



'Large Fund of the Year'

In November Glasgow City Council received an award for its sound management of the Strathclyde Pension Fund - one of the largest funds in the UK.

The 'Large Fund of the Year' award was made at the Local Government Chronicle's annual Finance Awards in London.



City Treasurer, Councillor Ruth Simpson said, "It is great news to see our management of the Fund rewarded with this prestigious award. We have a duty to provide a pensions service from 'cradle-to-grave' and in the last year, the Fund has exceeded previous levels of excellence in many areas."

"This must be deeply reassuring for local government employees across the West of Scotland who will ultimately benefit from the Council's management of the Fund."

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WHERE SERVICE COUNTS

Welcome

Cathy Douglas
Senior Pensions Payroll
Officer.



Cathy runs the Pensions Payroll and manages the Pensions Payroll team.

Welcome to the 2005 edition of Pensionnews - which aims to keep you informed about the Fund, the Pension Fund Office and pensions matters generally.

The information on pages 4-5 about the performance of investments (which have been very good lately), and on page 3 about the actuarial state of the Fund (also very good but may come under pressure in the future) **have absolutely no bearing on the level of your pension.**

This information is purely for information.

Potential changes to the Local Government Pension Scheme have made a lot of headlines in the last year and there is an article on page 6. But again, rest assured - any changes will only affect current employee members of the Scheme.

As a pensioner member you will be completely unaffected. However we hope this article will still be of some interest.

Some items of the newsletter may require a response from you. Have you told us if you've moved house, changed bank or are re-employed? Would you like to be our Pensioner Representative? Would you like to join the Give As You Earn scheme?

We hope you find this newsletter interesting and helpful.

Any comments will be most welcome.

Pensioner Representative needed - could it be you?

Glasgow City Council is about to make a significant change to its Pension Fund management arrangements - and we need the help of one pensioner.

Glasgow is the Fund's 'administering authority', meaning that in the West of Scotland it is responsible for all aspects of administering the Local Government Pension Scheme including managing the Strathclyde Pension Fund on behalf of all the other councils and public sector bodies.

Day-to-day pensions management is carried out at the Strathclyde Pension Fund Office in Queen Street, Glasgow. But strategic decisions about the Fund are taken by councillors who sit on the Strathclyde Pension Fund Sub-Committee.

The Sub-Committee is made up entirely of Glasgow City councillors. This arrangement works very well and is consistent with Glasgow's role as 'administering authority'. However, in recent years pensions issues have attracted more and more attention. Both Scheme members and their employers have become more interested in how their pensions arrangements are managed. As a result the Sub-Committee has decided to create a new body: the Representative Forum - where representatives of all the parties with an interest in the Fund can discuss relevant issues and comment on proposals.

The Representative Forum will have close links with the Sub-Committee. The Convener of the Sub-Committee will chair Forum meetings, the agendas for Sub-Committee and Forum meetings will be similar, and a formal report will be passed from the Forum to the Sub-Committee.

As Head of Pensions, Richard McIndoe has overall responsibility for management of the Strathclyde Pension Fund Office and the investment arrangements of the Strathclyde Pension Fund.



For practical reasons places on the Forum are limited. The majority of members will be trade union or employer representatives. But there is one place for a pensioner representative, who would attend quarterly Forum meetings to represent pensioner members.

If you are interested in this role please contact us.

Could you speak on behalf of 58,000 pensioners at the Fund's new Representative Forum?

If you think you would be suited to this role please let us know by providing a short note of who you are, what your relevant experience is, and why you would like to be the pensioner representative.

The Director of Financial Services will select an appropriate candidate from those who express an interest.

Replies by 31st January 2006 to:

Director of Financial Services, SPFO,
Charlotte House, Floor 2,
78 Queen Street,
Glasgow G1 3DN

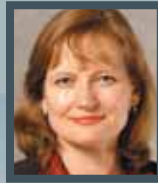
or by e-mail to spfo@glasgow.gov.uk

For further information please contact
Alistair Gray,

Senior Communications Officer
on 0141 287 7416 or e-mail
alistair.gray@fs.glasgow.gov.uk



Actuarial Valuation



Lynn Brown is Glasgow City Council's Director of Financial Services. With responsibility for the financial wellbeing of the Fund, Lynn explains what's involved in the three-yearly actuarial valuation of the Local Government Pension Scheme, which is currently underway.

"Conducting the valuation is a massive exercise. It involves analysing data for each of the 160,000 plus members and estimating the future cash flow income from contributions, and outflow on pensions which the Fund will experience. The valuation looks a long way into the future. We don't have perfect foresight so the process is based on best estimates rather than absolute certainty.

The detailed results won't be available until early 2006, but we know already that the overall result will be a deficit funding position - the first time since the 1970s. We also know that the actuary's recommendation will be that employers, who already pay 2A times as much as employees, continue to increase their contributions into the Fund and employers have already been advised of the likely increase."

Full details of the valuation results will be published in next year's Pensionnews.

Your Pension Payroll Team



The payroll team, led by Cathy Douglas, consists of 18 members of staff, who are responsible for payments to approximately 72,000 pensioners.

The majority of pensioners are ex-council employees. However, the payroll team also pay pensions to police and fire officers and teachers (compensation payments only).

The team has a huge amount of pensions knowledge and experience. Several staff have recognised Institute of Pensions and Payroll Management (IPPM) qualifications - and others are undertaking studies.

The team are constantly looking at ways of improving service and welcome any comments from members.

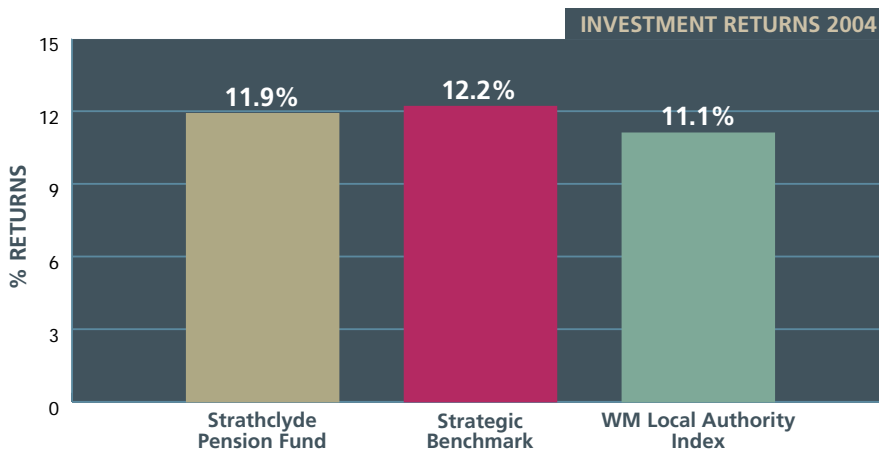
Investment Report

2004 Performance

David Crum, Chief Pensions Officer (Investments)
David joined the Fund in 2004 to run the Investment Team. He oversees the Fund's investment arrangements, including reviewing and monitoring investment strategy and performance.



After the negative investment returns of 2000 (-2.5%), 2001 (-9.7%) and 2002 (-15.4%), it is pleasing to report that 2004 produced a second positive investment return for the Strathclyde Pension Fund of +11.9%, following on from the 2003 return of +19.9%.



The Fund's return for 2004 was marginally behind its strategic benchmark return of +12.2%, but was ahead of the average UK local authority pension fund (as measured by the WM Company) which returned +11.1%.

MARKET BACKGROUND

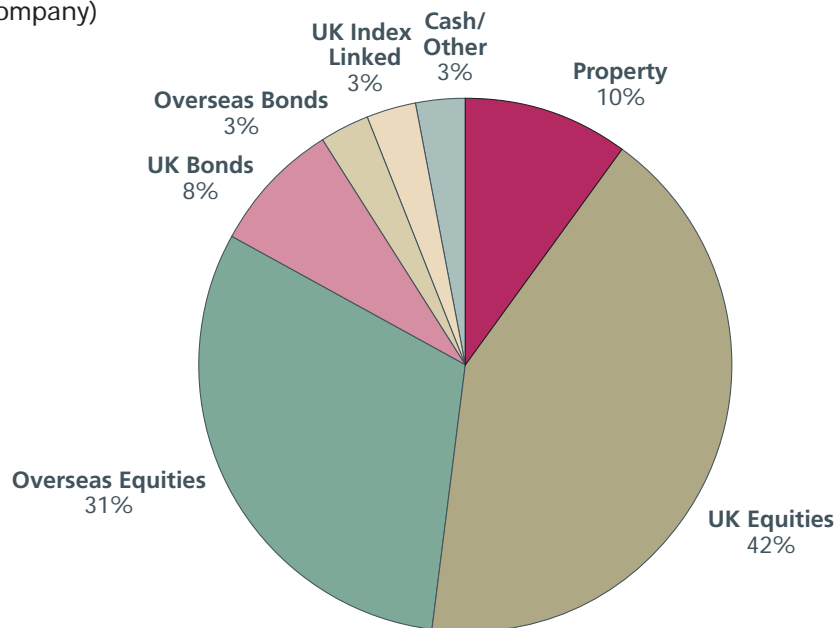
Some of the main themes from 2004 were:

- ✦ Global equity markets made steady progress for most of 2004, then finished with a flourish, to record a very satisfactory year
- ✦ Investors were encouraged with the continuing recovery in many of the world's major economies
- ✦ A rise in oil prices to record highs and central banks increasing interest rates were two factors of concern to investors
- ✦ Throughout the year the US dollar weakened, reaching new lows against the Euro and falling sharply against many other currencies including Sterling
- ✦ Bond markets rallied during the year, largely due to demand for US bonds from Asian central banks regardless of price
- ✦ Bonds issued by companies again outperformed government bonds
- ✦ UK Commercial Property had another exceptional year.

The graph opposite details the performance of the different investment categories in 2004. Property was the strongest performing, returning over 20% for the year. UK Equities had a good year, returning +13.5%. Overseas equities did very well, especially Emerging Markets and the Pacific Rim. Bonds, while reverting to the long-term expectation by returning less than equities, nevertheless produced solid positive returns. All categories produced positive returns for the year.

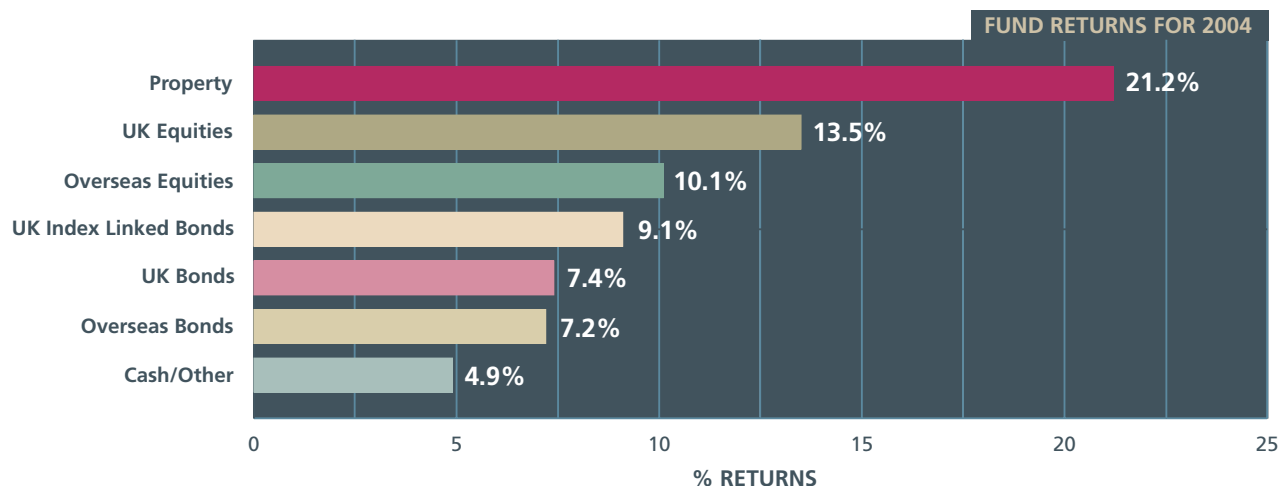
The Long Term Performance table opposite details the performance of the Fund over the last ten years. In the earlier years returns were very strong but the Fund struggled to keep up with the average UK Fund, which was its benchmark at the time. (A ranking below 50 means it was in the bottom half of UK funds.) Since 1999, the Fund has performed better in comparison to the average fund, but the negative returns between 2000 and 2002 mean that all funds have experienced very

FUND STRUCTURE AS AT 31 DECEMBER 2004



AS AT 31 DECEMBER 2004
THE FUND VALUE STOOD AT
£6,676 MILLION

2005 At the time of printing, 2005 is shaping up to be an exceptionally good year for investors, rather better than most market watchers predicted. For the first three quarters of the year the Fund's total investment return is +16.1% as global equities and UK property have continued to perform very strongly. As a result, the Fund value at 30th September 2005 was more than £7.5 billion.



low growth over the last 3 and 5-year periods. Over the entire 10-year period returns remain pretty good, well ahead of both price and wage inflation and in line with the average pension fund return.

Looking ahead, a further review of the investment strategy and structure is planned once results of the 2005 actuarial valuation are finalised.

Regular reports on the investment performance and management of the Fund are considered by the Strathclyde Pension Fund Sub-Committee and are available from the SPFO and Glasgow City Council websites www.spfo.org.uk and www.glasgow.gov.uk

INVESTMENT STRATEGY

The fund runs a diversified investment strategy - i.e. it spreads its investments very widely to reduce risk.

Investments are spread across different asset types, countries, sectors, companies and investment managers. The investment objective is to deliver long-term returns which exceed the growth in liabilities - i.e. the cost of pensions. The strategic benchmark is designed to achieve this.

Day-to-day investment decisions are made by external investment managers. The Fund currently has 11 investment manager appointments.

There were no changes in the last year.

STRATHCLYDE PENSION FUND

FUND ACCOUNTS

2003/04 £000	FUND INCOME	2004/05 £000
79,460	Contributions receivable from employees	86,011
181,888	Contributions receivable from employers	204,686
15,534	Additional contributions from employers	12,080
41,121	Transfers in	31,494
219	Other income	235
318,222	Total member income	334,506
	FUND PAYMENTS	
192,325	Pensions	200,462
31,344	Lump sums	33,461
1,548	Refund of contributions	1,860
25,272	Transfers out	23,948
2,728	Administrative and other expenses	3,047
253,217	Total member payments	262,778
65,005	Net addition from dealings with members	71,728

Pensions and other payments continue to be met from current income, so there was no need to draw down cash from investment portfolios during the year.

RETURN ON INVESTMENTS

163,690	Investment income	164,444
(9,889)	Investment management expenses	(12,184)
(1,313)	Overseas tax	(2,139)
1,125,545	Change in market value of Investments	601,297
1,278,033	Net returns on investments	751,418
1,343,038	Net increase in the Fund during the year	823,146

ASSETS STATEMENT

4,823,390	Opening net assets of the Scheme	6,166,428
1,343,038	Asset movement during the year	823,146
6,166,428	Closing net assets of the Scheme	6,989,574

The Fund recorded a closing balance of just under £7 billion.

Overall the Fund accounts are very positive with strong income flow, very strong capital growth and a closing value higher than at any time previously. It should be noted, though, that the pension fund accounts show assets only. Liabilities are not shown in the accounts but in the three-yearly actuarial valuation.

PERFORMANCE - LONG TERM

Annualised

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	3yrs	5yrs	10yrs
Retail Prices	3.2%	2.5%	3.6%	2.8%	1.8%	2.9%	0.7%	2.9%	2.8%	3.5%	3.1%	2.6%	2.7%
Average Earnings	2.9%	4.9%	4.7%	4.1%	6.2%	4.5%	2.1%	4.1%	3.4%	3.5%	3.7%	3.5%	4.0%
Fund Benchmark	-	-	-	-	28.3%	-4.3%	-10.0%	-16.5%	20.9%	12.2%	4.3%	-0.5%	-
Fund Return	16.9%	10.4%	14.8%	13.0%	28.2%	-2.5%	-9.7%	-15.4%	19.9%	11.9%	4.3%	0.0%	7.9%
WM All Funds	19.1%	10.7%	16.8%	14.0%	21.3%	-1.3%	-8.9%	-13.9%	17.0%	11.2%	3.9%	0.1%	7.9%
Fund Ranking	91	68	73	57	7	64	43	35	18	23	19	40	-

Review of the Local Government Pension Scheme

Alistair Gray and his Communications Team are based at the Pension Fund Office in Queen Street, Glasgow. They can answer queries and provide pensions information to employers, employees and all of the Fund's members including pensioner members.



There has been an unusual amount of press coverage of the Local Government Pension Scheme this year, not least when a national strike by Council workers in protest over possible changes to the Scheme was narrowly averted in March.

Since then some changes, which had been made to the Scheme in England, have been revoked. But it is still under review and it is certain that there will be further changes.

But don't worry; these changes will not apply to you as an existing pensioner. However you may still be interested in the background to the review and how it might affect current employees. Here is a summary of the main points.

- ✦ The objective of the review is to ensure the long-term sustainability of the Local Government Pension Scheme (LGPS).
- ✦ The LGPS remains a very good Scheme. The problem is that it has become more and more expensive for employers, who are mostly Councils, so the increasing costs have to be met either from council tax or from reduced spending elsewhere.
- ✦ There are two main problems for pension funding. General improvements in health mean that people are living longer. That's a good problem to have - but it does mean that they receive a pension for longer so the pensions 'pot' needs to be bigger.
- ✦ At the same time, as inflation has been brought under control, expected investment returns have reduced (in the same way that interest rates on savings accounts are much lower than they used to be). So it's harder to increase the size of the 'pot' through investing - and councils keep having to pay in more. But this can't go on forever.

- ✦ The review is also taking account of changing work and lifestyle patterns, shrinking population statistics, new age discrimination legislation, and a host of other factors.
- ✦ All these factors mean that at some point something will have to change. That will probably mean some combination of employees paying more into their pension fund, taking their pension later, or receiving less. It may also mean more flexibility, more choices or even a completely different Scheme based on career average earnings rather than final salary.
- ✦ But the dilemma is whether to introduce changes quickly, which may seem unfair to existing Scheme members who feel their 'pensions promise' is being broken. Or whether to apply changes only to new members, which means a very long time before anything is achieved.
- ✦ Government, employers and trade unions are now working together to try to agree the way forward for the Scheme. But there are no easy answers and it may take some time to resolve.

BUT REMEMBER - YOUR PENSION WILL NOT BE AFFECTED IN ANY WAY.

National Fraud Initiative (NFI)

DEATH NOTIFICATIONS/ SPOUSES BENEFITS

This year we have again taken part in a National Fraud Initiative exercise - which has successfully identified cases where we have not been notified of the death of a retired member.

The exercise also uncovered several cases where the retired member's spouse did not inform us of the death of their husband or wife - assuming that the pension would automatically pass to them. Unfortunately this is not the case. Spouses' pensions are not payable at the same rate as the original member's pension and it is essential that we are notified immediately when a pensioner member dies - no matter who is next of kin.

In the majority of cases a widow/widower will receive half of his/her spouse's rate of pension. Exceptions include:-

- ✳ Female members who retired before 6/4/88 were unable to provide widowers benefits.
- ✳ Where a female member retired between 6/4/88-31/3/98 her spouse can only receive a pension in respect of her service after 5/4/88.
- ✳ Marriage after retirement - widows receive a pension in respect of their husband's service from 6/4/78 only, widowers in respect of service from 6/4/88 only.

RE-EMPLOYMENT

The NFI exercise also brought to light a number of cases where we had not been informed of periods of where

a pensioner was re-employed with a local government employer.

You have a statutory duty to inform this office of any such period of re-employment even if you do not rejoin the Local Government Pension Scheme. Your pension benefits may be affected if you fail to do this.

DATA SHARING

In the last issue of Pensionsnews we told you that the NFI information would be shared with other public bodies. We have received some enquiries from pensioners asking whether this breaches the Data Protection Act. The answer is no - the Act permits us to share information where the data is being requested for the purpose of preventing and detecting fraud. Non-declaration of pension entitlement to such bodies as DWP, Housing Benefit Section etc is regarded as a fraudulent act.



If you'd like to make regular donations to a chosen charity, the pension payroll system can deduct donations from your pension on request.

Contributions are deducted before tax so if you pledge £10 it will only cost you £7.50. There are two methods of giving - by Direct Donation or by CharityCard.

- ✳ **Direct Donation** - Deductions are sent to the Charities Aid Foundation (CAF) who then forward your donation to the charity or charities of your choice.
- ✳ **CharityCard** - If you donate more than £10 per month you can open your own CharityCard account. You will receive a CharityCard and 'charity chequebook'. You can then make donations to any charity you choose whenever you like.

CAF deduct an administration fee of between 0-4% depending on which method you use. For more information on GAYE or to obtain an application form contact Cathy Douglas on 0141 287 7432.

Guaranteed Minimum Pension

The 3.1% increase in pension, payable from 11 April, 2005 prompted a number of phone calls from pensioners who could not reconcile the increase to their new pension amount. The discrepancy is caused by the Guaranteed Minimum Pension (GMP) amount which is payable from State Pension Age.

When calculating the pensions' increase the GMP element is excluded as GMP increases are paid through your State Pension. For example if you have a basic annual pension of £6,000, and the Department of Works and Pensions (DWP, formerly DSS) has notified you that you have a total annual GMP of £600 - the pensions' increase would be applied to the £5,400 figure, not to the £6,000. However we are responsible for paying pensions increase of up to a maximum of 3% on any portion of the GMP which relates to service after 5 April 1988.

EXAMPLE

Pre 1988 GMP	£500
Post 1988 GMP	£100
Gross Annual Pension@10/4/05	£6,000
Pensions increase would be applied as follows: -	
Gross Annual Pension	£6,000
Less Pre 1988 GMP	£500
	£5,500
Less Post 1988 GMP	£100
P.I. of 3.1% due on this amount on 11/4/05	£5,400 x 3.1% = £5,567.40
P.I. of 3% due on post 1988 amount from 6/4/05	£100 x 3% = £103.00
Plus Pre 1988 GMP	£500
NEW PENSION PAYABLE from 11/4/05	£6,170.40



100 years young!

Many congratulations to the following members who during 2005 became centenarians:

Mary Fleming, Coatbridge
Christina Babes, Busby
Jessie Halbert, Skelmorlie
George Sutherland, Kilwinning
Janet Alexander, Rutherglen

Isabella Love, Glasgow
Mary Slater, Glasgow
Octavia Montgomery, Glasgow
Jeanie Russell, Glasgow
Mary Murdoch, Newton Stewart

WHERE SERVICE COUNTS

Designed and produced by Glasgow City Council, Chief Executive Department, Corporate Communications for the Strathclyde Pension Fund. Printed by Ricoh Print Scotland. CEDCC/20122005.

Pay Advice Slips

For years pay slips have been generated whenever your pension changed by £1 or more. But, from now pay slips will only be generated when your pension increases by £5 or more.

This will save on administration and postage costs. Written confirmation of pension payments for benefit purposes can still be obtained on request.

Everyone will continue to receive an advice slip in April and May. The April notice will contain an insert with details of your pension's increase, and the May advice incorporates your P60 details.

Moving House

If you have moved house recently, did you remember to give us your new address?

We need this to keep you informed about your pension rights.

Changes of address should be notified to: Strathclyde Pension Fund Office, Charlotte House, Floor 2, 78 Queen Street, Glasgow G1 3DN.

Or e-mail us at: spfo@fs.glasgow.gov.uk

PLEASE REMEMBER TO QUOTE YOUR NATIONAL INSURANCE NUMBER ON ANY CORRESPONDENCE, AS THIS IS THE KEY TO YOUR PENSION RECORD.

Changing Bank

Please remember to inform us immediately of any changes to your bank details.

For security reasons we must have confirmation of any bank change in writing and signed by you. E-mail notification can be accepted providing you have set up a password with us beforehand.

Nomination Forms

The Strathclyde Pension Fund guarantees to pay a minimum of 5 years pension to every retired member.

When a pensioner dies within 5 years of retirement this balance of pension, known as a death grant, becomes payable. The death grant does not form part of your Estate and the decision regarding who should receive it rests with the Fund.

If you retired less than 5 years ago - have you completed a nomination form? The form indicates who you would like any death grant paid to. If you're not sure, or you'd like a form contact us immediately.

- ★ Remember - this only applies if you retired less than 5 years ago.
- ★ The 5 year minimum does not apply to members who left service prior to 1/4/98 and deferred their pension benefits.

Contact details



Pension Payroll Section

Strathclyde Pension Fund Office
Charlotte House, Floor 2
78 Queen Street, Glasgow G1 3DN



Payroll Enquiries 0141 287 7476



Tax Enquiries - Inland Revenue
Centre 1 - 0845 0703703
(calls are charged at local rates)



Fax 0141 287 7393



E-mail spfo@fs.glasgow.gov.uk



www.spfo.org.uk