



Office of the
Deputy Prime Minister

Creating sustainable communities

Statistical Release

16 December 2005

LOCAL AUTHORITY PENSION FUNDS

ENGLAND

2004-05

- Local Government Pension Scheme expenditure on benefits in 2004-05 rose by 6.5% to £4,014million, the largest annual rise since 1997-98.
- In 2004-05, 60% of the income of the Local Government Pension Scheme came from employers' and employees' contributions. Income from investments provided 28% of the total.
- There were nearly 1.6 million employees in the Local Government Pension Scheme at end March 2005, an increase of 1.9% from March 2004. There were nearly 1.0 million pensioners (including dependants) in the scheme at end March 2005, an annual increase of 2.6%.
- The market value of the funds at end March 2005 was £89.5 billion, an increase of 12.8% on March 2004, the highest ever year-end cash value. In the same period the FTSE All Share Index increased by 11.9%.

This Release relates to the financial year 2004-05 and is the first in a new series of annual releases providing statistics on local authority pension funds in England and Wales. The information is derived from Local Government Pension Scheme Funds (SF3) forms submitted by all 81 Administering Authorities in England.

The Release has been compiled by the Local Government Finance - Capital Finance and Analysis division of ODPM.

Expenditure: 2000-01 to 2004-05

1. **Tables 1a and 1b** and **Chart A** provide figures for Local Government Pension Scheme expenditure from 2000-01 to 2004-05.

- Local Government Pension Scheme expenditure on benefits in 2004-05 rose by 6.5% to £4,014 million, the largest annual rise since 1997-98.
- In 2004-05, about 79% of Local Government Pension Scheme expenditure in England was on benefits in the form of lump sums and pensions and annuities for retired members and their dependants.

Chart A: Expenditure in 2004-05

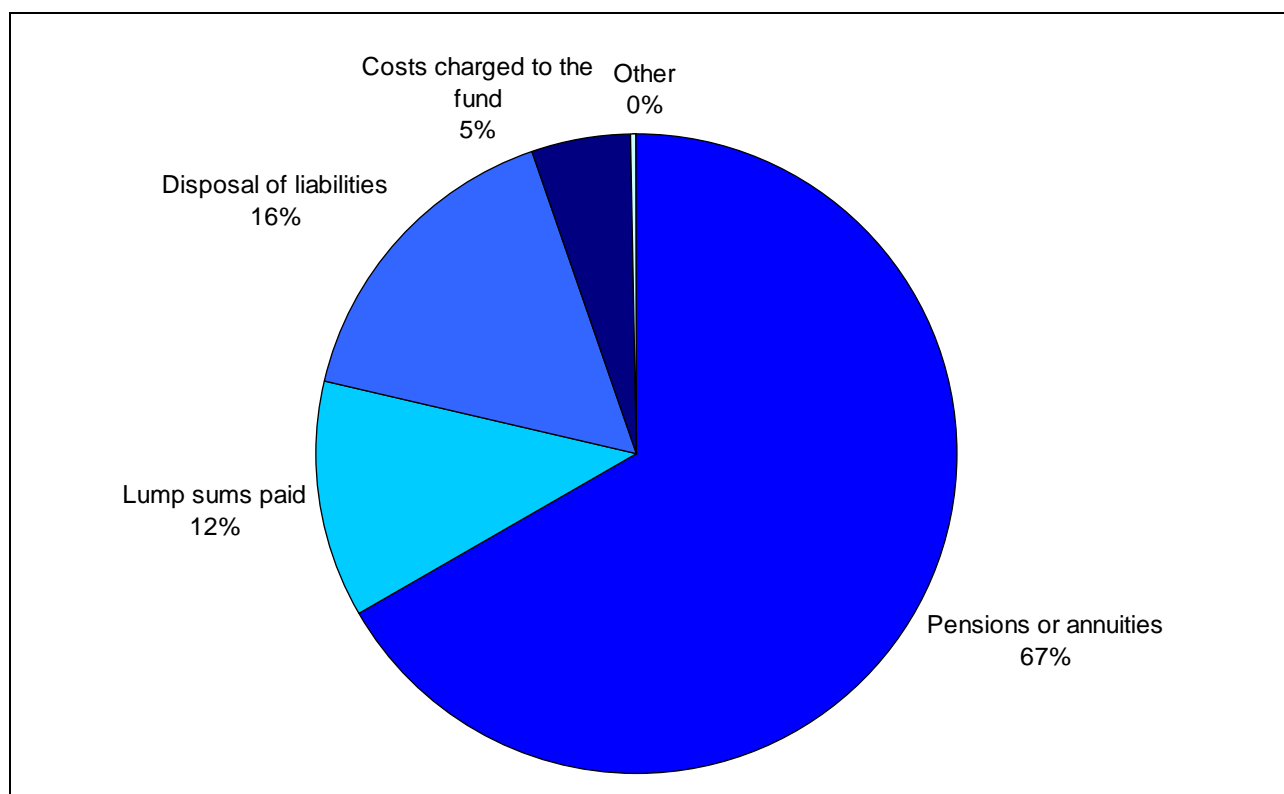


Table 1a: Local Government Pension Scheme expenditure 2000-01 to 2004-05

	2000-01	2001-02	2002-03	2003-04	£ million 2004-05
Expenditure on benefits ^(a)	3,278	3,463	3,623	3,770	4,014
Disposal of Liabilities					
Transfer values	390	480	609	645	768
Pensions Act premiums	23	24	34	31	28
Refunds of contributions	17	20	22	27	24
Costs charged to the funds ^(b)	195	201	197	218	251
Other expenditure	29	19	15	18	16
Total expenditure	3,933	4,206	4,501	4,709	5,101

(a) A breakdown of expenditure on benefits is shown in Table 1b

(b) Costs charged to the fund consist of administration and fund management costs

Table 1b: Local Government Pension Scheme expenditure on benefits 2000-01 to 2004-05					
	2000-01	2001-02	2002-03	2003-04	£ million 2004-05
Pensions or annuities	2,819	2,973	3,101	3,215	3,404
Lump sums paid :					
On retirement	405	430	458	483	540
On death	52	59	62	69	69
Other benefits	2	2	2	3	2
Total benefits	3,278	3,463	3,623	3,770	4,014

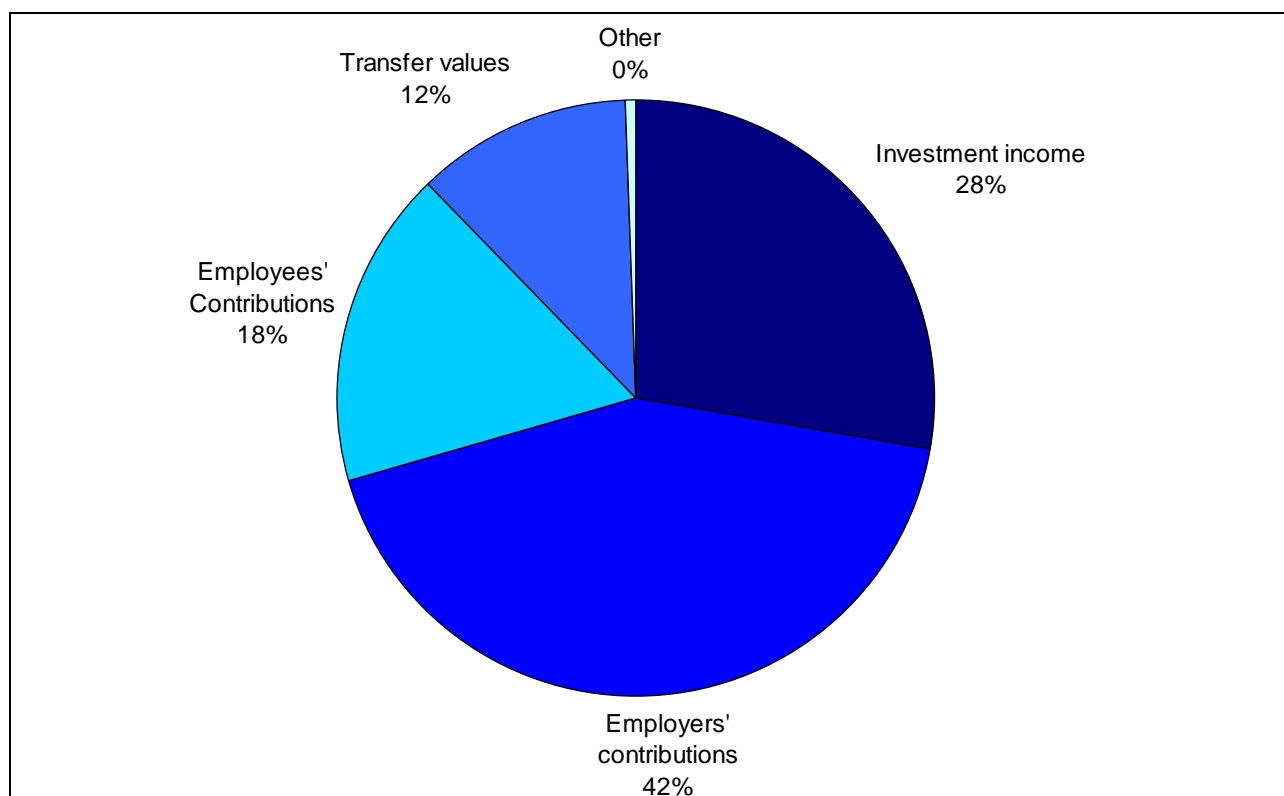
Income: 2000-01 to 2004-05

- In 2004-05, 60% of the income of the Local Government Pension Scheme came from employers' and employees' contributions. Income from investments provided 28% of the total.
- Income from employees' contributions to the Local Government Pension Scheme rose by 7.3% in 2004-05 to £1,431 million. Income from employers' contributions to the scheme rose by 10.2% to £3,544 million in the same period.
- Income from investments rose by 8.3% in 2004-05 to £2,322 million, returning to the level of four years ago (2000-01).

2. **Table 2** and **Chart B** provide figures for Local Government Pension Scheme income from 2000-01 to 2004-05.

Table 2: Local Government Pension Scheme income 2000-01 to 2004-05					
	2000-01	2001-02	2002-03	2003-04	£ million 2004-05
Contributions (including those from admitted authorities)					
Employees	1,060	1,139	1,228	1,334	1,431
Employers (inc. secondary) contributions	2,273	2,617	2,916	3,217	3,544
Investment income (gross)	2,325	2,207	2,054	2,145	2,322
Transfer values	660	688	790	840	987
Other income	45	26	26	37	40
Total income	6,363	6,677	7,014	7,573	8,325

Chart B: Income in 2004-05



Membership and market value: 2000-01 to 2004-05

- There were nearly 1.6 million employees in the Local Government Pension Scheme at end March 2005, an increase of 1.9% from March 2004. There were nearly 1.0 million pensioners (including dependants) in the scheme at end March 2005, an annual increase of 2.6%.
- The market value of the funds at end March 2005 was £89.5 billion, an increase of 12.8% on March 2004, the highest ever year-end cash value. In the same period the FTSE All Share Index increased by 11.9%.

Table 3: Number of Local Government Pension Scheme members and market value of funds 2000-01 to 2004-05

	2000-01	2001-02	2002-03	2003-04	2004-05
Number of scheme members at end of each year (thousand)					
Employees	1,387	1,457	1,498	1,547	1,577
Pensioners	878	899	916	928	952
Former employees prospectively entitled to deferred benefits	533	590	646	694	757
Market value of fund at end of year (£ million)	78,634	78,285	63,728	79,382	89,530

Background Notes

1. Statistical Releases are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer demands.
2. The information for 2004-05 in this Statistical Release is derived from Local Government Pension Scheme Funds (SF3) forms submitted by all 89 Administering Authorities in England and Wales. This release however is constructed from data for the 81 Administering Authorities in England.
3. The pension funds in the Local Government Pension Scheme provide pensions for most local authority employees. In England and Wales there are 89 pension funds in the Local Government Pension Scheme. The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Employers' and employees' contributions, part of the income of the funds, are recorded as expenditure by local authorities in their revenue accounts, either directly or indirectly under employees' expenses.
4. Separate arrangements apply for the pensions of the police, fire fighters and teachers. The police and fire fighters' pensions are provided through unfunded schemes administered locally, and the cost of police and fire fighters' pensions are therefore included in local authority expenditure. Teachers' pensions are provided through a notionally funded scheme administered by the Department for Education and Skills (DfES). There is no fund of assets, and teachers' pensions are paid by the DfES. Employers' and employees' contributions are paid by local authorities to the DfES and are recorded as expenditure in their revenue accounts.
5. Enquiries about this Statistical Release should be addressed to John Farrar at john.farrar@odpm.gsi.gov.uk (Tel. 020 7944 4158).
6. Timings of future Releases are regularly placed on the ODPM website, www.local.odpm.gov.uk and on the ONS National Statistics website, www.statistics.gov.uk
7. For a fuller picture of recent trends in local government finance readers are directed to "Local Government Financial Statistics England" No.16 2005 which is available in hard copy from Wetherby Publications Centre at odpm@twoten.press.net (Tel. 0870 1226236) and electronically in PDF format via the Office of the Deputy Prime Minister's web site: <http://www.local.odpm.gov.uk/finance/stats/lgfs/2005/index.htm>