

Local Government Pension Scheme Funds: England and Wales 2016-17

 Total Local Government Pension Scheme expenditure in England and Wales in 2016-17 was £11.8 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016 there was a like-for-like increase of £0.4 billion or 3.6% on 2015-16.

For England expenditure in 2016-17 was £11.1 billion. There was a like-for-like increase of £0.4 billion or 4.2% on 2015-16.

For Wales expenditure in 2016-17 was £0.7 billion. There was a decrease of £37 million or 4.9% on 2015-16.

 Total Local Government Pension Scheme income in England and Wales in 2016-17 was £14.7 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016 there was a like-for-like increase of £0.7 billion or 5.5% on 2015-16.

For England income in 2016-17 was £13.9 billion. There was a like-for-like increase of £0.8 billion or 6.1% on 2015-16.

For Wales income in 2016-17 was £0.8 billion. There was a decrease of £28 million or 3.3% on 2015-16.

- Employers' contributions to the Local Government Pension Scheme in 2016-17 in England and Wales amounted to £7.4 billion and employees' contributions to the scheme were £2.1 billion.
- The market value of the Local Government Pension Scheme funds in England and Wales at the end of March 2017 was £259 billion, an increase of £45 billion or 21%.
- The Local Government Pension Scheme in England and Wales encompassed 5.6 million people at the end of March 2017. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.6 million are pensioners and 2.0 million are former employees who are entitled to a pension at some time in the future.

Local Government Finance Statistical Release

25 October 2017

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Introduction

This release has been compiled by the Department for Communities and Local Government and provides information on Local Government Pension Scheme funds in England and Wales that was gathered on the SF3 (Pensions) 2016-17 forms that were submitted by all 89 Administering Authorities. This is the first release to show data for England and Wales combined. In previous years there has been a release for England and a separate one for Wales. Tables 1 – 6 of this release will also be available for England and Wales separately to aid continuity in these series and can be found at https://www.gov.uk/government/collections/local-government-pension-scheme.

The SF3 (Pensions) form collects information on Local Government Pension Scheme funds' income, expenditure, membership, retirements and other activities. It also shows other associated information for the financial year 2016-17 and changes over previous years.

NB In this release,

- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 are referred to as the 2007 regulations;
- the Local Government Pension Scheme (Administration) Regulations 2008 are referred to as the 2008 regulations; and
- the Local Government Pension Scheme is referred to as the LGPS.

When looking at the figures in this release it should be remembered that throughout the year there are always staff transferring their pensions into, and out of, the LGPS because they either commence work for an employer who is a member of the LGPS and bring their accrued pension with them, or they move to another employer and take their pension pot with them. In addition, there will be occasions where staff transfer between LGPS schemes and so there will also be transfers between funds within the LGPS.

Special factors affecting 2014-15

During 2014-15, responsibility for the pensions of approximately 46,000 probation service members of the LGPS were transferred from 34 different pension administering bodies in England and Wales to one, the Greater Manchester Pension Fund. This included both current employees, former employees who will receive a pension in the future and pensioners. This resulted in large increases in the Transfer Values shown in both **Table 1** and **Table 2** below.

Special factors affecting 2016-17

During 2016-17, the Pension Funds for Richmond upon Thames and Wandsworth merged. The merger took effect from 1 October 2016, as per SI 2016 No. 1241. This resulted in large increases in the Transfer Values shown in both **Table 1** and **Table 2** below.

These factors make direct comparisons with both previous and subsequent years misleading. So for this year like-for-like comparisons have been made by adjusting the 2016-17 figures for Expenditure and Income to remove the effect of the merger.

1. Expenditure: 2012-13 to 2016-17

Table 1 and **Chart A** provide figures of the expenditure of the Local Government Pension Scheme (LGPS) in England and Wales from 2012-13 to 2016-17.

- Total LGPS expenditure in 2016-17 was £11.8 billion. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016, there was a like-for-like increase of £0.4 billion or 3.6%.
- The expenditure on benefits in 2016-17 was £9.5 billion, an increase of £0.3 billion or 3.2% on 2015-16. Of this, expenditure on pensions and annuities was £7.7 billion, an increase of £0.2 billion (3.4%) and expenditure on lump sums paid on retirement was £1.5 billion, an increase of £17 million (1.1%) on 2015-16.
- Disposal of Liabilities was £1.2billion in 2016-17. Removing the effect of the merger of the Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016, there was a like-for-like increase of £11 million on 2015-16.
- Costs charged to the funds increased by £73 million, or 7.6%, in 2016-17 to £1 billion.

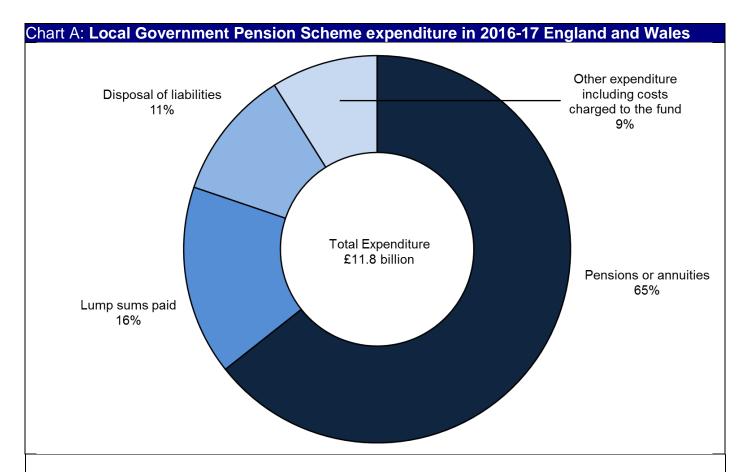
ble 1: Local Government Pensic	n Scheme	expendit	ıre 2	012-13 to	201	6-17, Engl	anc	and Wal
								£ million
	2012-13	2013-14		2014-15		2015-16 ^(c)		2016-17
Total expenditure on benefits	8,006	8,388		8,856		9,241		9,533
of which:								
Pensions or annuities	6,394	6,740		7, 133		7, <i>4</i> 26		7,675
Lump sums paid on retirement	1,315	1,329		1,394		1,494		1,511
Lump sums paid on death	175	180		186		204		216
Optional lump sum	118	138		142		114		128
Other benefits	4	1		1		3		3
Disposal of Liabilities	523	501		3,139	//	562	//	1,248
of which:			-		-			
Transfer values ^{(a)(d)}	523	501		3, 137	//	557		1,243
Pensions Act premiums	0	0		2		5		4
Refunds of contributions	0	0		0		0		0
Costs charged to the funds	536	627		878		962		1,035
of which:(c)								
Fund Management costs (b)	409	494	11	748		_	_	
Administration costs	127	133	"	130		_	_	
Investment management expenses	-	-	11	-		801		866
Administrative expenses	-	_		_		111		116
Governance and oversight costs	-	-		-		50		53
Other expenditure	17	16		23		20		31
Total expenditure	9,082	9,531		12,896		10,785		11,846

⁽a) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion from a number of LGPS funds to the Greater Manchester Pension Fund in respect of MoJ/Probation Service staff who were transferred to that fund during 2014-15.

⁽b) The way Fund Management costs are reported were changed during 2014-15 following revised guidance from CIPFA

⁽c) Recording of Management expenses in SF3 2015-16 was changed in line with CIPFA guidance

⁽d) Transfer values for 2016-17 includes £675 million transfer from Richmond upon Thames for the merger of Richmond upon Thames and Wandsw orth Pension Funds from 1 October 2016



In 2016-17 the Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. This meant that the Disposal of Liabilities percentage share of Expenditure was approximately double that in 2015-16.

2. Income: 2012-13 to 2016-17

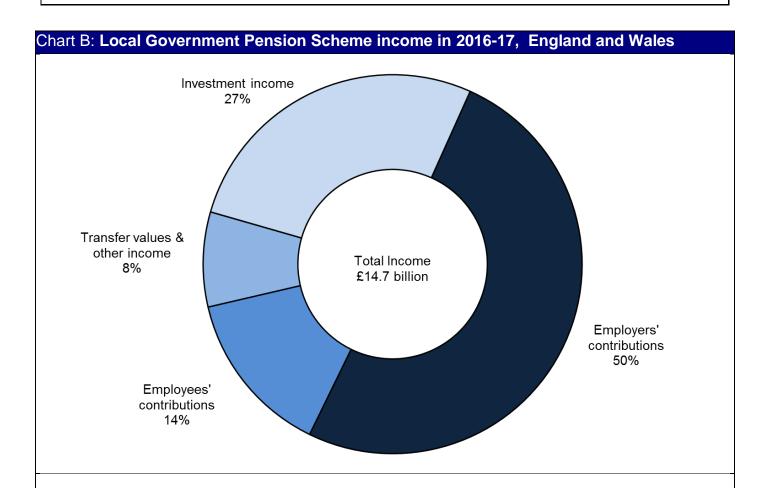
Table 2 and **Chart B** provide figures of the income to the LGPS in England and Wales and the market value of the scheme from 2012-13 to 2016-17.

- The total income of the LGPS in 2016-17 was £14.7 billion. Removing the effect of the transfer of the merger of the Richmond upon Thames and Wandsworth funds from 1 October 2016, the like-for-like increase was £0.7 billion or 5.5%.
- Employers' contributions to the LGPS in 2016-17 amounted to £7.4 billion, an increase of £0.3 billion or 4.8% on 2015-16; employees' contributions to the scheme increased in the same period by £9 million or 0.4% to £2.1 billion.
- The market value of LGPS funds at end of March 2016 was £259 billion, an increase of £45 billion or 21%

ble 2: Local Government Pension Scheme incon	ne and market val	ue of funds	2012	2-13 to 2016	6-17,	England a	nd W	ales
	2012-13	2013-14		2014-15		2015-16		£ millioi 2016-1
Contributions (including those from admitted authorities)								
Employees	1,916	1,962		2,071		2,096		2,10
Employers ^(a)	6,181	6,485		7,318		7,076		7,41
Investment income (gross) of which:	3,142	3,337	//	3,506	//	3,588		3,94
Dividends receivable	2,108	2,256		2,262		2,337		2,54
Interest receivable	351	367		350		321		29
Income from property	403	431		463		503		54
Other investment income (b)	280	283	//	431	//	427		56
Transfer value ^{(c)(d)}	547	602	//	3,058	//	472	//	1,16
Other income	86	88		74		59		
Total income	11,873	12,474	//	16,027	//	13,291		14,69
								£ millio
Market value of funds at end of year	176,792	188,642		214,028		213,935		258,7

⁽a) Includes employers' secondary contributions

⁽d) Transfer values for 2016-17 includes £675 million transfer to Wandsworth for the merger of Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016



In 2016-17 the Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. This meant that the Transfer values percentage share of Income was approximately double that in 2015-16.

b) Other investment income includes a one-off exceptional item of £120m due to the transfer to the Greater Manchester Pension Fund of MoJ/Probation Service staff from other LGPS schemes during 2014-15.

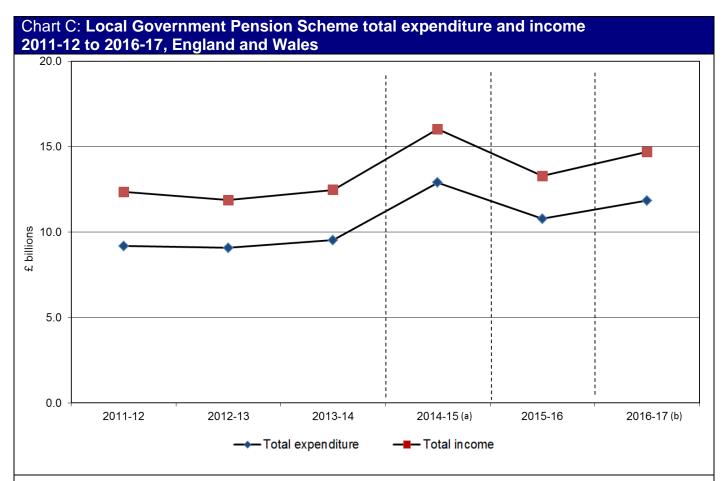
⁽c) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion to the Greater Manchester Pension Fund from other LGPS funds in respect of MoJ/Probation Service staff w ho w ere transferred to that fund during 2014-15.

3. Income and Expenditure

Table 3 and **Chart C** provides a comparison of total LGPS expenditure and income in England and Wales from 2012-13 to 2016-17

• In 2016-17, total expenditure was 81% of LGPS income, the same as in 2015-16.

	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
otal expenditure (from Table 1)	9,082	9,531	12,896	10,785	11,846
otal income (from Table 2)	11,873	12,474	16,027	13,291	14,697
Expenditure as a % of income	76%	76%	80%	81%	81%



- (a) In 2014-15, £2.6 billion of transfers were made from 34 different pension administering bodies in England and Wales to the Greater Manchester Pension Fund in relation to Probation Service staff. This makes direct comparisons to 2014-15 misleading.
- (b) In 2016-17 The Richmond upon Thames and Wandsworth Pension funds merged from 1 October 2016. The transfer value was £675 million. This makes direct comparisons to 2016-17 misleading.

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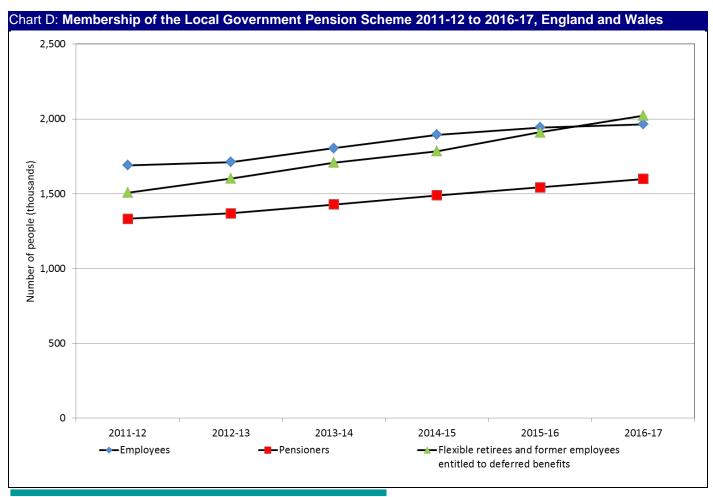
4. Membership and employers

Membership

Tables 4 and Chart D provide figures of the membership of the LGPS in England and Wales

- At the end of March 2017 the total membership of the LGPS was 5.6 million, an increase of 189,000 or 3.5% on March 2016.
- Of this increase, employees in the LGPS increased by 21,000 or 1.1%, the number of pensioners increased by 56,000 or 3.6% and the number of flexible retirees or former employees entitled to deferred benefits increased by 111,000 or 5.8%.

			Thousand		
	2012-13	2013-14	2014-15	2015-16	2016-17
Employees	1,712	1,805	1,894	1,943	1,964
Pensioners	1,370	1,429	1,489	1,543	1,59
Former employees entitled to deferred benefits	1,592	1,699	1,775	1,900	2,01
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	10	11	10	11	1:
Total membership of LGPS	4.684	4,943	5.168	5.396	5,58



Employers

In 2016-17¹, data were collected for the third time on the type of employer involved in the LGPS. Employers were categorised into one of four groups:

- Local authorities and connected bodies e.g. a county council, district council
- Centrally funded public sector bodies e.g. an academy, further education corporation, sixth form college or higher education corporation
- Other public sector bodies e.g. a National Park Authority
- Private sector, voluntary sector and other bodies e.g. a passenger transport executive, an urban development corporation, (and private/voluntary sector organisations).

Table 5 shows the number of employers (which includes admitted bodies) in England and Wales in each of the four groups. It also shows the number of employees, pensioners etc. that are part of the LGPS, by the type of employer.

- 78% of all the members of the LGPS are covered by local authorities and other connected bodies, even though local authorities and connected bodies represent only 21% of employers.
- Private sector, voluntary sector and other bodies account for approximately a third of all employers but are responsible for only 5% of LGPS members.

	Local authorities and connected bodies	Centrally funded public sector bodies	Other public sector bodies	Private sector, voluntary sector and other bodies	Tota
Total number of employers	3,422	5,658	1,490	5,389	15,95
					Thousand
Employees	1,391	394	76	103	1,96
Pensioners	1,341	109	49	101	1,59
Former employees entitled to deferred benefits	1,603	242	66	99	2,01
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	10	1	0	1	1
Total covered by Local Government	4,344	746	191	303	5,58

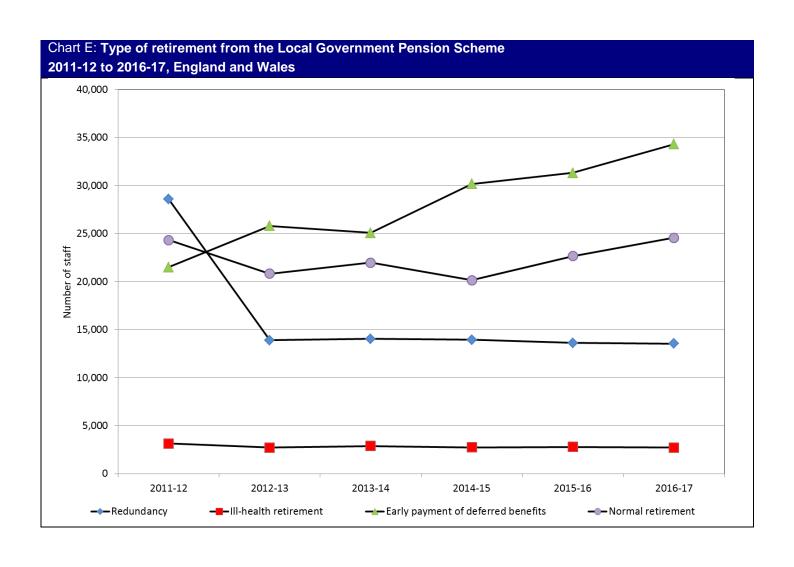
¹ The data reported in Table 5 are as reported by pension authorities. They have been collected for the third time in 2016-17 and therefore they should be interpreted with caution.

5. Retirements from the Local Government Pension Scheme

Table 6 and **Chart E** provide figures of the type of retirement from the LGPS in England and Wales from 2012-13 to 2016-17.

- There were 75,118 retirements from the LGPS in 2016-17, an increase of 4,709 or 6.7% compared with 2015-16.
- The number of employees having their deferred benefits paid early rose by 9.5% on 2015-16 and account for nearly half of the number of employees retiring.
- The number of people leaving the LGPS in 2016-17 due to redundancy reduced by 0.6% from 2015-16 to 13,544.
- The number of people leaving the LGPS in 2016-17 due to normal retirement increased by 8.4% from 2015-16 to 24,556

	2012-13	2013-14	2014-15	2015-16	2016-17
Redundancy	13,905	14,046	13,943	13,627	13,544
ier 1,2 & 3 ill health retirement awards under LGPS	2,722	2,887	2,737	2,791	2,715
arly payment of deferred benefits	25,804	25,085	30,183	31,336	34,303
lormal retirements	20,830	21,977	20,145	22,655	24,556



6. Definitions

A list of terms relating to local government finance is given in the glossary at Annex G (page 214) of *Local Government Financial Statistics England No24 2014*. This can be found at www.gov.uk/government/collections/local-government-finance-statistics-england .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 and other public service employers

Admitted bodies

When an employer participating in the LGPS enters into an outsourcing contract with a private contractor, the contractor must either provide transferring public sector staff with future pension arrangements which are "broadly comparable" to the LGPS or allow transferring staff to continue as active members of the LGPS.

If the contractor wants to allow transferring staff to continue as active members of the LGPS, it must apply to become an "admitted body" i.e. a participating employer in the LGPS. It does this by entering into a legally binding contract (an "admission agreement") with the administering authority and, if different, the local authority which is awarding the contract. The admission agreement sets out the terms on which the private contractor may participate in the LGPS and which employees may become members of the LGPS.

Contributions

The level of contributions paid by scheme members is determined by the band of pensionable pay specified in Scheme regulations. The rate paid by individual participating employers is determined by local fund actuaries at each Scheme valuation and set for the subsequent triennium period. Where appropriate, these rates may be phased in over the three year period. Scheme regulations do allow for these rates to be revised between triennial valuations in prescribed circumstances.

Flexible retirement

This applies to a member who had attained the age of 55 and who, with his employer's consent, had reduced their hours of work (or the grade in which they were employed) and was permitted by that employer to receive all or part of their benefits under Regulation 18 of the 2007 Regulations.

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. Early payment of these benefits is allowed from age 55, and this is when employees ask their former Scheme employer's consent for their deferred pension to be brought into payment, albeit actuarially reduced.

III-Health retirement

Under the 2007 and 2008 regulations, which came into effect on 1 April 2008, there are now three

levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition which gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

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Local Government Pension Scheme (LGPS)

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, see section 4 of the release to see the make-up of the employers covered by the LGPS. 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.

On 1 April 2008, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 came into effect. This Scheme includes some new and different provisions which may affect comparison with previous data sets.

Lump sum on retirement

Prior to 1 April 2006-07, scheme members on retirement became entitled to both an annual pension based on 1/80th of pensionable pay for each year of membership and a lump sum of three times that amount. Under the current regulations, entitlement is to a pension only based on a higher accrual rate of 1/60th but with the option to commute pension into lump sum.

Lump sum payable on death

This is payable at the discretion of the administering authority to either nominated individuals or dependants of a scheme member who dies in service. Prior to 1 April 2008 this was 2 times final pay. When the 2007 and 2008 regulations came into effect on 1 April 2008, this increased to 3 times final pay.

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 Education (DfE). There is no fund of assets, and teachers' pensions are paid by

the DfE. Employers' and employees' contributions are paid by local authorities to the DfE 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. Under earlier schemes, a refund of contributions could be paid to those leaving the scheme with less than 2 years' service. Under the 2008 scheme, a refund of contributions can only be made to a person who has been a member of the scheme for less than 3 months.

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.

Technical notes

Symbols and conventions

... = not available

0 = zero or negligible

= not relevant

|| = discontinuity

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

Data collection

The Department for Communities and Local Government (DCLG) SF3 (Pension) form data collection obtains data on the administration and fund management of the Local Government Pension Scheme. The SF3 (Pension) form was issued in July 2017 to LGPS administering authorities in England and Wales and forms were submitted by all 89 authorities during July to October.

Richmond upon Thames and Wandsworth Pension Funds merged from 1 October 2016. So there are now 88 Administering Authorities. Richmond completed their SF3 form to reflect their fund up to the time of the merger. Wandsworth completed their SF3 form to reflect their own fund up to the time of the merger and the merged fund thereafter. So data for the merged fund at the end of March 2017 was provided on the Wandsworth form.

Data quality

This Statistical Release contains Official Statistics and as such has been produced to the high professional standards set out in the National Statistics Code of Practice. Official Statistics products undergo regular quality assurance reviews to ensure that they meet customer needs.

The forms should be completed in accordance with the guidance provided, however this guidance is open to interpretation by local authorities when they complete the forms.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, so while the form is being completed by the authority and also by the Department for 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.

Revisions policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy). There are two types of revisions that the policy covers:

Non-Scheduled Revisions

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

Scheduled Revisions

At time of publication there are no scheduled revisions for this series.

Uses 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 LGPS. 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 LGPS. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy.

User engagement

Users are encouraged to provide comments and feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and should be sent to: sf3.statistics@communities.gsi.gov.uk

The Department's engagement strategy to meet the needs of statistics users is published here: https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users

Devolved administration statistics

Data for 2015-16 and comparisons with previous years for England and Wales separately can be found at:

www.gov.uk/government/collections/local-government-pension-scheme

The Scottish Government also collect local government pension fund data. Their information can be found at the following website:

http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats

Firefighters' statistics

The Home Office also collect and publish data on the Firefighters' pension scheme. This information can be found at the following website:

www.gov.uk/government/collections/firefighters-pension-scheme-statistics

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Information on Official Statistics is available via the UK Statistics Authority website: https://www.gov.uk/government/statistics/announcements

Information about statistics at DCLG is available via the Department's website: www.gov.uk/government/organisations/department-for-communities-and-localgovernment/about/statistics

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