

Statistical Release

15 October 2008

LOCAL GOVERNMENT PENSION SCHEME FUNDS ENGLAND 2007-08

- Local Government Pension Scheme expenditure on benefits in 2007-08 was £5.2 billion, compared with £4.8 billion in 2006-07, an increase of 10%.
- Income from employees' contributions to the Local Government Pension Scheme in 2007-08 was nearly £1.7 billion, an increase of 5% on 2006-07. Income from employers' contributions to the scheme rose by 8% to £5.0 billion in the same period.
- Income from investments rose by 5% on 2006-07 to £3.2 billion.
- There were more than 1.6 million employees in the Local Government Pension Scheme at the end of March 2008, an increase of 1% from March 2007.
- The number of former employees entitled to deferred benefits rose to over 1 million in 2007-08, an increase of 52% over 2003-04. Over the same period the number of pensioners has increased by 7%, such that the number of former employees entitled to deferred benefits now exceeds the number of pensioners.

This release provides information on 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 2007-08 and changes over previous years. The release has been compiled by the Local Government Finance – Analysis and Capital Finance division of Communities and Local Government.

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Local Government Pension Scheme Funds England 2007-08

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Local Government Pension Scheme Funds England 2007-08

Expenditure: 2003-04 to 2007-08

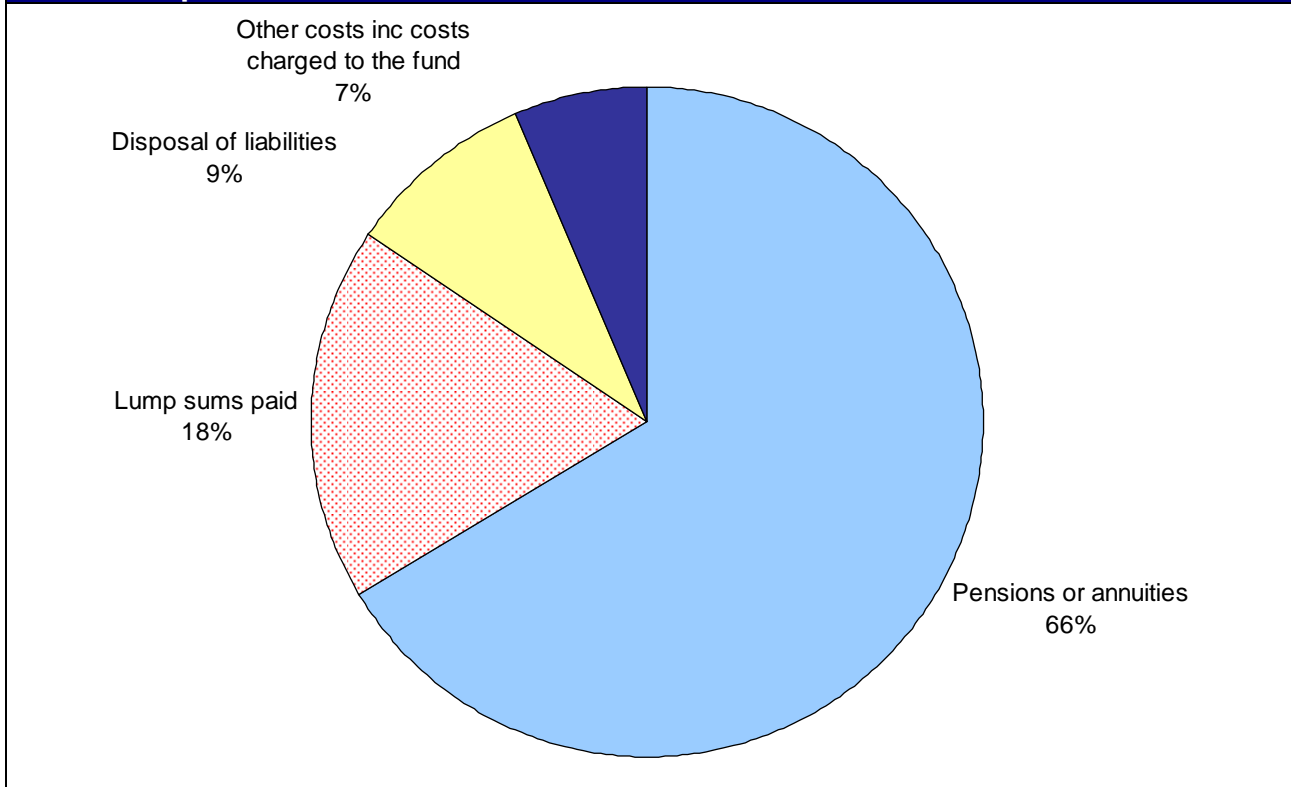
1. **Table 1** and **Chart A** provide figures for Local Government Pension Scheme expenditure from 2003-04 to 2007-08.

- Local Government Pension Scheme expenditure on benefits in 2007-08 was £5.2 billion, compared with £4.8 billion in 2006-07, an increase of 10%.
- In 2007-08, about 84% 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 in 2007-08 was £1,038 million. This compares with £581 million in 2005-06 and £859 million in 2006-07. This increase of 79% over 2 years follows a change in Local Government Pension Scheme regulations which now allow beneficiaries to take more of their benefits as a lump sum and less as a continuing pension.

Table 1: Local Government Pension Scheme expenditure 2003-04 to 2007-08

	2003-04	2004-05	2005-06	2006-07 (R)	£ million 2007-08
Total expenditure on benefits	3,770	4,014	4,272	4,757	5,222
<i>of which:</i>					
<i>Pensions or annuities</i>	3,215	3,404	3,611	3,816	4,100
<i>Lump sums paid on retirement</i>	483	540	581	859	1,038
<i>Lump sums paid on death</i>	69	69	78	81	84
<i>Other benefits</i>	3	2	2	1	1
Disposal of Liabilities	703	821	896	629	563
<i>of which:</i>					
<i>Transfer values</i>	645	768	853	598	540
<i>Pensions Act premiums</i>	31	28	29	26	19
<i>Refunds of contributions</i>	27	24	14	5	4
Costs charged to the funds	218	251	290	349	375
<i>of which:</i>					
<i>Fund Management costs</i>	138	162	199	254	270
<i>Administration costs</i>	80	88	91	95	105
Other expenditure	18	16	15	19	27
Total expenditure	4,709	5,101	5,473	5,754	6,187

Chart A: Expenditure in 2007-08



Income: 2003-04 to 2007-08

2. **Table 2** and **Chart B** provide figures for Local Government Pension Scheme income from 2003-04 to 2007-08.

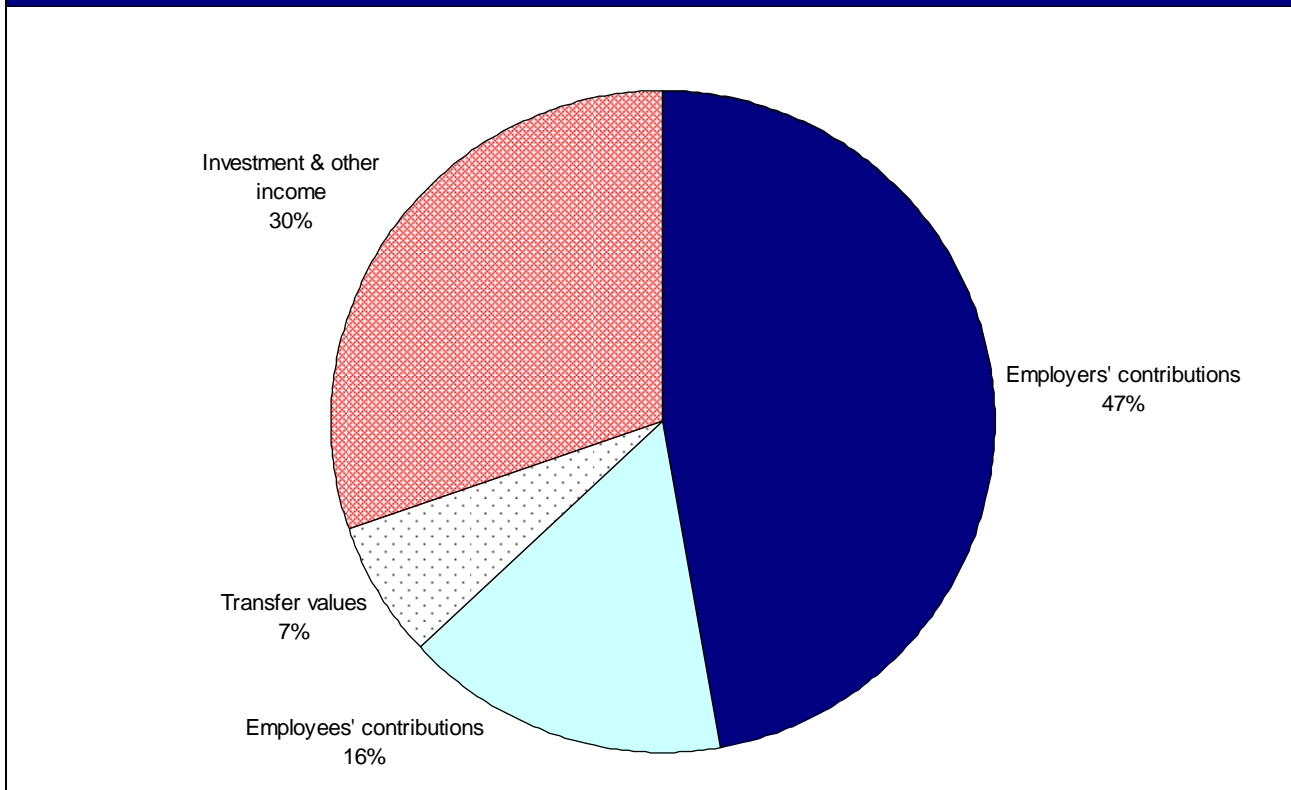
- In 2007-08, 63% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments provided 30% of the total.
- Income from employees' contributions to the Local Government Pension Scheme in 2007-08 was nearly £1.7 billion, an increase of 5% on 2006-07. Income from employers' contributions to the scheme rose by 8% to £5.0 billion in the same period.
- Income from investments rose by 5% on 2006-07 to £3.2 billion.

Table 2: Local Government Pension Scheme income 2003-04 to 2007-08

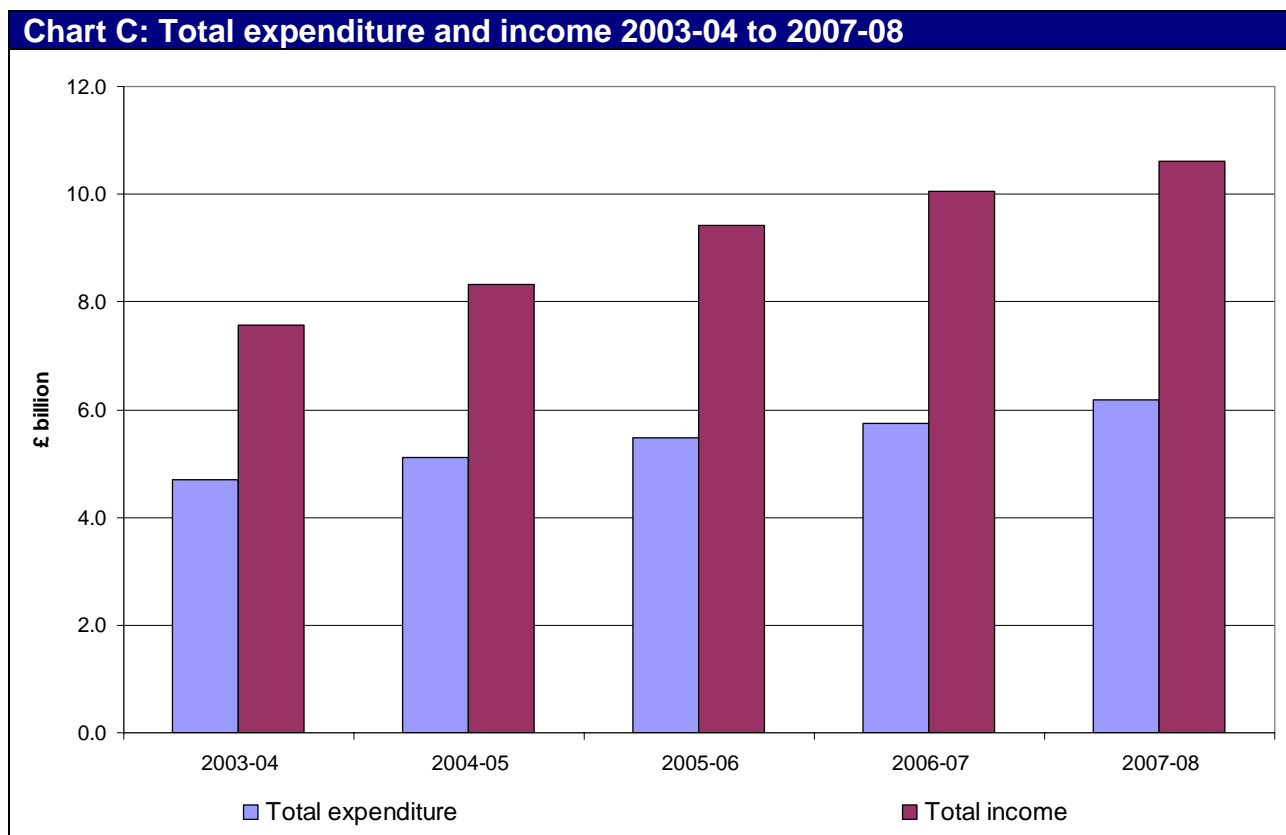
	2003-04	2004-05	2005-06	2006-07 (R)	£ million 2007-08
Contributions (including those from admitted authorities)					
Employees	1,334	1,431	1,576	1,605	1,680
Employers ^(a)	3,217	3,544	4,124	4,626	5,009
Investment income (gross)	2,145	2,322	2,639	3,019	3,165
Transfer values	840	987	1,044	754	707
Other income	37	40	43	59	50
Total income	7,573	8,325	9,426	10,063	10,610

(a) Includes employers secondary contributions

Chart B: Income in 2007-08



3. **Chart C** provides a comparison of total Local Government Pension Scheme expenditure and income from 2003-04 to 2007-08.



Membership and market value: 2003-04 to 2007-08

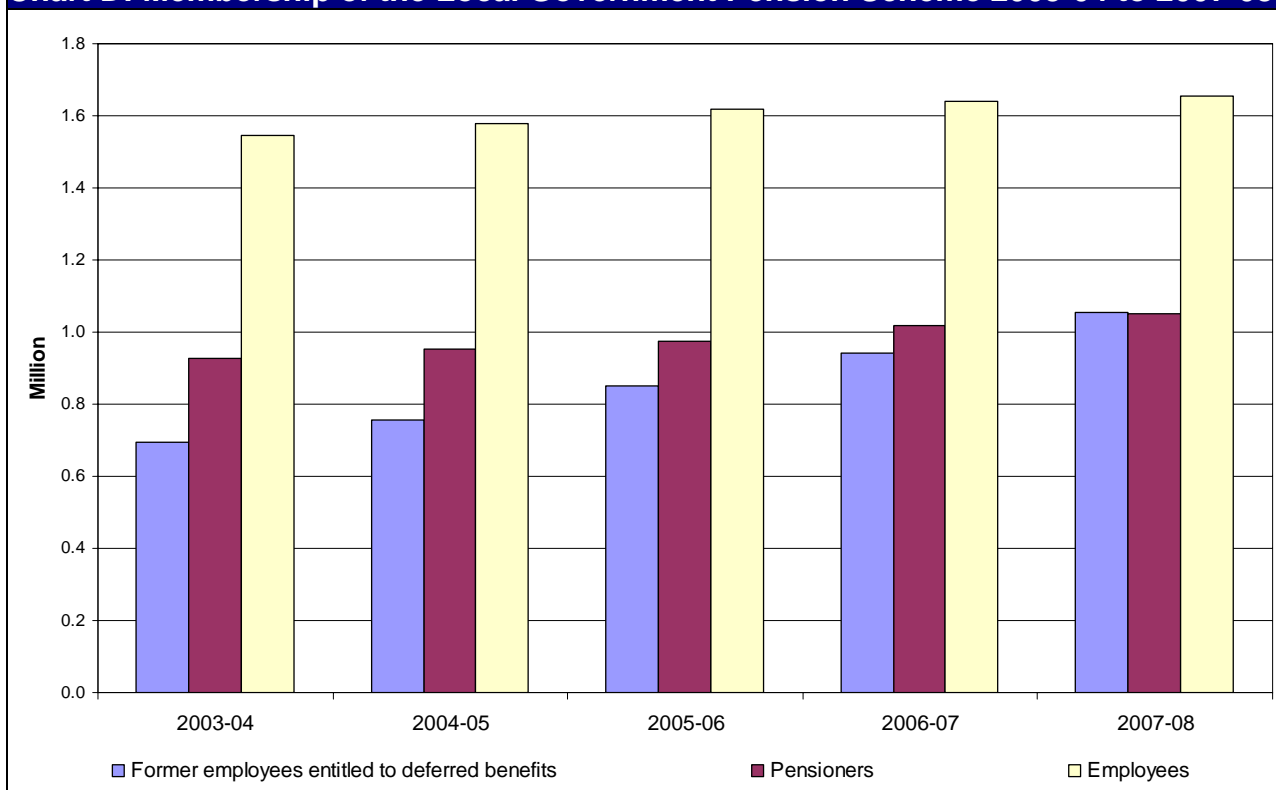
4. **Table 3** and **Chart D** provide figures of the membership and the market value of the Local Government Pension Scheme from 2003-04 to 2007-08.

- There were more than 1.6 million employees in the Local Government Pension Scheme at the end of March 2008, an increase of 1% from March 2007.
- The number of former employees entitled to deferred benefits rose to over 1 million in 2007-08, an increase of 52% over 2003-04. Over the same period the number of pensioners has increased by 7%, such that the number of former employees entitled to deferred benefits now exceeds the number of pensioners.
- The market value of the funds at end of March 2008 was £120.0 billion, a decrease of 2% on March 2007.

Table 3: Number of Local Government Pension Scheme members and market value of funds at the end of each year 2003-04 to 2007-08

	2003-04	2004-05	2005-06	2006-07 (R)	Thousand 2007-08
Number of scheme members					
Employees	1,547	1,577	1,617	1,638	1,656
Pensioners	928	952	973	1,019	1,049
Former employees entitled to deferred benefits	694	757	851	942	1,055
Market value of funds at end of year					
	79,382	89,530	112,967	122,402	£ million 119,959

Chart D: Membership of the Local Government Pension Scheme 2003-04 to 2007-08



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. 18 2008*. This is accessible at www.local.communities.gov.uk/finance/stats/lgfs/2008/lgfs18/annexG.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

Admitted bodies

Administering authorities may admit employees of non-scheme employers to the scheme under an admission agreement.

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 operate under regulations made under the Superannuation Act 1972. Schedules to the regulations list the scheme employers, most of these are local authorities. In England there are 81 pension funds in the Local Government Pension Scheme, each administered by an administering authority.

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 staff in the police, fire and rescue service support staff 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 one pension fund to another.

Data quality

The information in this release is based on data returned to Communities and Local Government by all 81 administering authorities in England on Local Government Pension Funds and associated information for the financial year 2007-08 (SF3) forms.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority and also in Communities and Local Government as the data are received and stored.

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Uses made of the data

The data in this statistical release are essential for a number of different purposes. A central and immediate purpose is to provide Ministers with information about the Local Government Pension Scheme. The data are also used by local authorities, their associations and regional bodies.

In addition, the data provides a benchmark on the administration and fund management of the Local Government Pension Scheme. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy.

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 2007-08 in this Statistical Release is derived from Local Government Pension Scheme Fund (SF3) forms submitted by all 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 enquiries 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 enquiries 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/pensions078.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. 18 2008* 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 <http://www.local.communities.gov.uk/finance/stats/lgfs/2008/lgfs18/> .
9. In addition to data for England, CLG also collect data for 8 administering authorities in Wales. Data for 2007-08 and comparisons with previous years can be found at:
<http://www.local.communities.gov.uk/finance/stats/walespension078.pdf>
10. The Scottish Government also collect local government pension fund data. Their information can be found at the following website:
<http://www.scotland.gov.uk/Publications/2008/01/23112333/15>

Symbols and convention used in this release

(R)	=	some data have been revised since the last statistical release
...	=	not available
–	=	not relevant
-	=	negative
0	=	zero or negligible

Rounding

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent items