

Pension Funds Account (SF3) 2007-08 - Guidance Notes

General Guidance

1. The references in these notes are to Local Government Pension Scheme Regulations 1997 (SI 1997 No 1612), as amended, except where otherwise specified.
2. Please submit the completed form by email to SF3.statistics@communities.gsi.gov.uk by 25 July 2008.
3. The data supplied should only relate to employees and pensioners who are covered by the Local Government Pension Scheme and not teachers, police and fire officers who have their own schemes.
4. The increase in the fund during the year, Row 16 less Row 10 of SF3, should be consistent with the acquisitions less realisations of long term investments and the changes in balances of short term assets and liabilities, as reported to ONS on the four quarterly Transactions in Financial Assets forms for the year, after allowing for such items as exchange rate effects.
5. The entries against pension funds in section SF3 should include all pension benefits expressly authorised to be charged to pension funds. Pensions Increase Acts expenditure is now usually a charge on the pension fund and as such should generally be included in SF3 along with the corresponding income. However, some pensions increase payments are still reimbursed (under regulation 91(2)(a) - see SI 1990 No 503), for example by the NHS, and these should be covered under Memorandum Section F and not under SF3. Compensation under the Local Government (Discretionary Payments) Regulations 1996, Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (SI 2000/1410) or under The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (SI 2006/2914) as amended and related pensions increases, should be excluded from this return.
6. For the avoidance of doubt, AVC contributions received from and transferred to AVC providers should be excluded from this return.

Guidance for Completion of Statement of Expenditure and Income 2007-08

- Row 1 Include expenditure on pensions for members to whom regulation 35(1A) applies (flexible retirees).
- Row 2 Include expenditure on lump sums for members to whom regulation 35(1A) applies (flexible retirees).
- Row 3 Include death gratuities and lump sums payments on death of a deferred pensioner.
- also include expenditure on lump sums on death for members to whom regulation 35(1A) applies (flexible retirees).
- Row 4 Only include other benefits which can be charged to the fund. Payments such as gratuities and injury allowance should not be included here.

Row 5 Include: - amount of contributions returned to employee plus interest thereon (if any);

- any recovery by employing authority from the funds in respect of the employee's share of payment in lieu of contributions and any recovery from the fund of CEP paid (Regulation 92);

- the amount of charge to tax on repayment (Regulation 87 (6)).

Row 7 Regulation 92 refers. This adds transfer premiums and limited revaluation to the premiums payable under the Pensions Act that may be met from the pension fund. See also note 5 in General Guidance.

Row 8 Administration and fund management costs charged to the fund include fund management and custody costs that may be netted off from investment income paid by fund managers. Losses on realisation of assets are excluded.

Row 9 Include other items of expenditure. A nil return is expected in most cases.

Row 11 Include employees' contributions from members to whom regulation 35(1A) applies (flexible retirees)

Row 12 Include employers' contributions under Regulations 79 and 80, including the advance payments towards the costs of pensions increase in accordance with Regulation 91(4). Include lump sum payments made under directions given under Section 16 (2)(b) of the Local Government Act 2003. Recharged pensions increase expenditure should be excluded from employers' contributions. See also note 5 in General Guidance.

Row 13 Investment income is gross of tax deducted at source after deducting any irrecoverable withholding taxes paid outside the United Kingdom. Income received via fund managers should be before deduction of any fund management and custody costs. Property income is to be shown net of collection costs. See note on Section D below.

Row 15 Exclude profit on realisation of assets. Include payments from employing authorities or successor bodies under Regulation 80. Do not include any reimbursements of injury allowances or gratuities. See also note on "Row 5".

Guidance for Completion of Memorandum Items Sections A to I

Section A

The column for admitted bodies is only for employees admitted, or deemed to be admitted, under Regulation 5. It is not for the employees of other scheduled bodies who participate in the fund. An admitted body is any body which is entitled to participate in the benefits of the pension fund by reason of an admission agreement with the administering authority, by virtue of Regulation 5 'or 5A', or 5B.

Those members whom regulation 35(1A) applies (flexible retirees) should not be included in A1 or A2 but should be included only in A4.

Section B

The profit, the loss and the net profit should be entered in the three lines in Section B. Any negative net profit figure (a net loss) should be shown with a preceding minus figure. Gains and losses, other than those on assets realised, should not be included here.

Section C

Two figures are required at C1:

- the primary contribution rate specified in accordance with Regulation 77(4), in other words the common contribution rate for the fund's employers, and
- the amount paid under Regulation 79 which corresponds to that rate,

Show the primary contribution rate as a percentage of pensionable employees' remuneration, expressed to 2 decimal places.

The contribution rate paid by an employer includes an individual adjustment - as certified by the actuary under Regulation 77(6) - to reflect the employer's particular circumstances. The figure at C2 is the net total of amounts certified under Regulation 77(6), including payments employers had to make because of deficits and any reductions in their contribution rates to reflect surplus funding.

At C2a give the figure for all Section 16(2)(b) contributions.

Include all Section 16(2)(b) contributions in the secondary contributions figure at C2.

Section 16(2)(b) contributions are lump-sum contributions made by a local government employer, following the issue of a direction under Section 16(2)(b) of the Local Government Act 2003.

Section D

Income from investments should be given gross of tax deducted at source after deducting any irrecoverable withholding tax paid outside the United Kingdom. Dividends receivable includes dividends due in the reporting period on equity investments. Interest receivable covers interest on cash and interest bearing securities to be received during the reporting period regardless of whether actually received or not. Income from property should be taken as rents received from the ownership of land and buildings net of collection costs.

Section E

The market value of the fund at end of year should be consistent with the Balance of the Pension Fund at market value as reported to the ONS on their annual balance sheet form.

Section F

Payments made to Local Government Pension Fund pensioners and reimbursed by employers. See also note 5 in General Guidance.

Section G

Include only the number of full-time equivalent staff involved in pension duties within the administering authority. If pension duties have been contracted out, do not include staff employed by the contractor.

Section H

Administration costs should only be those for the local authority acting in the role of the administering authority. The costs to the administering authority of acting as an employing authority should not be included.

The total cost charged to the fund box should consist only of the amount actually charged to the fund.

Note that any administration or fund management costs from using contractors should be included in this section.

The administration cost (excluding fund management) box should include:

(i) Staff Costs (to include staff employed in pensions, personnel, accounting functions etc. for time on pension admin. duties but to exclude all staff involved in fund management) - i.e. employees' salary costs, NI Costs, admin. staff pension costs, other benefit costs (e.g. cars, bonuses, etc.), travel and subsistence, and other staff costs (e.g. relocation, recruitment, training);

(ii) System costs (except fund management system cost) - i.e. systems processing, development, maintenance, lease costs/depreciation, and disaster recovery insurance;

(iii) General costs (except fund management general costs) i.e. rent and rates charges for office and storage space, repairs and maintenance, depreciation, postage, telephone, telex and fax costs, insurances, preparation of scheme accounts (excluding audit), NAPF membership fees and other subscriptions, general management time spent on pension issues, legal costs, stationery, printing and office supplies (including benefits statements and scheme booklets), outside administration consultancy (e.g. actuaries, external auditors, other management and administration consultancies), and other general costs.

The Fund Management Costs box should include internal fund management costs (e.g. staff, system and general costs), and visible external fund management costs (e.g. fund managers, custody, consultancy and other external fund management costs). Include fund management and custody costs that may be netted off from investment income by fund managers.

If the costs of Council committees are charged to the fund, then those costs should be apportioned between 'fund management' and 'administration' costs.

The Total Cost Charged to the Fund box should be the total of the above two boxes.

Section I

The numbers shown in Section I should represent those retiring in the period 31 March 2007 to 31 March 2008, whose payments are recorded in the financial year for 2007-08. Those retiring on 31 March 2008 would receive their payments in the financial year for 2008-09 and should not be recorded on this form.

Communities and Local Government
May 2008