



Statistical Release

31 October 2007

LOCAL GOVERNMENT PENSION SCHEME FUNDS

ENGLAND

2006-07

- Local Government Pension Scheme expenditure on benefits in 2006-07 was £4.8 billion, compared with £4.3 billion in 2005-06, an increase of 11%.
- Income from employees' contributions to the Local Government Pension Scheme in 2006-07 was more than £1.6 billion, an increase of 2%. Income from employers' contributions to the scheme rose by 12% to £4.6 billion in the same period.
- Income from investments rose by 14% in 2006-07 to £3.0 billion.
- There were more than 1.6 million employees in the Local Government Pension Scheme at the end of March 2007, an increase of 1% from March 2006. At the same date there were 1.0 million pensioners (including dependants) in the scheme, an increase of 5%.

This release relates to the financial year 2006-07 and changes over previous years. The information is derived from Local Government Pension Scheme Funds (SF3) forms submitted by all 81 Administering Authorities in England that provide information on Local Government Pension Funds and associated information for the financial year 2006-07.

The release has been compiled by the Local Government Finance – Capital Finance and Analysis division of Communities and Local Government.

Contact points

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Expenditure: 2002-03 to 2006-07

1. **Table 1** and **Chart A** provide figures for Local Government Pension Scheme expenditure from 2002-03 to 2006-07.

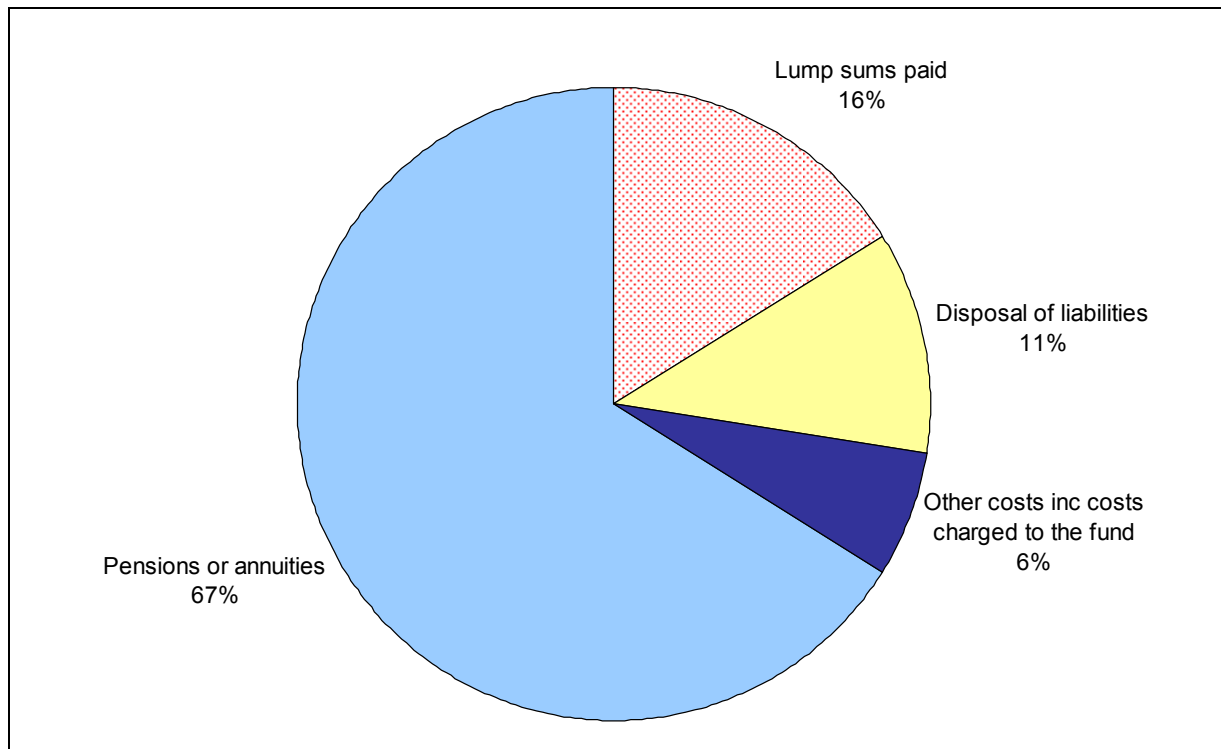
- Local Government Pension Scheme expenditure on benefits in 2006-07 was £4.8 billion, compared with £4.3 billion in 2005-06, an increase of 11%.
- In 2006-07, about 82% of Local Government Pension Scheme expenditure in England was on benefits in the form of pensions and annuities or lump sums, for retired members and their dependants.
- Expenditure on lump sums paid on retirement increased from £581 million in 2005-06 to £859 million in 2006-07. This follows a change in Local Government Pension Scheme regulations allowing beneficiaries to take more of their benefits as a lump sum and less as a continuing pension.

Table 1: Local Government Pension Scheme expenditure 2002-03 to 2006-07

	2002-03	2003-04	2004-05	2005-06	£ million 2006-07
Total expenditure on benefits	3,623	3,770	4,014	4,272	4,757
<i>of which:</i>					
<i>Pensions or annuities</i>	3,101	3,215	3,404	3,611	3,816
<i>Lump sums paid:</i>					
<i>On retirement</i>	458	483	540	581	859
<i>On death</i>	62	69	69	78	81
<i>Other benefits</i>	2	3	2	2	1
Transfer values	609	645	768	853	598
Pensions Act premiums	34	31	28	29	26
Refunds of contributions	22	27	24	14	34
Costs charged to the funds ^(a)	197	218	251	290	349
Other expenditure	15	18	16	15	19
Total expenditure	4,501	4,709	5,101	5,473	5,782

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

Chart A: Expenditure in 2006-07



Income: 2002-03 to 2006-07

2. **Table 2** and **Chart B** provide figures for Local Government Pension Scheme income from 2002-03 to 2006-07.

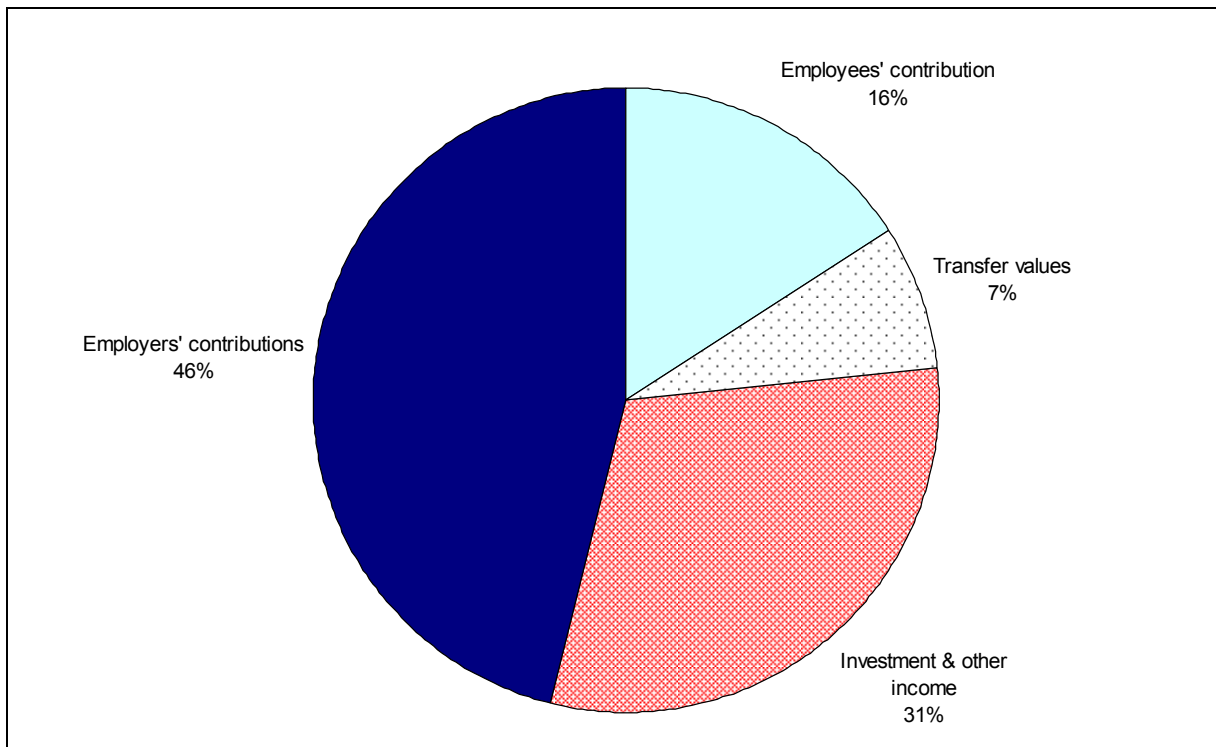
- In 2006-07, 62% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments provided 30% of the total.
- Income from employees' contributions to the Local Government Pension Scheme in 2006-07 was more than £1.6 billion, an increase of 2%. Income from employers' contributions to the scheme rose by 12% to £4.6 billion in the same period.
- Income from investments rose by 14% in 2006-07 to £3.0 billion.

Table 2: Local Government Pension Scheme income 2002-03 to 2006-07

	2002-03	2003-04	2004-05	2005-06	£ million 2006-07
Contributions (including those from admitted authorities)					
Employees	1,228	1,334	1,431	1,576	1,605
Employers ^(a)	2,916	3,217	3,544	4,124	4,626
Investment income (gross)	2,054	2,145	2,322	2,639	3,017
Transfer values	790	840	987	1,044	754
Other income	26	37	40	43	59
Total income	7,014	7,573	8,325	9,426	10,061

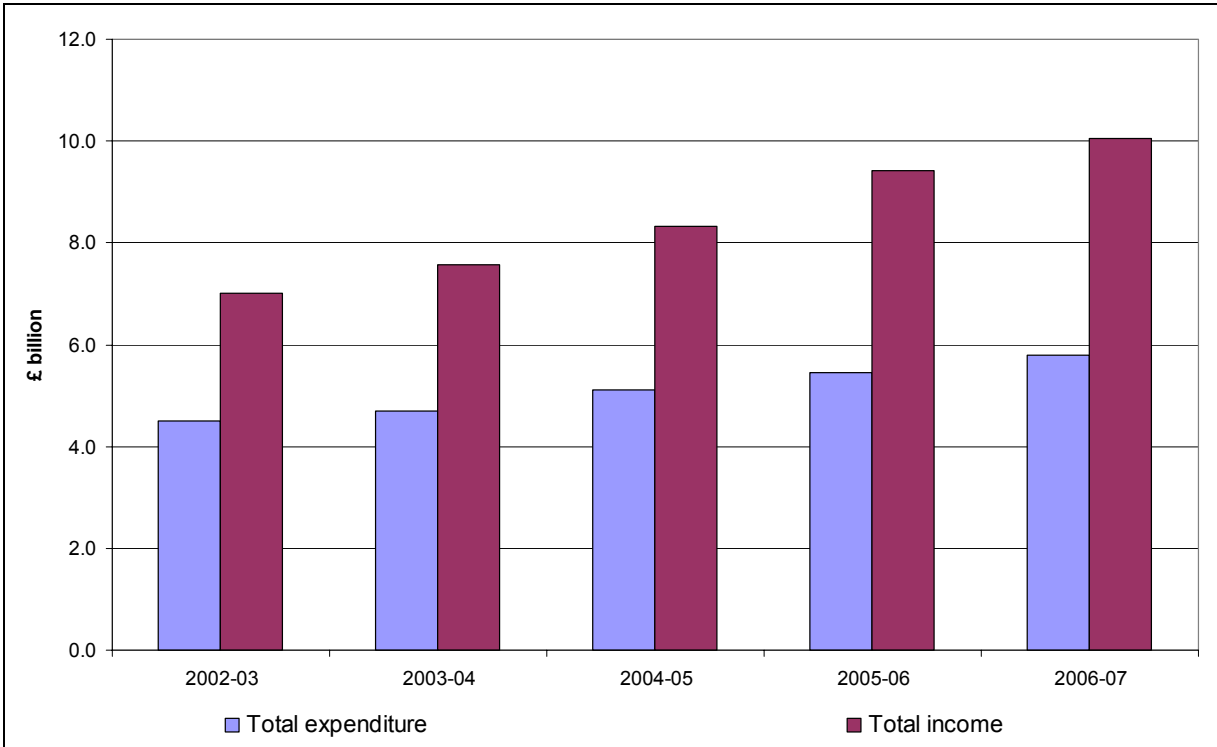
(a) Includes employers secondary contributions

Chart B: Income in 2006-07



3. **Chart C** provides a comparison of total Local Government Pension Scheme income and expenditure from 2002-03 to 2006-07.

Chart C: Total income & expenditure 2002-03 to 2006-07



Membership and market value: 2002-03 to 2006-07

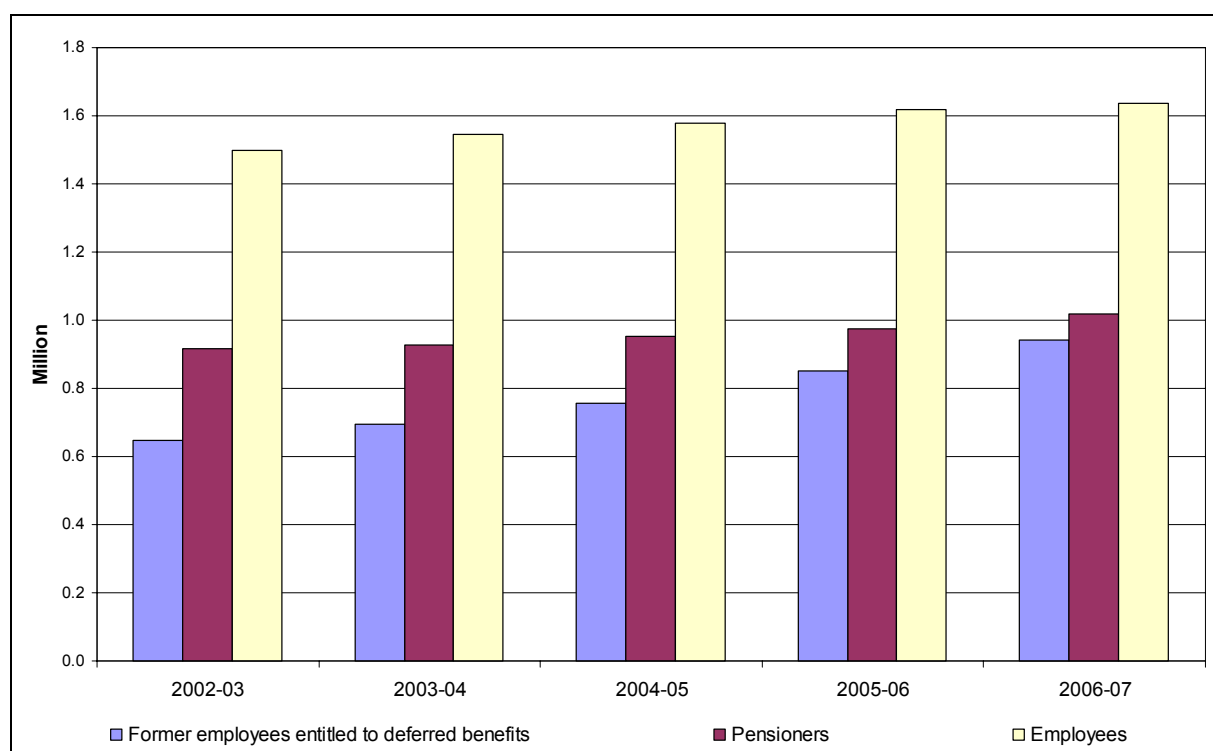
4. **Table 3** and **Chart D** provide figures of membership of the Local Government Pension Scheme from 2002-03 to 2006-07.

- There were more than 1.6 million employees in the Local Government Pension Scheme at the end of March 2007, an increase of 2% from March 2006. At the same date there were 1.0 million pensioners (including dependants) in the scheme, an increase of 5%.
- The number of former employees entitled to deferred benefits rose to 943,000 in 2006-07, an increase of 46% over 2002-03.
- The market value of the funds at end March 2007 was £122.4 billion, the highest ever year-end cash value. This was an increase of 8% on March 2006.

Table 3: Number of Local Government Pension Scheme members and market value of funds at the end of each year 2002-03 to 2006-07

	2002-03	2003-04	2004-05	2005-06	Thousand 2006-07
Number of scheme members					
Employees	1,498	1,547	1,577	1,617	1,638
Pensioners	916	928	952	973	1,018
Former employees entitled to deferred benefits	646	694	757	851	943
					£ million
Market value of funds at end of year	63,728	79,382	89,530	112,967	122,402

Chart D: Membership of the Local Government Pension Scheme 2002-03 to 2006-07



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 2006-07 in this Statistical Release is derived from Local Government Pension Scheme Fund (SF3) forms submitted by all 89 Administering Authorities in England and Wales. However, this release is based on data for the 81 Administering Authorities in England only.
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. Separate arrangements apply for the pensions of the police, fire fighters and teachers.
4. For press inquiries about this Statistical Release please contact the Local Government press desk on 020 7944 3042 or email press.office@communities.gsi.gov.uk. For other inquiries please telephone John Farrar on 020 7944 4158 or email sf3.statistics@communities.gsi.gov.uk.
5. This Statistical Release can be found at the following web address:
<http://www.local.communities.gov.uk/finance/stats/pensions067.pdf>
6. Timings of future releases are regularly placed on the Department's website, www.communities.gov.uk and on the National Statistics website, <http://www.statistics.gov.uk/ReleaseCalendar/currentreleases.asp>
7. Further information is also available on the department's website <http://www.communities.gov.uk/localgovernment/localgovernmentfinance/>
8. For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Financial Statistics England No. 17 2007* which is available in hard copy from Wetherby Publications Centre at communities@twoten.com (Tel. 0870 1226 236) and electronically from the Communities and Local Government website www.local.communities.gov.uk/finance/stats/lgfs/2007/lgfs17.

Terminology used in this release

A list of terms relating to local government finance is given in the glossary at *Annex G to Local Government Financial Statistics England No. 17 2007*. This is accessible at www.local.communities.gov.uk/finance/stats/lgfs/2007/lgfs17/annex_g.pdf. The most relevant terms for this release are explained below.

Administering authority

A body responsible for administering a Local Government Pension Scheme fund on behalf of its members who may be drawn from a number of local authorities

Former employees entitled to deferred benefits

Members who leave the scheme having completed the minimum period of service but who are not entitled to the immediate payment of a pension benefit, are awarded a deferred benefit which, under normal circumstances, becomes payable when the person reaches their normal retirement age.

Local Government Pension Scheme

The pension funds in the Local Government Pension Scheme provide pensions for most local authority employees. In England there are 81 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.

Pension arrangements for fire fighters, police and teachers

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 Children, Schools & Families (DCSF). There is no fund of assets, and teachers' pensions are paid by the DCSF. Employers' and employees' contributions are paid by local authorities to the DCSF and are recorded as expenditure in their revenue accounts.

It should be noted that non-operational police and fire fighters and non-teaching staff in the education sector are covered by the Local Government Pension Scheme.

Refunds of contributions

Contributions refunded when a person leaves a pension scheme before completing a minimum period of service.

Transfer Values

A cash value assigned to a person's pension pot that is transferred with them when they move from pension fund to another.