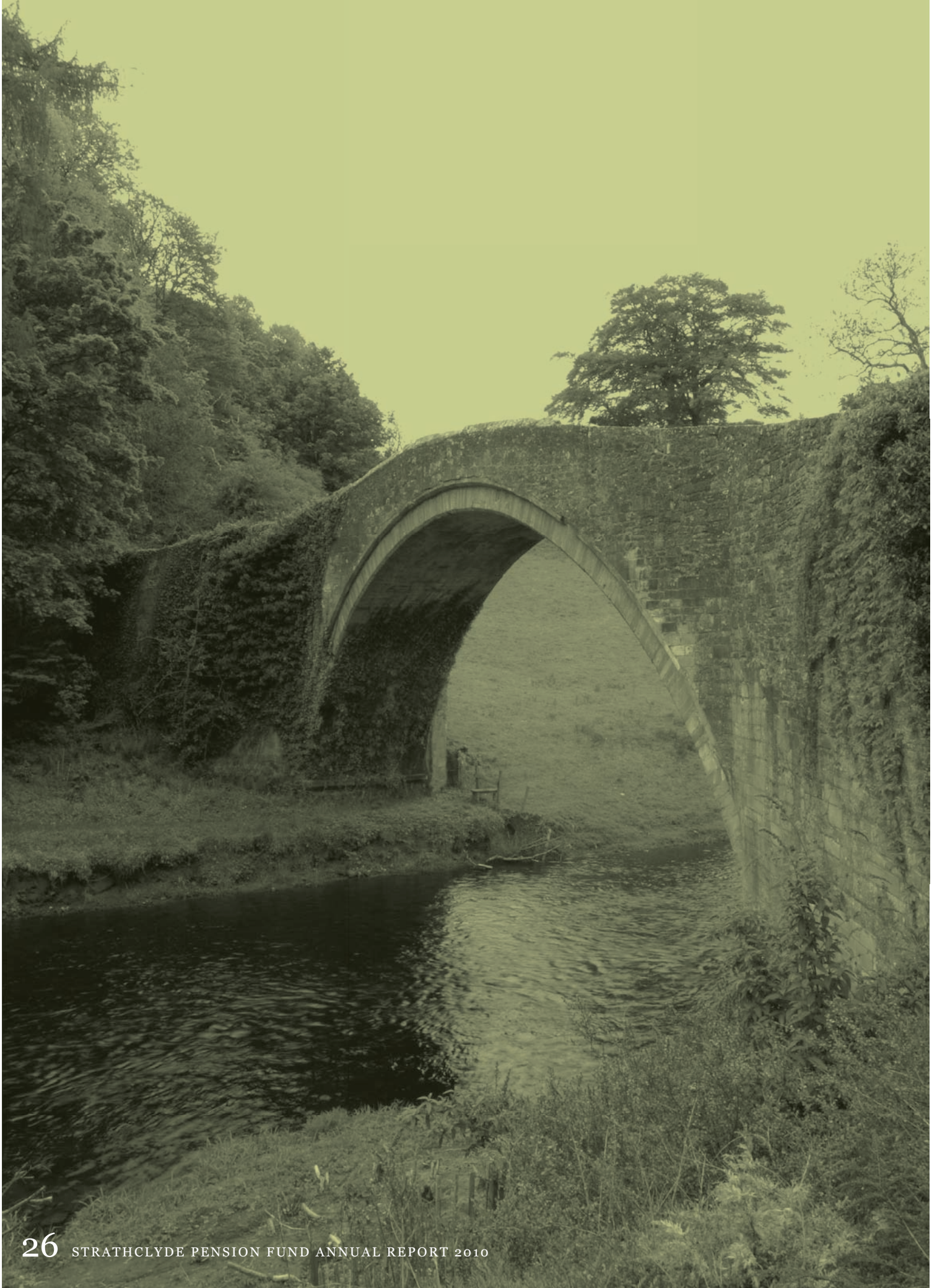
**Voting Results
2009/2010**

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	13	10	3	205	203	1	1	0	13	0
Baillie Gifford	43	42	1	657	626	27	4	0	42	1
Capital International	54	41	13	689	658	30	1	0	54	0
Edinburgh Partners	12	8	4	170	169	1	0	0	12	0
Gartmore	301	220	81	2,267	2,199	39	24	5	299	2
Invesco	11	9	2	123	44	2	64	13	9	2
Lazard	9	9	0	183	180	3	0	0	9	0
Legal & General	818	619	199	8,306	7,983	264	59	0	684	0
Schroders (No. 3)	60	49	11	784	770	12	2	0	60	0
Total	1,321	1,007	314	13,384	12,832	379	155	18	1,182	5
					96%	3%	1%	0%	100%	0%

**Voting Results
2009/2010
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	82	63	19	711	528	82	4	97	70	12
Baillie Gifford	81	68	13	977	873	35	0	69	72	9
Capital International	229	189	40	2,140	1,913	153	0	74	222	7
Edinburgh Partners	51	40	11	248	236	9	3	0	51	0
Genesis	31	16	15	202	186	12	4	0	31	0
Invesco	69	62	7	712	344	58	71	239	65	4
JP Morgan	434	360	74	3,165	2,691	320	50	104	413	21
Lazard	125	99	26	1,098	952	106	1	39	122	3
Schroders (No. 3)	139	114	25	1,675	1,112	92	1	470	99	40
Total	1,241	1,011	230	10,928	8,835	867	134	1,092	1,145	96
					81%	8%	1%	10%	92%	8%



During 2009/10, 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.

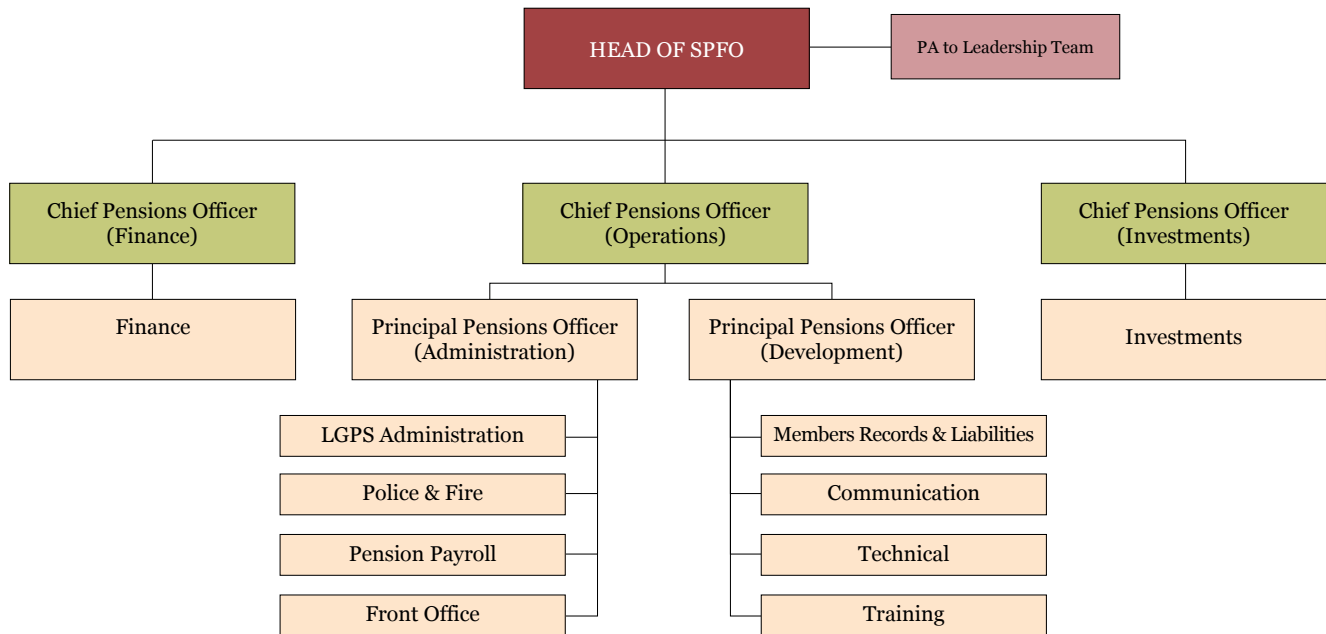


The following list is just a selection of the engagement topics on which managers reported over the year:

- Improving disclosure on governance and ESG issues
- Brazilian Oil environmental licenses to facilitate a new offshore drilling
- The contribution of non-executive directors to business strategy.
- Reducing the carbon foot print of the banking industry
- Carbon capture and storage
- Employee relations and labour rights in emerging markets
- Social and environmental issues within the tobacco industry
- Oil & Gas operations in politically sensitive countries including Myanmar, Sudan and Nigeria
- The impact of Bauxite mining in the Nymangiri mountains in India
- Staff welfare at France Telecom and their high suicide rate
- The 'Kerry-Boxer Bill' on the reduction of greenhouse gas emissions
- Biofuels, photovoltaic cells and other sustainable fuel sources
- Power generation issues and implications for new build coal plant
- Gas production and transmission projects in regions with highly fragile ecosystems
- Manufacture of armaments including cluster bombs and nuclear submarines
- Investment risk in Canadian oil sands by the oil and gas industry
- Forthcoming Solvency II legislation
- Minimisation of injuries and fatalities in the mining industry
- Oil spill cleanup operations in Nigeria
- The Walker Report into UK Corporate Governance
- Micro-lending and the impact of the credit crunch
- Remuneration Reports and Long Term Incentive Schemes
- Managing growth in the emerging markets Telecoms sector
- Health and safety at Chinese property and construction companies
- The Copenhagen Accord on climate change

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 2009/2010, together with previous year comparators.

Outturn performance for 2009/10 is extremely good. All targets were achieved in spite of additional workload from the voluntary redundancy programmes run by many of our contributing employers.

AVERAGE DAYS TO COMPLETE

Processes	Volumes	20 days %	15 days %	12 days %	10 days %	7 days %	5 days %	3 days %	Target %	Previous Year on Target %	% Workload Outstanding
1. New Starts											
New Start Admin	5,405	-	-	-	-	-	-	99.85	95.00	99.17	0.04
2. Deferred Benefits											
Deferred Calcs	2,911	-	-	-	-	99.79	99.58	98.52	90.00	95.71	0.03
3. Retiral											
Provisionals	5,672	95.61	91.07	84.48	80.36	-	-	-	85.00	84.72	0.32
Actual	2,763	94.96	91.56	86.93	86.50	-	-	-	85.00	90.72	1.34
4. Early Leaver Options											
Benefit Options Calcs	2,506	-	99.96	99.60	98.96	97.64	-	-	85.00	96.90	0
Refunds	1,589	-	99.11	98.74	98.30	98.01	-	-	85.00	96.90	0
5. Transfers In											
TV in Calcs	886	98.53	97.74	96.27	94.69	87.81	-	-	85.00	96.64	0
6. Transfers Out											
Club Transfers	319	98.74	96.86	92.47	88.40	-	-	-	85.00	97.27	0
Non Club Transfers	152	98.02	95.39	92.10	87.50	-	-	-	85.00	93.02	0

 Target Average days for process

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.

Our rolling customer surveys reassure us that we are getting things right and providing high levels of customer satisfaction. We also use them to target future development of our service. Our results for the year to 31 March 2010 are as follows.

	Joiners	Leavers	Deferreds	Retirals
Forms issued 09/10	5,405	2,506	2,911	2,763
Responses 09/10	1,064	813	134	686
Response rate (%) 09/10	19.7	32.4	4.6	24.8
2009/10 "Satisfaction Rating" (%)	79.3	79.9	79.8	91.4
2008/09 (%)	77.9	78.7	79.8	91.1
2007/08 (%)	78.1	75.6	78.4	91.5

A minimum average score of 75% for each question, and a minimum overall score of 80% for joiner, refund and leaver transactions and 90% for retirals were the agreed targets for 2009/10.

MEMBER DATA

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

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 categorized as missing joiner or leaver notifications. The following tables summarises the incidence of these two problems in respect of the Fund's major employers for data received prior to the current year.

Missing Records as at 31st March 2010: prior year data

Employer	Active Members	Missing Joiner Details	Missing Leaver Details	Exception Rate (%)
Argyll & Bute	3,156	35	33	2.15
East Ayrshire	3,875	0	0	0.00
North Ayrshire	4,473	0	6	0.13
South Ayrshire	3,439	0	45	1.31
West Dunbartonshire	3,782	8	5	0.34
East Dunbartonshire	2,723	0	3	0.11
Glasgow CC	12,724	5	102	0.84
Culture and Sport	1,993	0	4	0.20
City Building	1,798	0	0	0.00
North Lanarkshire	9,732	2	30	0.33
South Lanarkshire	10,134	9	11	0.20
East Renfrewshire	2,714	0	11	0.40
Renfrewshire	5,635	0	0	0.00
Inverclyde	2,469	8	40	1.94
Scottish Water	1,308	0	0	0.00
Strathclyde Police	2,495	0	0	0.00
Strathclyde Fire	589	0	0	0.00
Grand Total	73,039	67	290	0.49

At 0.49%, the total exceptions figure for this dataset is lower than at any time previously reported.

MEMBER DATA CONTINUED

Errors from 2009 year end payroll returns

Employer	Active Members	Missing Joiner Details	Missing Leaver Details	Exception Rate (%)
Argyll & Bute	3,156	32	29	1.93
East Ayrshire	3,875	2	34	0.93
North Ayrshire	4,473	2	11	0.29
South Ayrshire	3,439	22	45	1.95
West Dunbartonshire	3,782	8	9	0.45
East Dunbartonshire	2,723	1	0	0.04
Glasgow CC	12,724	251	225	3.74
Cordia	2,247	0	0	0.00
Culture and Sport	1,993	10	25	1.76
City Building	1,798	6	4	0.56
North Lanarkshire	9,732	11	113	1.27
South Lanarkshire	10,134	0	9	0.09
East Renfrewshire	2,714	9	7	0.59
Renfrewshire	5,635	0	34	0.60
Inverclyde	2,469	14	18	1.30
Scottish Water	1,308	0	0	0.00
Strathclyde Police	2,495	0	6	0.24
Strathclyde Fire	589	0	0	0.00
Sub Total	75,286	368	569	1.24
SPT	632	0	1	0.16
GHA	1,467	0	0	0.00
Other employers	12,084	63	193	2.12
Grand Total	89,469	431	763	1.33

Taking the two datasets together the total exception rate at year was 1.82% (0.49% +1.33%) meaning that the year end target of <2.0% was achieved.

In January 2009 the Pensions Regulator issued guidance on record keeping and data quality. A further consultation document was issued in February 2010 on proposals for regulation due to limited compliance by UK pension schemes. As a result of that consultation further guidance was issued in June 2010 including the following targets.

Pension Regulator’s targets for data quality compliance by end December 2012

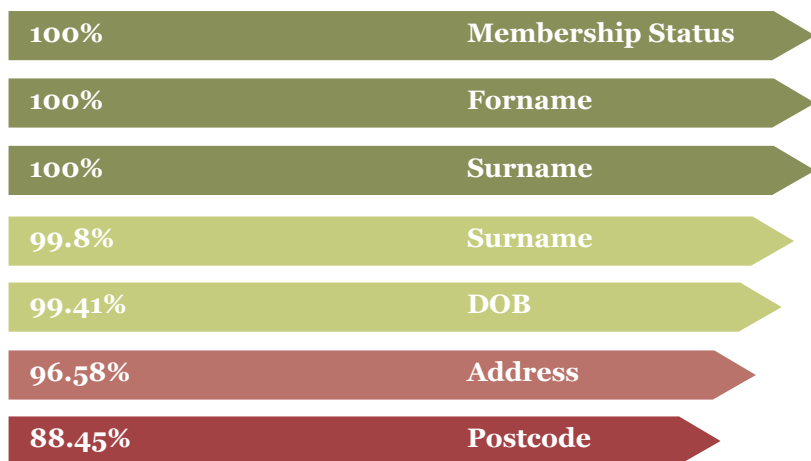
Data Type	Target
Common data after June 2010	100% accuracy required
Common legacy data pre June 2010	95% accuracy required
Conditional data	trustees determine targets
Numerical data	trustees determine targets

In addition, for Conditional and Numerical data above there is a requirement that robust reporting systems are developed to monitor data quality and a further requirement for a commentary to accompany the results.

SPFO has already developed systems for data monitoring, but one of the priorities in the 2010/2011 Business Plan is to develop these further in line with the Pensions Regulator’s Guidance.

The existing monitoring shows that we are on target for the Phase 1 review (Common Data) with an efficiency rating of >95% for all items except postcode as illustrated below.

SPFO Data Efficiency v Regulator’s Targets



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 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 Director of Financial Services. However, if your complaint relates to something your employer has done, you should route your complaint through them.

FINANCIAL STATEMENTS

STRATHCLYDE PENSION FUND FUND ACCOUNTS (YEAR TO 31 MARCH 2010)

	2008/09 £000	2009/10 £000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME		
Contributions receivable		
From employers		
- normal	292,381	317,430
- augmentation	<u>20,090</u>	<u>46,555</u>
	312,471	363,985
From members		
- normal	104,829	115,861
Transfers in		
- individual transfers in from other schemes	21,842	22,891
- group transfers in from other schemes	<u>774</u>	<u>0</u>
	22,616	22,891
Other income		
- other income	377	427
Benefits payable		
- pensions	247,481	267,802
- commutation of pension and lump sum retirement benefits	65,427	110,903
- lump sum death benefits	<u>6,623</u>	<u>9,386</u>
	319,531	388,091
Payments to and on account of leavers		
- refunds of contributions	970	998
- state scheme premiums	1,466	689
- group transfers out to other schemes	1,289	716
- individual transfers out to other schemes	<u>14,719</u>	<u>31,038</u>
	18,444	33,441
Administrative expenses	4,085	5,709
Net additions from dealings with members	<u>98,233</u>	<u>75,923</u>
RETURNS ON INVESTMENTS		
Investment income		
- interest from fixed interest securities	27,680	3,541
- dividends from equities	121,528	93,441
- income from index linked securities	130	7,654
- income from pooled investment vehicles	18,795	9,887
- net rents from properties	42,557	36,911
- interest on cash deposits	14,567	2,954
- other	<u>6,362</u>	<u>787</u>
	231,619	155,175
Change in market value of investments	-2,177,802	2,604,903
Taxation	3,345	3,277
Investment management expenses	<u>17,495</u>	<u>13,392</u>
Net returns on investments	-1,967,023	2,743,409
Net additions from dealings with members	98,233	75,923
Net increase (decrease) in the Fund during the year	-1,868,790	2,819,332
Add: opening net assets of the Fund	9,466,705	7,597,915
Closing net assets of the Fund	<u>7,597,915</u>	<u>10,417,247</u>

NET ASSETS STATEMENT

	2008/09 £000	2009/10 £000
Investment assets		
Fixed interest securities (public sector)	78,905	0
Fixed interest securities (other)	285,947	0
Equities (including convertible shares)	3,635,383	4,411,798
Index linked securities	7,062	40
Pooled investment vehicles	2,638,271	4,822,173
Derivative contracts	949,919	1,145,002
Property	596,797	737,810
Cash deposits	199,139	316,184
Other investment assets	<u>635,313</u>	<u>46,579</u>
	9,026,736	11,479,586
Investment liabilities		
Derivative contracts	-946,799	-1,145,428
Creditors	<u>-599,694</u>	<u>-42,356</u>
	-1,546,493	-1,187,784
Current assets		
Contributions due from employers	23,649	25,229
Unpaid benefits	16,697	33,322
Cash balances	83,880	72,449
Other current assets	<u>935</u>	<u>5,326</u>
	125,161	136,326
Current liabilities		
Unpaid benefits	-2,972	-6,080
Other current liabilities	<u>-4,517</u>	<u>-4,801</u>
	-7,489	-10,881
Net assets	<u>7,597,915</u>	<u>10,417,247</u>

NOTES TO THE ACCOUNTS 09/10

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
Strathclyde Fire and Rescue
Strathclyde Partnership for Transport

Other scheduled bodies

Anniesland College
Ayr College
Ayrshire Valuation Joint Board
University Of The West of Scotland
Cardonald College
Central College of Commerce
Clydebank College
Coatbridge College
Cumbernauld College
Dunbartonshire & Argyll & Bute
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
Scottish Police Services Authority

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 2007 (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. Prior year numbers are shown in brackets.

• 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 on 31 March 2010. The direct property portfolio was valued at 31 March 2010 by Colliers CRE, the valuer being qualified for that purpose in accordance with the Royal Institute of Chartered Surveyor (RICS) Valuation Standards manual. 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, P.O. Box 27001, Glasgow G2 9EW.

• 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 of 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 2010

An intervaluation monitoring report provided by the Fund's actuary as at 31 March 2010 recorded a projected funding position of 90%. 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)	78,905	331,380	-398,253	-12,032	0
Fixed Interest Securities (Other)	285,947	21,789	-38,498	-269,238	0
Equities (including convertible shares)	3,635,383	6,449,447	-6,891,394	1,218,362	4,411,798
Index Linked Securities	7,062	756,421	-1,168,689	405,246	40
Pooled Investment Vehicles	2,638,271	6,128,958	-4,682,296	737,240	4,822,173
Derivative Contracts	949,919	0	0	195,083	1,145,002
Property	596,797	0	0	141,013	737,810
Cash Deposits	199,139	0	0	117,045	316,184
Other Investment Balances	635,313	0	0	-588,734	46,579
Total Assets	9,026,736	13,687,995	-13,179,130	1,943,985	11,479,586
Investment Liabilities					
Derivative Contracts	-946,799	0	0	-198,629	-1,145,428
Creditors	-599,694	0	0	557,338	-42,356
Total Liabilities	-1,546,493	0	0	358,709	-1,187,784
Net Assets	7,480,243	13,687,995	-13,179,130	2,302,694	10,291,802

Other movements during the year include 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 £8.297 million (£6.464 million in 2008/2009).

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 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 2010 and a summary of contracts held are summarised in the tables below:

	31 March 2009	31 March 2010
	£000	£000
Futures and Options	996	46
Forwards	2,124	-472
Market Value as at 31 March	3,120	-426

Contract	Settlement Date	Asset £000	Liability £000	Net £000
Derivatives Futures and Margined Options				
DJ Euro Stoxx 50	3 Months	0	-352	-352
New SOF Index	3 Months	3	0	3
FTSE 100	3 Months	364	0	364
EMNI S&P 500	3 Months	10	0	10
S&P 500	3 Months	21	0	21
Contracts Held at 31 March 2010		398	-352	46

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	32,452	-32,616	-164
Various Currency Forwards	2 Months	369,897	-364,998	4,899
Various Currency Forwards	3 Months	51,239	-51,296	-57
Various Currency Forwards	4 Months	118,408	-119,800	-1,392
Various Currency Forwards	5 Months	145,939	-146,615	-676
Various Currency Forwards	6 Months	426,669	-429,751	-3,082
Contracts Held at 31 March 2010		1,144,604	-1,145,076	-472

The above table summarises the contracts held by maturity date – 13 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 2010 was £10,291.802 million.

Investment management arrangements as at 31 March 2010 are summarised below:

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	35.08
Global Equity	Baillie Gifford	11.54
Global Equity	Capital International	9.25
Global Equity	AllianceBernstein	3.21
Global Equity	Invesco Perpetual	2.88
Global Equity	Lazard	4.89
Global Equity	Edinburgh Partners	2.44
Specialist – Property	Aberdeen Property Investors	7.31
Specialist – Bonds	PIMCO	4.48
Specialist – Bonds	Threadneedle	2.17
Equities – UK Small Companies	Gartmore	1.98
Equities – Overseas Small Companies	JP Morgan	2.53
Specialist – Private Equity	Pantheon Ventures	4.63
Specialist – Private Equity	Partners Group	2.15
Specialist – Emerging Markets	Genesis	3.10
Currency Overlay	Millennium	0.60
Currency Overlay	Record Currency Management *	0.00
Cash	Northern Trust	1.76

• Currency Overlay

Record Currency Management 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 2010 the Fund held property assets with a value of £676.615 million. This valuation was calculated by Colliers CRE on the Fund's behalf in accordance with RICS Valuation Standards manual.

As at 31 March 2010 the Fund's indirect property assets had a value of £61.195 million. This valuation was conducted by external valuers CBRE, King Sturge and DTZ and prepared in accordance with RICS Valuation Standards manual.

7. Notifiable Holdings

Notifiable holdings are holdings which exceed 5% of the total value of Fund net assets. As at 31 March 2010 the Fund had holdings of £1,763.863 million (17.6%) in Legal & General UK Equity Fund and £1,150.762 million (11.5%) in Legal & General North America Equity Index.

8. Analysis of Investments

Investments can be further analysed as follows:

	Quoted £000	Unquoted £000	Other £000	Total £000
Assets				
Equities (including convertible shares)	1,053,776	3,358,022	0	4,411,798
Index Linked Securities	5	35	0	40
Pooled Investment Vehicles	3,209,484	1,612,689	0	4,822,173
Derivative Contracts	0	1,145,002	0	1,145,002
Property	0	737,810	0	737,810
Cash Deposits	298,793	0	17,391	316,184
Debtors	19,832	10,757	15,990	46,579
Total Assets	4,581,890	6,864,315	33,381	11,479,586
Liabilities				
Derivative Offset	0	-1,145,428	0	-1,145,428
Creditors	-25,243	-17,113	0	-42,356
Total Liabilities	-25,243	-1,162,541	0	-1,187,784
Net Assets	4,556,647	5,701,774	33,381	10,291,802

8. Analysis of Investments continued

	UK £000	Overseas £000	Total £000
Assets			
Equities (including convertible shares)	3,721,396	690,402	4,411,798
Index Linked Securities	0	40	40
Pooled Investment Vehicles	446,755	4,375,418	4,822,173
Derivative Contracts	1,145,002	0	1,145,002
Property	737,810	0	737,810
Cash Deposits	17,391	298,793	316,184
Debtors	<u>40,696</u>	<u>5,883</u>	<u>46,579</u>
Total Assets	6,109,050	5,370,536	11,479,586
Liabilities			
Derivative Offset	-1,145,428	0	-1,145,428
Creditors	-33,293	-9,063	<u>-42,356</u>
Total Liabilities	-1,178,721	-9,063	-1,187,784
Net Assets	4,930,329	5,361,473	10,291,802

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

9. Pooled Investment Vehicles

Pooled Investment Vehicles can be further analysed as follows:

	As at 31 March 2009 £000	As at 31 March 2010 £000
Unit Trusts	892,190	1,213,066
Managed Vehicles	1,746,081	3,609,107
Total	2,638,271	4,822,173

10. 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	19,540	73,191	23,130	115,861
Employer	62,209	227,096	74,680	363,985
Benefits				
Pension	29,242	215,406	23,154	267,802
Lump Sum	25,767	71,896	22,626	120,289

11. 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.

12. Stock Lending

The Fund participates in a stock lending programme managed by its global custodian, Northern Trust. All loans are fully collateralised. Stock released as at 31 March 2010 was £2.345 million (£nil as at 31 March 2009).

13. Contractual Commitments

As at 31 March 2010 the Fund had contractual commitments of £1,788 million within its private equity portfolios. The Fund had no material contingent assets or liabilities at the year end and there were no material non-adjusting events occurring subsequent to the year end.

14. 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.

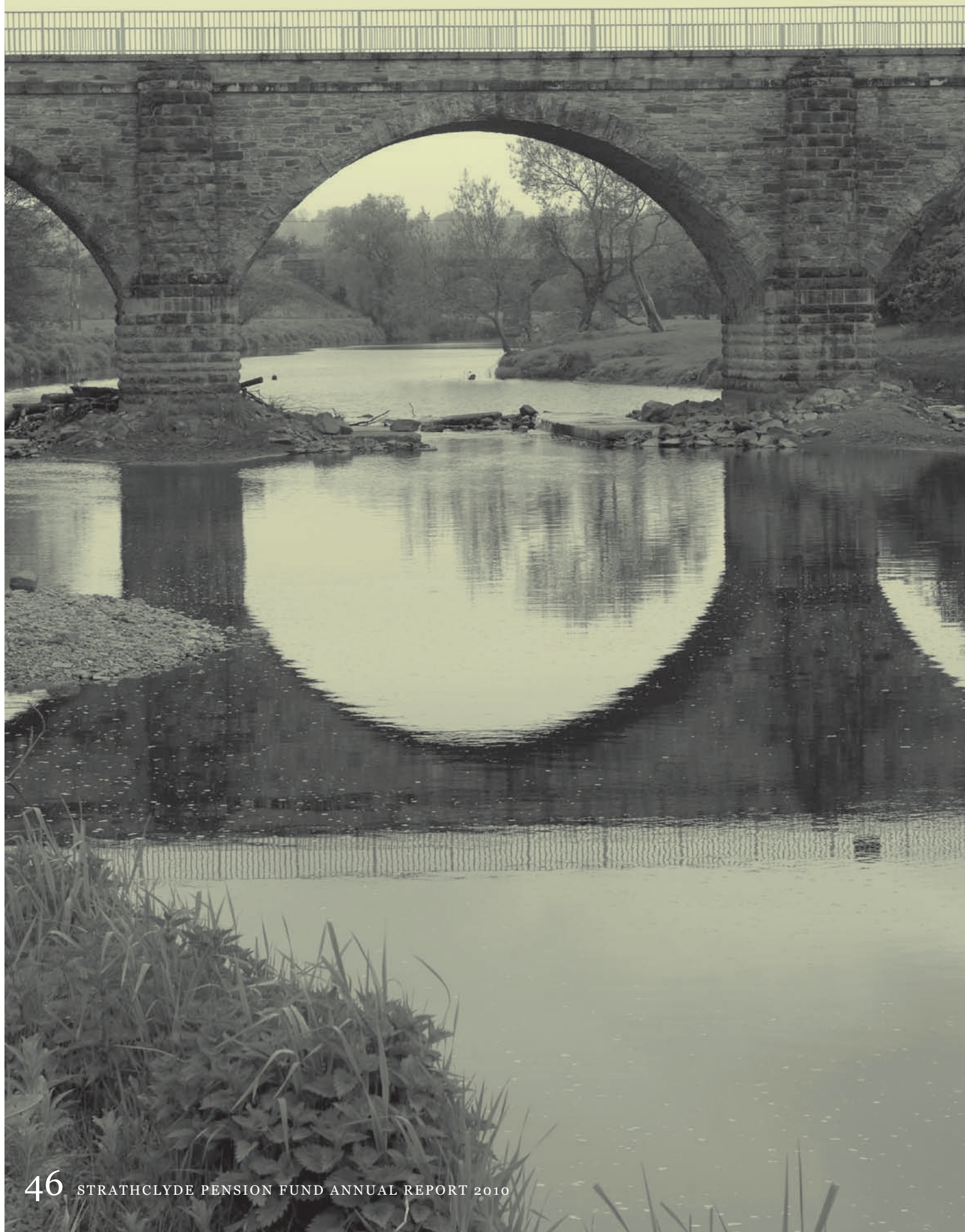
15. Additional Voluntary Contributions (AVCs)

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 2010 was £29.6 million (£24.9 million). Contributions which are used in their entirety to purchase investments, totalled £8.1 million (£6.1 million) whilst sales of investments to settle benefits due to members totalled £6.3 million (£3.6 million). The change in market value of investments over the year was £2.9 million (£0.3 million).

16. Signed Audit Certificate

The signed audit certificate for these financial statements is included within the financial statements of Glasgow City Council.



FUND MEMBERSHIP

A

Access to Employment Ayr Ltd
ACCESS (Service Glasgow LLP)
Alcohol Focus Scotland
Alternatives West Dumbarton Community Drug Services
AMEY BFO Services Ltd (Renfrewshire Schools PPP)
Anniesland College
Argyll & Bute Council
Argyll & Bute Local Learning Partnership Ltd (T/A Argyll College)
Argyll Community Housing Association Ltd
Aspire2gether Ltd
Auchenback Active Ltd
Ayr Action for Mental Health Limited
Ayr College
Ayr Housing Aid Centre
Ayrshire Housing
Ayrshire North Community Housing Organisation Ltd
Ayrshire Valuation Joint Board

B

Befriending and Respite Services Ltd
Bridgeton Calton And Dalmarnock Credit Union

C

Caladh House
Cambuslang Community Carers
Cardonald College
Care Partners
Cassiltoun Housing Association
Castlemilk Environment Trust
Castlemilk Stress Centre
Central College Of Commerce
Childcare First Ltd
City Building (Glasgow) LLP
City Markets (Glasgow) LLP
City Parking (Glasgow) LLP
City Property (Glasgow) LLP
Clyde Gateway Urban Regeneration Company
Clydebank College
Clydebank Rebuilt
Coatbridge Citizens Advice Bureau
Coatbridge College
Community Central Hall
Community Enterprise in Strathclyde
Community Volunteers Enabling Youth Ltd
Connaught Partnerships PLC
CORA Foundation
Cordia (Contracts) LLP
Cordia (Services) LLP
Craigholme School
Culture & Sport Glasgow (Trading)
Culture & Sport Glasgow
Cumbernauld College
Cumbernauld Housing Partnership Ltd

D

Deaf Connections
Developing Strathclyde Ltd
Dunbartonshire & Argyll & Bute Valuation Joint Board

E

East Ayrshire Carers Centre Limited
East Ayrshire Council
East Dunbartonshire Citizens Advice Bureau
East Dunbartonshire Council
East End Respite Care Group
East Renfrewshire Carers
East Renfrewshire Council
Easterhouse Citizens Advice Bureau
Employee Counselling Service
Enable Services Ltd
Equals Advocacy Partnership Mental Health

F

First Bus
Flourish House
Forth & Oban Ltd
Fyne Homes Limited

G

Geilsland School Beith for Church of Scotland
General Teaching Council for Scotland
Glasgow & West of Scotland Society for the Deaf
Glasgow 2014 Ltd
Glasgow Anti-Racist Alliance
Glasgow Association For Mental Health
Glasgow Caledonian University
Glasgow City Council
Glasgow City Heritage Trust
Glasgow City Marketing Bureau Limited
Glasgow College Of Nautical Studies
Glasgow Community and Safety Services Ltd
Glasgow Community Justice Authority
Glasgow Council for Voluntary Service
Glasgow Credit Union
Glasgow Cultural Enterprises (Trading) Ltd
Glasgow Cultural Enterprises Ltd
Glasgow East Regeneration Agency Ltd
Glasgow East Women's Aid
Glasgow Film Theatre
Glasgow Housing Association
Glasgow Metropolitan College
Glasgow North East Carers Centre
Glasgow School of Art
Glasgow West Housing Association Ltd
Glasgow Women's Aid
Good Shepherd Centre (Dalbeth & St Euphrasia's)
Govan Law Centre
Greenspace Scotland

H

H.E.L.P (Argyll & Bute) Ltd
Haden Building Management (North Lanarkshire Council's Education 2010 PPP)
Hansel Alliance
Hansel Foundation
Hemat Gryffe Women's Aid
HIE Argyll & the Islands
Hill's Trust Home School Community Project
Hillhead Housing Association 2000
Home Group Ltd
Home Start MAJIK
Hutchesons Educational Trust

I

Inverclyde Council
Inverclyde Leisure
Irvine Bay Urban Regeneration Company
Irvine Housing Association

J

James Watt College
John Wheatley College
Jordanhill School

K

Kenmure St Mary's Boys School
Kerr & Smith Ltd
Kibble School
Kilmarnock College
Kings Theatre Glasgow Ltd

L

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

M

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)
Motherwell College

N

New Lanark Conservation Trust
North Ayr Resource Centre
North Ayrshire Council
North Ayrshire Leisure Ltd
North Glasgow College
North Lanarkshire Carers Together
North Lanarkshire Council
North Lanarkshire Leisure Ltd
Notre Dame Clinic

P

Paisley Partnership Regeneration Company Ltd
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

Q

Queens Cross Housing Association

R

Rape Crisis Centre
RCA Trust
Regen: FX Youth Trust
Reid Kerr College
Reidvale Adventure Playground
Renfrewshire Carers Centre
Renfrewshire Council
Renfrewshire Leisure Ltd
Renfrewshire Valuation Joint Board
River Clyde Homes
Riverside Inverclyde
Routes to Work Limited
Routes to Work South
Royal Scottish Academy of Music & Drama

S

SACRO
Scottish Environmental & Outdoor Centres Association Ltd
Scottish Further Education Unit
Scottish Library & Information Council
Scottish Maritime Museum Trust
Scottish Out Of School Care Network
Scottish Police Services Authority
Scottish Qualifications Authority
Scottish Screen
Scottish Society for the Mentally Handicapped
Scottish Water
Scottish Water Business Stream Ltd
Scotwest Credit Union Ltd
Shettleston Housing Association
Skills Development Scotland Ltd
South Ayrshire Council
South Ayrshire Energy Agency
South Ayrshire Women's Aid & Women's Centre
South Lanarkshire College
South Lanarkshire Council
South Lanarkshire Leisure Limited
South West Scotland Community Justice Authority
SportScotland
Springboig St John's School
St Columba's School Limited
St Philip's Approved School
Stow College
Strathclyde Fire & Rescue
Strathclyde Partnership for Transport
Strathclyde Police
Strathclyde Wing Hong Chinese Elderly Group
Strathleven Regeneration Company Ltd

T

TATA Consultancy Services Limited
The Advocacy Project
The Alpha Project
The Bishops Conference of Scotland Social Welfare Commission
The Financial Fitness Resource Team
The Jeely Piece Club
The Milton Kids D.A.S.H. Club
The Outdoor Resource Base
The Richmond Fellowship Scotland Ltd
The Scottish Centre for Children with Motor Impairments
The Scottish Police Services Authority
The Time Capsule Monklands Trust
The Village Story Telling Centre
The Volunteer Centre
TNT UK Ltd
Town Centre Initiatives Limited

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. Andrew's College Staff Only)
University of Glasgow (ex SCRE employees only)
University of Strathclyde
University Of The West Of Scotland (Paisley Campus)
Utheo Ltd

V

Visit Scotland (Ayrshire)
Visit Scotland (Glasgow)
Voluntary Action East Renfrewshire
Voluntary Association for Mental Welfare

W

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

Y

Youth Counselling Service

NO. 3 FUND FINANCIAL STATEMENTS

FUND ACCOUNTS (YEAR TO 31ST MARCH 2010)

	2008/09 £000	2009/10 £000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME		
Contributions receivable		
From employers		
- normal	1,615	1,602
- additional	<u>2,100</u>	<u>2,382</u>
	3,715	3,984
From members		
- normal	351	368
Benefits payable		
- pensions	3,350	3,568
- commutation of pension and lump sum retirement benefits	1,098	776
- lump sum death benefits	<u>5</u>	<u>0</u>
	4,453	4,344
Payments to and on account of leavers		
- individual transfers out to other schemes	37	481
Administrative expenses	28	27
Net addition/reduction (-) from dealings with members	-452	-500
RETURNS ON INVESTMENTS		
Investment income		
- dividends from equities	1,072	877
- income from pooled investment vehicles	896	1,060
- interest on cash deposits	208	60
- other	<u>64</u>	<u>54</u>
	2,240	2,051
Change in market value of investments	-14,489	26,084
Taxation	17	13
Investment management expenses	50	45
Net returns on investments	<u>-12,316</u>	<u>28,077</u>
Net reduction (-) from dealings with members	-452	-500
Net increase / decrease (-) in the Fund during the year	-12,768	27,577
Add : opening net assets of the scheme	<u>103,300</u>	<u>90,532</u>
Closing net assets of the scheme	<u>90,532</u>	<u>118,109</u>

NO. 3 FUND NET ASSETS STATEMENT AS AT 31 MARCH 2010

	2008/09 £000	2009/10 £000
Investment assets		
Equities (including convertible shares)	25,274	34,752
Pooled investment vehicles	58,887	78,346
Derivative Contracts	0	28
Cash deposits	1,543	634
Other investment assets	<u>310</u>	<u>297</u>
	86,014	114,057
Investment liabilities		
Derivative Contracts	0	-28
Creditors	<u>-99</u>	<u>-124</u>
	-99	-152
Current assets		
Contributions due from employer	193	223
Cash balances	<u>4,424</u>	<u>3,981</u>
	4,617	4,204
Net assets	90,532	118,109

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.

The No.3 Fund is a sub-fund of the Strathclyde Pension Fund. The Fund was established in February 1993 in order to preserve the pensionable benefits of those remaining employees (1,362) of Strathclyde Buses who had transferred from the service of Strathclyde Regional Council upon the implementation of the Transport Act 1985 in October 1986. The value of those employees' benefits and the assets in respect of them were actuarially assessed by Hymans Robertson, the Fund's actuaries, 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 2007 (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

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 at the 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, P.O. Box 27001, Glasgow G2 9EW.

• 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 members. 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 2010

An intervaluation monitoring report provided by the Fund's actuary as at 31 March 2010 recorded a projected funding position of 86%. 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)	25,274	9,767	-12,698	12,409	34,752
Pooled Investment Vehicles	58,887	26,586	-19,829	12,702	78,346
Derivative Contracts	0	0	0	28	28
Cash Deposits	1,543	0	0	-909	634
Other Investment Balances	310	0	0	-13	297
Total Assets	86,014	36,353	-32,527	24,217	114,057
Investment Liabilities					
Derivative Contracts	0	0	0	-28	-28
Creditors	-99	0	0	-25	-124
Total Liabilities	-99	0	0	-53	-152
Net Assets	85,915	36,353	-32,527	24,164	113,905

Other movements during the year include 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 £39,000 (£57,000 in 2008/09).

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 forward foreign exchange contracts. The Market values as at 31 March 2010 are shown in the table below:

Contract	Settlement Date	Asset £000	Liability £000	Net £000
Various Currency Forwards	1 Month	28	-28	0
Contracts Held at 31 March 2010		28	-28	0

The above table summarises the contracts held by maturity date – one foreign currency 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. Notifiable Holdings

As at 31 March 2010 the Fund had holdings exceeding 5% of the total value of net assets in:

	£000	%
Legal & General HD Active Corp (All Stocks)	21,457	18.83
Ruffer Absolute Return Fund	20,512	18.00
Schroder Indirect Real Estate Property Unit Trust Fund	7,601	6.67
Schroder Exempt Property Unit Trust Fund	6,400	5.62
Legal & General – Enhanced Matching Fund 2035 RPI	6,385	5.61

- **Fund Management**

The investment assets of the Fund are externally managed.

Investment management arrangements as at 31 March 2010 are shown below:

Asset Class	Fund Manager	% managed
Multi Asset – Passive	Legal & General	27.00
Multi Asset – Passive	Ruffer	18.00
Global Equity and Property	Schroder	55.00

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

The market value of assets under the management of Fund managers as at 31 March 2010 was £114 million.

7. Analysis of Investments

Investments can be further analysed as follows:

	Quoted £000	Unquoted £000	Other £000	Total £000
Assets				
Equities (including convertible shares)	19,770	14,982	0	34,752
Pooled Investment Vehicles	68,719	9,627	0	78,346
Derivative Contracts	0	28	0	28
Cash Deposits	0	0	634	634
Debtors	0	0	297	297
Total Assets	88,489	24,637	931	114,057
Liabilities				
Derivative Contracts	0	-28	0	-28
Creditors	0	0	-124	-124
Total Liabilities	0	-28	-124	-152
Net Assets	88,489	24,609	807	113,905
		UK £000	Overseas £000	Total £000
Assets				
Equities (including convertible shares)		34,752	0	34,752
Pooled Investment Vehicles		343	78,003	78,346
Derivative Contracts		28	0	28
Cash Deposits		0	634	634
Debtors		249	48	297
Total Assets		35,372	78,685	114,057
Liabilities				
Derivative Contracts		-28	0	-28
Creditors		-68	-56	-124
Total Liabilities		-96	-56	-152
Net Assets		35,276	78,629	113,905

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

8. Pooled Investment Vehicles

Pooled Investment Vehicles can be further analysed as follows:

	As at 31 March 2009	As at 31 March 2010
	£000	£000
Unit Trusts	49,812	64,267
Real Estate Unit Trusts	9,075	14,079
Total	58,887	78,346

9. Contributions and Benefits

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

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 value of stock released at the year end was £67,000 (£nil as at 31 March 2009).

12. Contingent Assets and Liabilities

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

14. Signed Audit Certificate

The signed audit certificate for these financial statements is included within the financial statements of Glasgow City Council.

Contacts

Head of Pensions
Chief Pensions Officer (Finance)
Chief Pensions Officer (Investments)
Chief Pensions Officer (Operations)

Richard McIndoe
Alison Duffy
Jacqueline Gillies
Andy Knox

Managing the Local Government Pension Scheme in the west of Scotland

Strathclyde Pension Fund, P.O. Box 27001, Glasgow G2 9EW
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Web: www.spfo.org.uk
Tel: 0845 213 0202

Delivering excellence in Scotland's public sector pensions