

PENSIONNEWS



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WELCOME TO PENSIONNEWS

Having worked here for over 30 years and currently leading the Pensions Payroll team, I am very proud to introduce this newsletter.

Whilst much has changed since 1980, as ever, this edition of Pensionnews is designed to give you an update on the Fund, Strathclyde Pension Fund Office (SPFO) and the Local Government Pension Scheme (LGPS).

The Fund had a good year followed by a difficult summer on investment markets.

At SPFO we have been busier than ever taking care of the huge numbers of our members who are retiring. In our last scheme year we had 4,159 members retire, 50% up on the previous year.

This pattern is continuing in 2011 / 2012, and the number of our members retiring means that the profile of our membership is changing significantly (see below)

This means that we will be bringing in a lot less cash from member contributions and paying out a whole lot more in pensions.

Our monthly pensions pay bill on the 15th of each month is currently £44m before tax. When I joined SPFO it was just £0.8m.

Finally I would like to mention that, whilst our office is closed from Dec 24 to Jan 3 inclusive, this should not affect our regular payment of your pension on 15 Dec or 13 Jan.

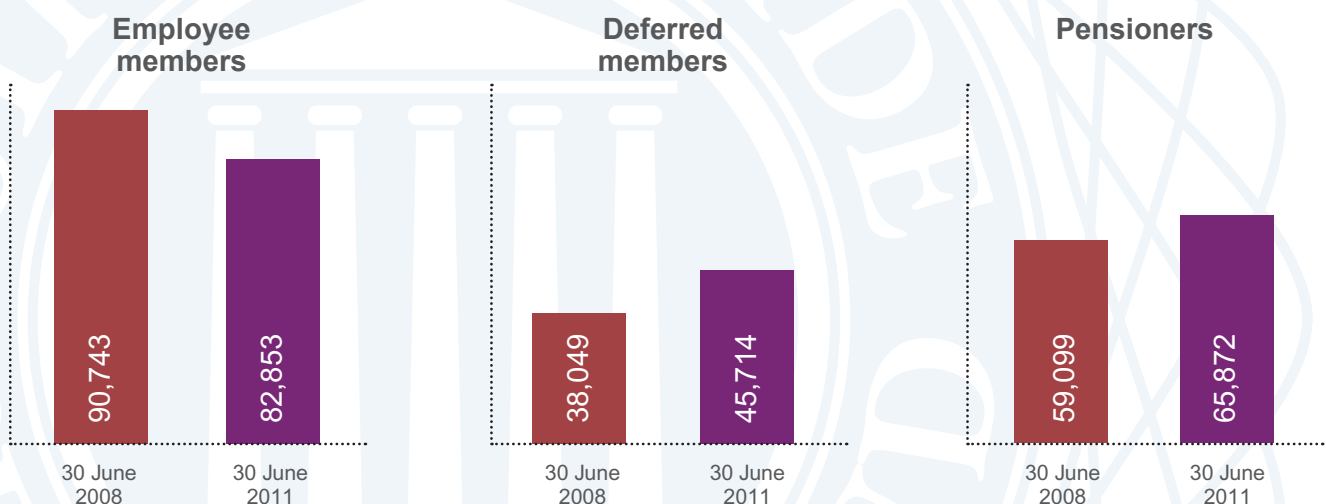


Audrey Boyce
Team Leader Pensions Payroll

"I'm confident that we are well positioned to meet our future responsibilities to our pensioners as:

The closing net asset value of £11.3 billion in this year's accounts has never been bigger

The initial results of the actuarial valuation as at 31 March 2011 confirm that we have one of the strongest funding positions in the UK at 97.3%"



CPI / RPI

From April this year the Consumer Prices Index (CPI) replaced the Retail Prices Index (RPI) for increases to pensions in payment.

We have had many enquiries from our members about this.

We have to make it quite clear that this change was introduced by the UK Government's pensions increase order.

We do not decide how to increase pensions in payment. But we do have to apply the increase by law.

It is now clear that the change is lawful: the legal challenge that was launched in the High Court failed, with the judges deciding that the Government had acted lawfully when it changed the basis for annual increases in public sector pensions to the lower CPI from the traditionally higher RPI.

An appeal to the Court of Appeal is expected, and you can keep in touch with developments via our website.

At the moment we expect that 5.2% will be the annual pension increase from April 2012, as this was the September CPI figure (RPI was 5.6%).

Although both indices are measures of inflation, RPI and CPI are calculated using different methods and include different items.

One major difference between RPI and CPI is that CPI does not include mortgage interest payments, meaning that CPI will generally rise less than RPI.

Both RPI and the CPI are calculated by The Office for National Statistics, and these are explained on their website at

<http://ons.gov.uk/ons/taxonomy/index.html?nscl=Price+Indices+and+Inflation>



SCHEME YEAR 2010 / 2011

Convener's summary

In 2010 / 2011 the Fund's total membership grew slightly from 193,488 to 195,052. This includes

- 85,261 employee members (89,109 last year)
- 45,384 deferred members (43,090 last year)
- 64,407 pensioners (61,289 last year)

There was a clear shift from employee to pensioner membership as a result of widespread early retirement programmes.

The Fund's investments grew by 7.7%, a more normal rate compared to the dramatic recovery of the previous year and the market crash and credit crunch before that.

This has contributed to a very good actuarial result of 97.3% funded, an improvement on our 2008 position.

Significant milestones over the last year included:

- our move to a new home in Glasgow's International Financial Services District after 20 years in Queen Street
- producing the Fund's first Governance Compliance Statement which confirms that our management and decision-making procedures follow best practice
- the first review of performance against the Pension Administration Strategy



Councillor Paul Rooney
Convener, Strathclyde Pension Fund
Committee

Looking ahead, there will be some difficult discussions about public sector pension reform over the coming year. We will continue to be fully involved in these and will also be thinking carefully about how we manage any changes and about the impact of our changing membership.



Lynn Brown
Executive Director of Financial Services
Glasgow City Council

For the first time our accounts for 2010 / 2011 are produced and audited separately from those of Glasgow City Council.

They show:

- *employee contributions levelling off at £116m as active membership stops growing*
- *a significant increase in lump sum payments from £120m to £162m as a result of the high level of retirements*
- *a net asset value of £11,320m at 31st March 2011, a new high water mark and an increase of more than £903m over the year*

One measure of how well we performed is our continued success in winning industry awards, including:

- *Funds Europe European Public Sector Institutional Investor of 2010*
- *Pensions Week / Pensions Management Large Scheme of the Year 2010*

LATER STATE PENSION AGES

The state pension age, SPA, is the earliest age at which you can get your state pension.

The government is introducing later SPAs. You can check your SPA at <http://pensions-service.direct.gov.uk/en/state-pension-age-calculator/home.asp>

The new SPAs will reduce the payments you receive from us when you reach the new SPA, as the part of your state pension increases that are now paid from the LGPS will be included in your state pension.

For men born before 6 December 1953, SPA remains 65.

For women born before 6 April 1950, SPA remains 60.

To move towards equalising SPA for men and women, women born between 6 April 1950 and 5 December 1953 will have an SPA between 60 and 65.

Women born on or after 6 December 1953 will have an SPA of at least 65 (as the equalised SPA is to be increased above 65 for men and women).

Men and women born between 6 December 1953 and 5 October 1954 will have an SPA between 65 and 66.

Men and women born on or after 6 October 1954 will have an SPA between 66 and 68.

RETURNING TO LOCAL GOVERNMENT WORK?

You must notify us immediately in writing if you retired on redundancy or efficiency of service grounds and become re-employed by an organisation that participates in the LGPS.

In fact we recommend that you check back with us **before** becoming re-employed, so that we can make you aware of any pension implications.

Retirement benefits already paid can become subject to “unauthorised payment” tax charges (at 55%) if you are under 55 and become re-employed within 6 months in a job that is NOT materially different to the job you retired from.

If you retired on redundancy or efficiency grounds with additional service granted by your employer and you return to local government work, your additional service pension may be reduced and / or permanently suspended.

CHANGES TO THE LGPS

No details are available yet about the proposed timetable for any LGPS reforms in Scotland or indeed about what those reforms will be.

We are not expecting any changes to the LGPS to impact on pensioners.

As far as your colleagues still working in local government are concerned, the Scottish Government has confirmed that it will not impose contribution increases.

We also know that the UK Government plans to:

1. move public sector pension schemes onto a CARE (Career Average Revalued Earnings) basis from a final salary basis
2. link normal retirement ages in public sector pension schemes to the state pension age


We will continue to post the latest news about any changes to public sector pensions on the News section of our website.



PROTECTING YOUR LOVED ONES

The LGPS provides a great package of benefits, but to make the most of it you need to ensure that you have completed the right nomination forms.

By completing our nomination forms you can indicate the person or persons that you would like any benefits paid on your death to be paid to.



I'm sure he would have wanted me to have a pension.

Unmarried partner's pension

(provided you became a pensioner after 31 March 2009)

We experience cases where members have not completed the form.

If this is the case the pension that could have been paid to their partner on the death of the member will not be paid.


Lump sums on your death

LGPS retirement pensions are guaranteed to be paid for at least 5 years (10 years if you became a pensioner after 31 March 2009). This excludes any pensions from compensatory added years on redundancy and / or efficiency retirement.

If you retire and die as a pensioner, the balance of your guaranteed pension payments can be paid out as a lump sum to your loved ones.

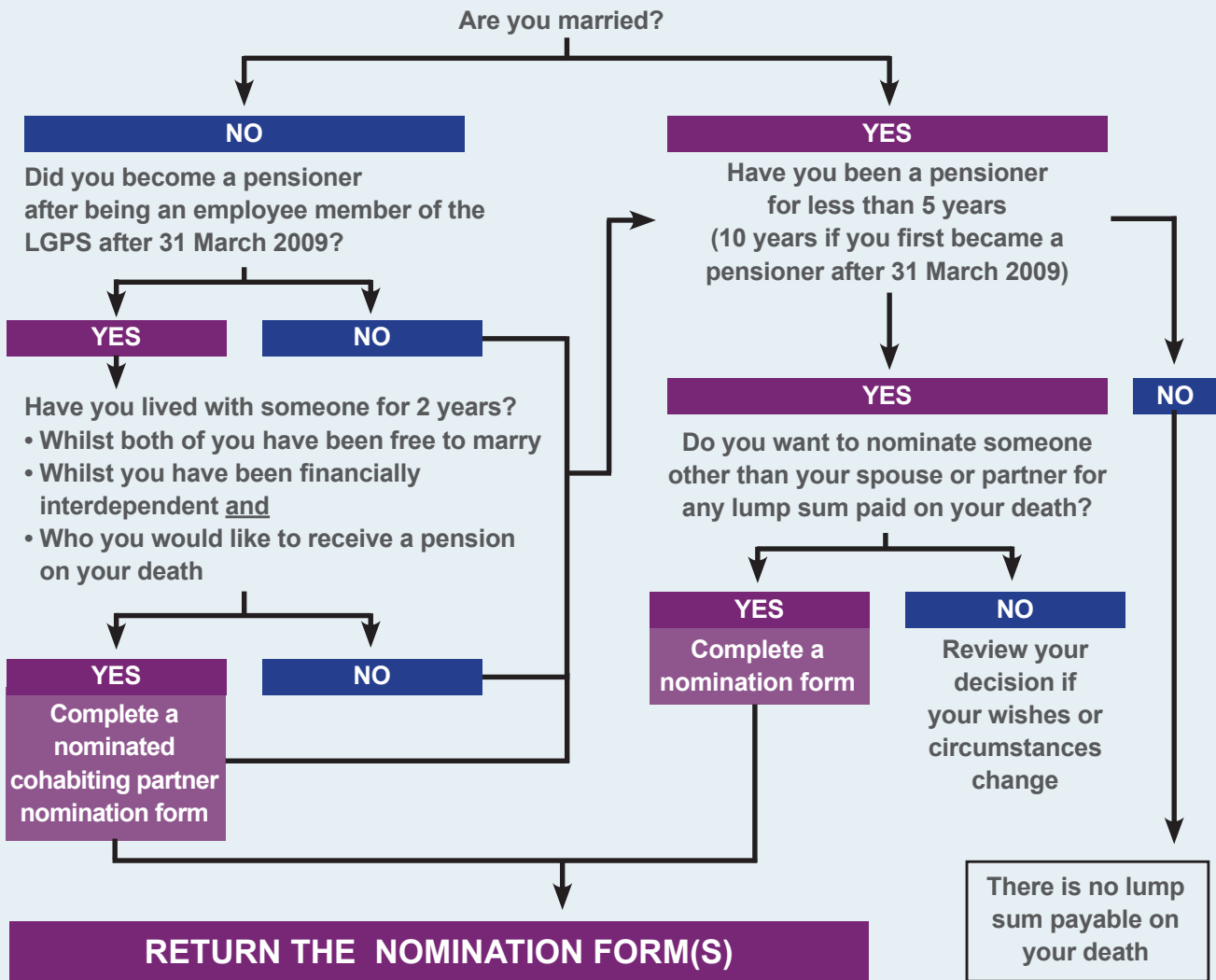
This lump sum is in addition to any dependants' pensions that are payable.

You may want to remind your loved ones to let us know when you die, as we will ask for any pension paid after your death to be repaid.



I'm sure she meant me to have the cash.

NOMINATING YOUR LOVED ONES



SCOTTISH POWER OF ATTORNEY

It is a natural assumption for anyone to make that someone you trust, such as your partner, spouse or a family member would be able to make decisions on your behalf if you lost the capacity to make decisions for yourself, but you would be wrong.

No one has the automatic right to make decisions on your behalf merely on the grounds of relationship.

You have to give someone (or some people) the legal right to make decisions for you by appointing them to be your attorney (s) and they must be willing to act on your behalf.

Most solicitors can assist you and some stationery shops even sell packs that can be used.

For more information on Powers of Attorney in Scotland visit the website www.publicguardian-scotland.gov.uk or telephone 01324 678 300.

Please note that the staff at the Office of the Public Guardian cannot assist in drafting Powers of Attorney or provide legal advice. Their primary function is to register them once they have been drafted.

INVESTMENTS

We are established as one of the largest pension funds in the UK and employ a range of professional advisers. These include the UK's leading actuaries, investment managers and legal advisers.

Our current investment objective, strategy and structure are set out in our Statement of Investment Principles that is available from the investment strategy area of our website.

HOW THE FUND WORKS

Employee members and their employers pay contributions into the Fund.

Our investment managers invest these in company shares, bonds and properties all around the world.

If the investments do well, employers may have to pay less into the Fund in future.

If they do less well, employers may have to pay more.

Either way, the benefits you have earned are not affected. Benefits in payment are based on your pensionable service and your pensionable pay, not on investment returns. They will be paid by the Fund as set out in the regulations which are written and guaranteed by the Scottish Government.

**The Fund's value
as at 31 March 2011
was over £11 billion...
that's £11,000 million...
that's...**

- a line of £1 coins that would stretch 6 times round the earth's circumference
- an Apple iPad2 for every household in the UK
- a Mercedes SLS AMG roadster for everyone in the crowd at a sell-out Hampden
- a £2,000 lotto win for everyone in Scotland



Jacqueline Gillies
Chief Pensions Officer (Investments)



INVESTMENT MARKETS

2010/ 2011 was a turbulent year for financial markets, with:

- the sovereign debt crisis in Europe
- persistent unemployment and implementation of a second round of quantitative easing in the US
- the natural disasters in Japan and New Zealand
- policy tightening in China

More recently investment markets have fallen as a result of poor economic data in the US, increasing concern over the future of the Euro and worries that the developed world may be facing a long recession.

FUND RETURNS 2010 / 2011

Against this difficult background the Fund produced a solid total annual return of +7.7% for 2010 / 2011.



LONG TERM PERFORMANCE

Year to 31 March	Mar 02	Mar 03	Mar 04	Mar 05	Mar 06	Mar 07	Mar 08	Mar 09	Mar 10	Mar 11	3Yr	5Yr Annualised	10 Yr
	%	%	%	%	%	%	%	%	%	%	%	%	%
Retail Prices	1.3	3.1	2.6	3.2	2.4	4.8	3.8	-0.4	4.2	5.3	3.0	3.5	3.0
Consumer Prices	1.6	1.5	1.3	1.7	1.9	2.9	2.4	3.0	3.2	4.2	3.5	3.1	2.4
Avg. Earnings	2.8	4.2	4.6	4.1	5.8	6.7	4.7	-1.1	6.7	-0.2	2.7	3.3	3.8
Fund Return	-0.2	-20.9	26.6	12.4	27.2	7.4	-2.9	-20.8	36.9	7.7	5.3	4.0	5.7
Fund Benchmark	-1.1	-22.1	28.0	12.9	26.6	8.1	-3.8	-21.0	41.3	8.6	6.6	4.7	5.9
WM Average	-1.0	-18.5	22.6	11.6	24.2	7.0	-1.0	-18.1	30.1	8.0	5.4	4.1	5.7
Fund Ranking	23	34	25	18	10	30	88	71	23	50	52	46	24

RESPONSIBLE INVESTMENT

We are often asked how we address environmental issues and social concerns in our investment policy.

Our answer is that we cannot ban any particular type of investment, but we do make sure that our managers are thinking about all the risks in a company's activities, not just the ones reported in the company accounts.

Our annual report has a long list of concerns that our managers have tackled – from UK executive pay to mining safety in Kazakhstan and

environmental and community risks associated with palm oil production in the Amazon region.

Our managers voted on around 25,000 resolutions at almost 2,500 AGMs and EGMs last year all over the world.

We have signed the UN Principles for Responsible Investment and are committed to making sure that companies we invest in act responsibly, in all areas of their business.

FUND ACCOUNTS 2010 / 11



“Financial Year 2010/11 again saw a large increase in our net assets which show a closing balance of £11.3 billion as at 31 March 2011. Our pension payroll continues to increase reflecting the maturity of our membership. In 2010/11 there was an increase of almost 35% in lump sums paid out at retirement, which is to be expected given the scale of early retiral programmes within local government.” **Alison Duffy**, Fund Finance Manager

For the year ended 31 March 2011

	2009/10 £000	2010/11 £000
FUND INCOME		
Contributions receivable from employers	317,430	331,702
Additional contributions from employers	46,555	95,384
Contributions receivable from employees	115,861	116,273
Transfers in	22,891	44,446
Other income	427	909
	503,164	588,714
FUND PAYMENTS		
Pensions	267,802	283,282
Lump sums	120,289	162,074
Refund of contributions	998	957
Transfers out	31,754	18,848
State scheme premiums	689	628
Administrative and other expenses borne by the Fund	5,709	5,353
	427,241	471,142
Net addition from dealings with members	75,923	117,572
RETURNS ON INVESTMENTS		
Investment income	155,175	140,574
Investment management expenses	(13,392)	(16,371)
Overseas tax	(3,277)	(3,476)
Change in market value of investments	2,604,903	664,826
Net returns on investments	2,743,409	785,553
Net movement in the Fund during the year	2,819,332	903,125
ADD: Opening net assets as at 1st April	7,597,915	10,417,247
EQUALS: Closing net assets as at 31st March	10,417,247	11,320,372

Our annual report provides detailed financial information about our scheme year 2010/2011 and is available from the Governance / Reports / Annual report and accounts area of our website.

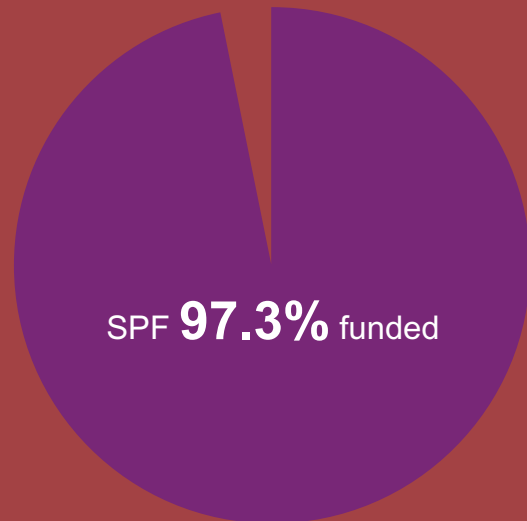
ACTUARIAL VALUATION

We are currently working with our actuary to produce a formal actuarial valuation of the Fund as at 31 March 2011.

This is a huge job for us, as we go into individual records updating data and checking discrepancies before sending the data to our actuary.

The actuarial valuation as at 31 March 2008 established that the Fund was 95% funded, higher than almost any other LGPS fund in the UK.

Our initial 2011 results indicate that we are 97.3% funded. This is one of the strongest funding positions in the UK.



ANNUAL MEETING 2011

Reform of public sector pensions was the hot debate at our annual meeting. We invited Dave Watson, Head of Campaigns for Scotland at UNISON, to deliver his presentation called "Protect Our Pensions".

John Wright of Hymans Robertson, a leading expert on public sector pensions, provided an in depth technical insight into the challenges ahead and possible solutions in terms of alternative scheme designs.

The meeting's debate on the reform of the LGPS found firm common ground with everyone committing to securing the future of the LGPS. It is a cornerstone of total reward packages for everyone in local government.

A full set of the slides used at the meeting, together with a list of delegates and biographies of the speakers, is available in the "News" area of our website.





CHANGED PERSONAL DETAILS?

Name Pension ref no. (or if unavailable N.I. no)

Signature

ADDRESS CHANGE

NEW address **OLD** address

.....

.....

CHANGE OF BANK/BUILDING SOCIETY

Details of NEW account	Details of OLD account
Bank/Building Society name	Bank/Building Society name
Sort code	Sort code
A/C no	A/C no
Roll no (B/Society only)	Roll no (B/Society only)
Name of account holder	Name of account holder

CONTACTING US

Whenever you contact us, please remember to quote your pension number or your national insurance number on any correspondence with us, as these are key to your pension record.

Please do not contact us with questions about your tax code, as we can only apply the code that the Revenue tells us to. We will only suggest that you contact the Revenue direct.

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

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