



IN THIS ISSUE –

- 02 – Welcome*
- 03 – Could you rejoin the LGPS?*
- 04 – Linking up: look into it now*
- 06 – Nominating your loved ones*
- 07 – Scheme year 2010 / 2011*
- 08 – Investments*
- 10 – Fund accounts*
- 11 – Actuarial valuation*
- 11 – Annual meeting 2011*
- 12 – TOPS (The Online Pensions Service)*
- 12 – Contacting us: please tell us if you move*



WELCOME TO IN TOUCH

IN TOUCH IS OUR NEWSLETTER FOR OUR DEFERRED MEMBERS

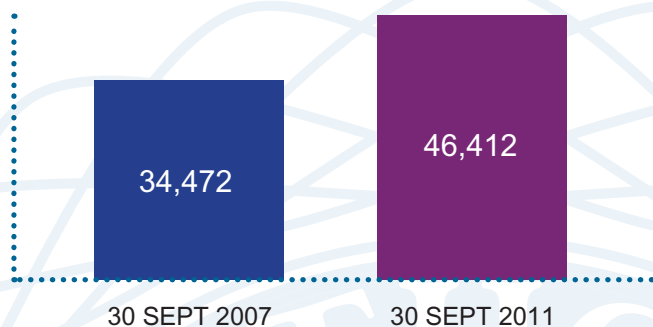
You are a deferred member if you are not paying into the Local Government Pension Scheme (LGPS) just now, but have in the past and are waiting until we can pay you your pension in due course.

This newsletter highlights some things you should consider actioning whilst you are waiting. It also provides you with information on some things that we think you should be aware of.

MEMBERS

Over the last four years the number of our deferred members has grown substantially, so that they are now a very significant element of the Fund's membership.

DEFERRED MEMBERS IN STRATHCLYDE PENSION FUND



HOW YOUR DEFERRED BENEFITS WILL KEEP PACE WITH INFLATION

The Chancellor confirmed in his Autumn Statement that deferred public service pensions will keep pace with inflation by using CPI (Consumer Prices Index).

As CPI rose by 5.2% in the year to 30 September 2011, this will be the basis for the increase to your deferred benefits from April 2012.

To put this in context, those still working in local government received no pay increase this year and are likely to see no pay increase next year followed by 1% in the following two years.

DID YOU KNOW?

Your deferred benefits have a normal retirement age of 65, not the State Pension Age.

They can be paid from your 60th birthday onwards, but taking them earlier than 65 will reduce their value unless you are protected by the rule of 85 up to the year 2020.

Your benefits can be paid immediately if you become ill and the illness means that you would be permanently unable to do the job that you held before your benefits were deferred.



Andrew Knox
Chief Pensions Officer
Strathclyde Pension Fund Office

LINKING UP: LOOK INTO IT NOW

I would like to make you aware of the opportunity to link up your deferred benefits to current employee membership of the LGPS.

As this opportunity has a time limit on it and could be of benefit to you, we explain what it's all about on pages 4 and 5.

COULD YOU REJOIN THE LGPS?

If you are currently working in local government, you can re-join the LGPS to build up further benefits.

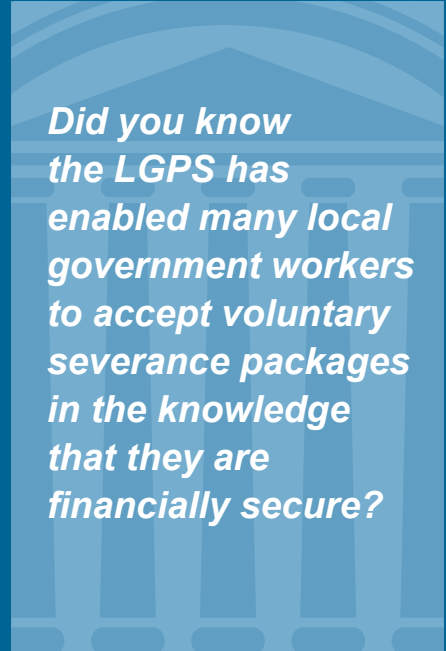
Rejoining offers a number of advantages:

- the opportunity to “link up” your deferred benefits
- extra pensionable service
- life cover
- benefits on permanent ill health

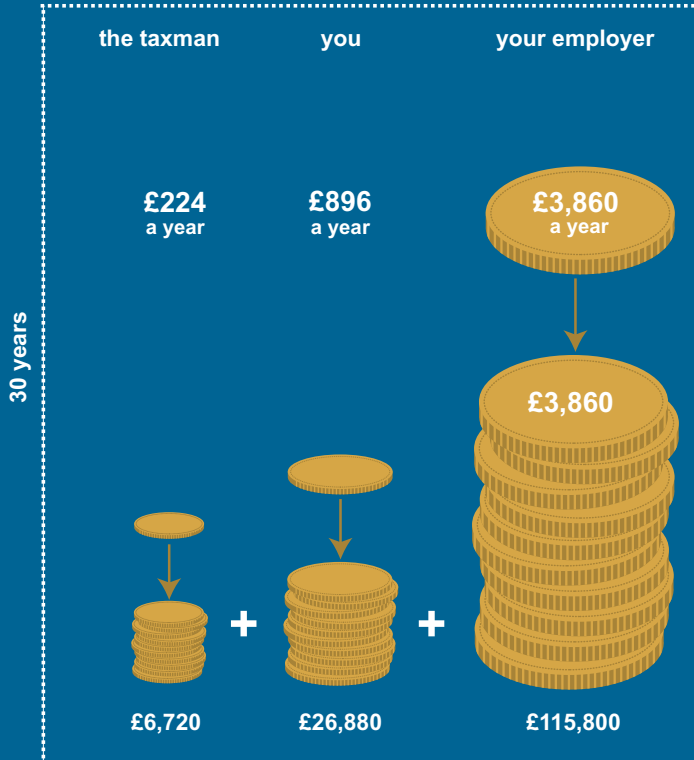
From April employers have been putting in at least 19.3% of their LGPS members’ pensionable pay to pay for their benefits.

For a salary of £20,000 and a working lifetime of 30 years, that adds up to £115,800 from your employer to provide your LGPS benefits.

That pays for an annual pension for life of £10,000 at age 65 for a contribution of only £1,120 a year from the member. After tax relief the member pays only £896 annually.



Who pays for your pension?



After 30 years



If you are not in the LGPS, your employer keeps that money and you lose out.

If you are not in the LGPS you miss out on the taxman contributing to your retirement.

In fact there’s never been a better time to be in the LGPS...because it’s such a good deal.

LINKING UP: LOOK INTO IT NOW



WHAT IS LINKING UP?

If you are currently working for an LGPS employer and have a previous period of LGPS service, you can link that period of service to your current active membership.

LINKED

If you link up your deferred benefits to your current membership, you will receive one set of retirement benefits, calculated using:

- your total membership (old job plus new job)
- your final year's pay in your new job

UNLINKED

If you do not link your previous deferred benefits to your current service, you will receive two separate sets of benefits on retirement.

The deferred benefits from your old job will normally be based on:

- your membership in your old job
- your final year's pay on leaving that job, increased in line with inflation

Retirement benefits from your new job will be based on:

- your membership in your new job
- your final year's pay in your new job

It is not possible to link up a previous deferred benefit to another deferred benefit. You need to be a current active member of the LGPS to link up a previous deferred benefit.

AN EXAMPLE

Let's look at Mr Smith whose full-time equivalent pay in his new job is £20,000 p.a. His full-time equivalent pay in his old job was £15,000 when he left last year.



In this example it is worth Mr Smith contacting us for more information about linking up. The pay rate in his new job is more than the pay rate in his old job after allowing for inflation.

WHY SHOULD I LOOK INTO LINKING UP NOW?

New legislation that came into force on 14 November 2011 gives you the opportunity to link up **any** of your previous deferred benefits to current employee membership of the LGPS.

But you will lose the right to link up, if you do not elect to do so by 31 December 2012.

IS LINKING UP FOR YOU?

Are you a current employee member of the LGPS?

Note: if you have rejoined the LGPS and are a current employee member of an LGPS Fund other than Strathclyde Pension Fund you should follow the “Yes” path below.

YES

NO

Are you earning more in your current job than in your old job?

Note: if your deferred benefits have a “certificate of protection” protecting your pay in your old job, that protection will cease if you link up.

Linking up is not for you

YES

NO

You should look into linking up all of your deferred benefits by contacting the LGPS Fund that you are a current employee member of.

Note: your deferred benefits can relate to any previous period of LGPS pensionable service with any LGPS Fund, not just previous LGPS service with the same LGPS Fund.

Once you have further information from the LGPS Fund that you are a current employee member of, remember to consider your own circumstances carefully before you make a decision to link up, as once an election to link up has been made, it cannot be reversed.

Linking up may not be for you

But you could look into linking up all of your deferred benefits by contacting the LGPS Fund that you are a current employee member of.

WHAT ABOUT REDUNDANCY?

If you keep your deferred benefits separate from your current employee membership and you are offered the chance to retire on redundancy or business efficiency grounds with immediate payment of benefits:

- your benefits will be calculated and paid out on your re-employed membership only
- your previous benefits will remain deferred until you are 60
- if you take your deferred benefits before 65, they may be reduced

LINKING UP:

- will count towards your pension annual allowance
- may affect the date you can take your deferred benefits without reduction
- is a decision that should take account of possible changes to your circumstances, pay and inflation

NOMINATING YOUR LOVED ONES

If you left service before 1 April 2009 and die before becoming a pensioner, the lump sum you were due (that is 3 times your deferred pension) will be paid to your nominee as a lump sum death grant.

If you left service after 31 March 2009, the lump sum will be 5 times the annual pension you have built up.

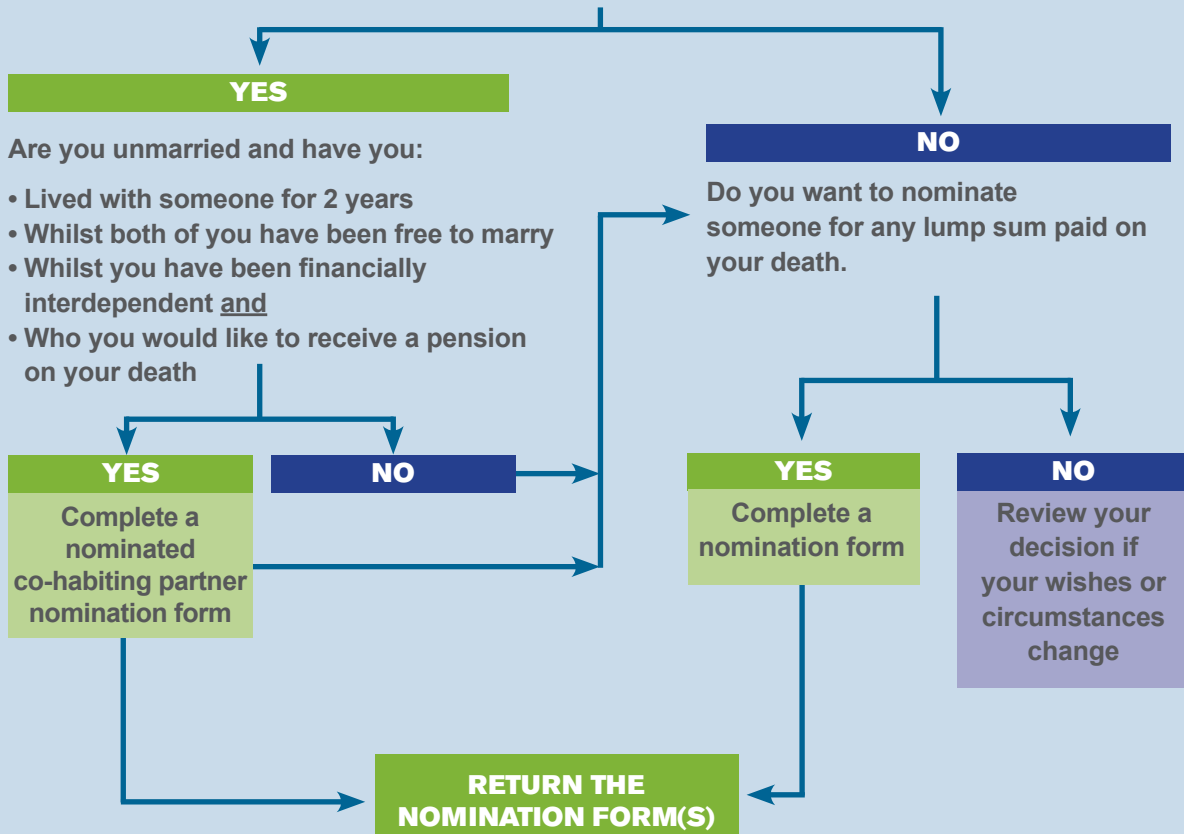
This lump sum is in addition to any dependants' pensions that are payable. Leavers after 1 April 2009 can nominate a co-habiting partner for a pension paid on their death.

You can guide us as to who you would like any death benefits paid to by completing our nomination forms available from the deferred members area of our website at

www.spfo.org.uk/MembersServices/DeferredMember/IfYouDie/



Have you become a deferred pensioner after 31 March 2009?



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*

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. Deferred benefits 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)

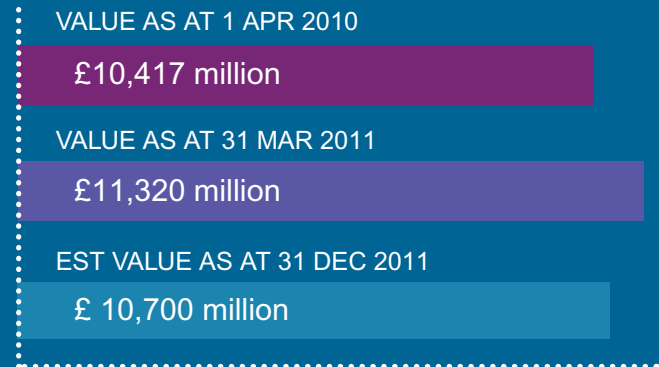
INVESTMENT MARKETS

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



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	10Yr
	%	%	%	%	%	%	%	%	%	%	%	%	%
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 finalise the 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.





TOPS

The way to keep in touch with your pension

It's all too easy for us to lose contact with a deferred member, as you may change address several times before we can pay out your pension.

Today it's really easy to keep us in touch with your whereabouts by using electronic communication.

Did you know that you can tell us your current email or "snail mail" address via our website at www.spfo.org.uk? You can also check the value of your deferred benefits, your personal details and change your nominated beneficiaries.

To request a password for online access, go to our website's homepage and click on "I am interested in TOPS (The Online Pensions Service)".



CONTACTING US

Please tell us if you move

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

Ref: In Touch Feb 2012