

Statistical Release

12 October 2011

LOCAL GOVERNMENT PENSION SCHEME FUNDS ENGLAND 2010-11

- Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7 billion, compared with £6.3 billion in 2009-10, an increase of 7%
- Income from employees' contributions to the Local Government Pension Scheme in 2010-11 was £2.0 billion, a small decrease on 2009-10. Income from employers' contributions to the scheme rose by 3% to £5.9 billion in the same period.
- Income from investments rose by 5% on 2009-10 to £2.7 billion.
- The market value of the funds at end of March 2011 was £143 billion. This represents an increase of 8% on March 2010 and an increase of 47% on March 2009.
- There were 1.6 million employees in the Local Government Pension Scheme at the end of March 2011, a 51 thousand, or 3%, decrease over the figure for March 2010.
- The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40% over the 2009-10 figure to over 17,600.
- The number of former employees entitled to deferred benefits rose to 1.3 million in 2010-11, an increase of 7% over 2009-10 and an increase of 41% over 2006-07.

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 2010-11 and changes over previous years.

The release has been compiled by the Local Government Finance – Data Collection, Analysis and Accountancy division of Communities and Local Government.

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Local Government Pension Scheme Funds England 2010-11

Expenditure: 2006-07 to 2010-11

1. **Table 1** and **Chart A** provide figures for Local Government Pension Scheme expenditure from 2006-07 to 2010-11.

- Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7 billion, compared with £6.3 billion in 2009-10, an increase of 7%.
- In 2010-11, 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 2010-11 was £1,441 million. This compares with £1,323 million in 2009-10 and is an increase of 9%.

Table 1: Local Government Pension Scheme expenditure 2006-07 to 2010-11					£ million
	2006-07(R)	2007-08(R)	2008-09(R)	2009-10	2010-11
Total expenditure on benefits	4,765	5,230	5,611	6,317	6,730
<i>of which:</i>					
<i>Pensions or annuities</i>	3,824	4,109	4,398	4,774	5,021
<i>Lump sums paid on retirement^(a)</i>	859 //	1,036	1,048	1,323	1,441
<i>Lump sums paid on death^(b)</i>	81	84 //	123	137	153
<i>Optional lump sum^(c)</i>	-	-	41	82	114
<i>Other benefits</i>	1	1	1	1	1
Disposal of Liabilities	620	553	513	858	829
<i>of which:</i>					
<i>Transfer values</i>	598	540	502	846	818
<i>Pensions Act premiums</i>	17	10	11	12	12
<i>Refunds of contributions^(d)</i>	5	4 //	0	0	0
Costs charged to the funds	349	375	359	384	437
<i>of which:</i>					
<i>Fund Management costs</i>	254	270	245	271	313
<i>Administration costs</i>	95	105	114	115	125
Other expenditure	19	27	19	19	10
Total expenditure	5,754	6,185	6,502	7,578	8,007

Source: SF3 forms

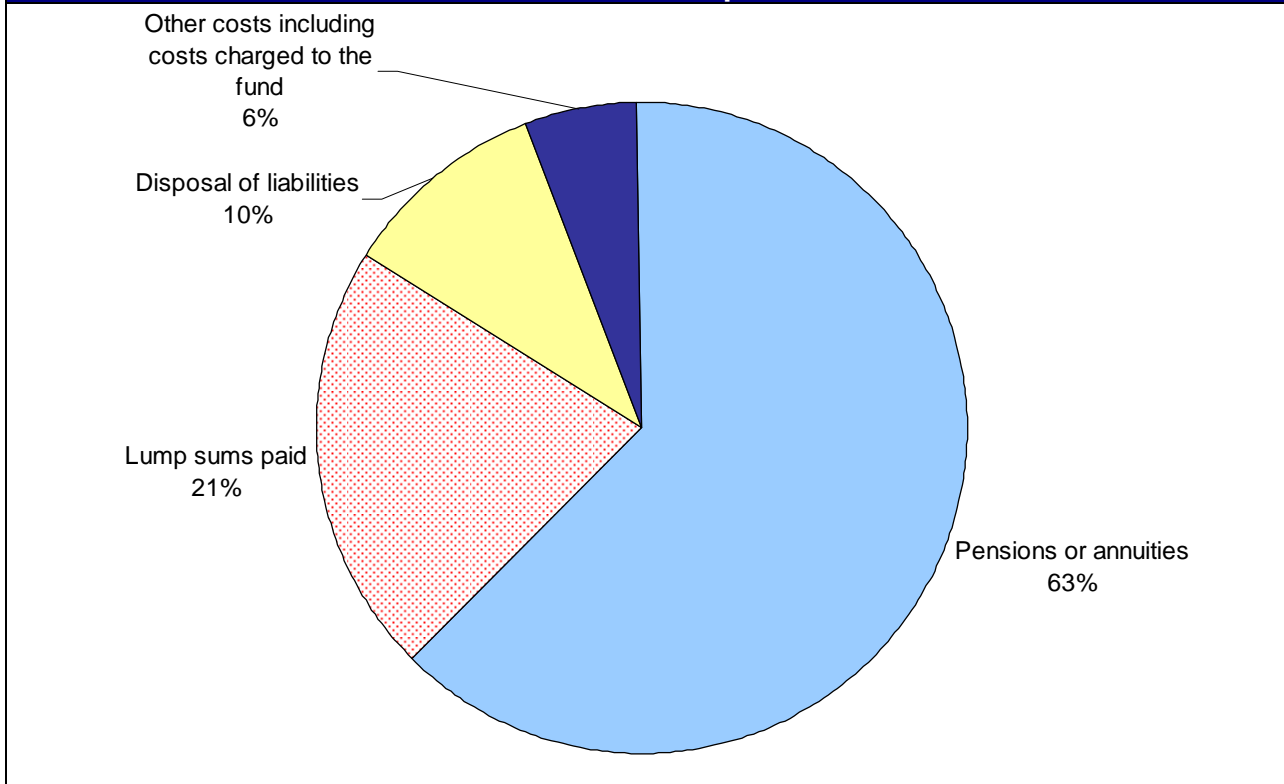
(a) The rules governing the payment of lump sums on retirement changed in 2006-07 and now allow beneficiaries to take more of their pension as a lump sum and less as a continuing pension.

(b) The rules changed from 1 April 2008. Prior to this date death benefit was twice salary, after this date it is three times salary.

(c) This was introduced from 1 April 2008

(d) The rules changed from 1 April 2008. See *Terminology used in this release* for further details

Chart A: Local Government Pension Scheme expenditure in 2010-11



Income: 2006-07 to 2010-11

2. **Table 2** and **Chart B** provide figures of the income to the Local Government Pension Scheme income and the market value of the Local Government Pension Scheme from 2006-07 to 2010-11.

- Income from employees' contributions to the Local Government Pension Scheme in 2010-11 was £2.0 billion, a small decrease on 2009-10. Income from employers' contributions to the scheme rose by 3% to £5.9 billion in the same period.
- In 2010-11, 69% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments provided 23% of the total.
- Income from investments rose by 5% when compared with 2009-10 to £2.7 billion; this is still £0.5 billion, or 15%, below the level of 2007-08.
- The market value of the funds at end of March 2011 was £143 billion. This represents an increase of 8% on March 2010 and an increase of 47% on March 2009.

Table 2: Local Government Pension Scheme income and market value of funds 2006-07 to 2010-11

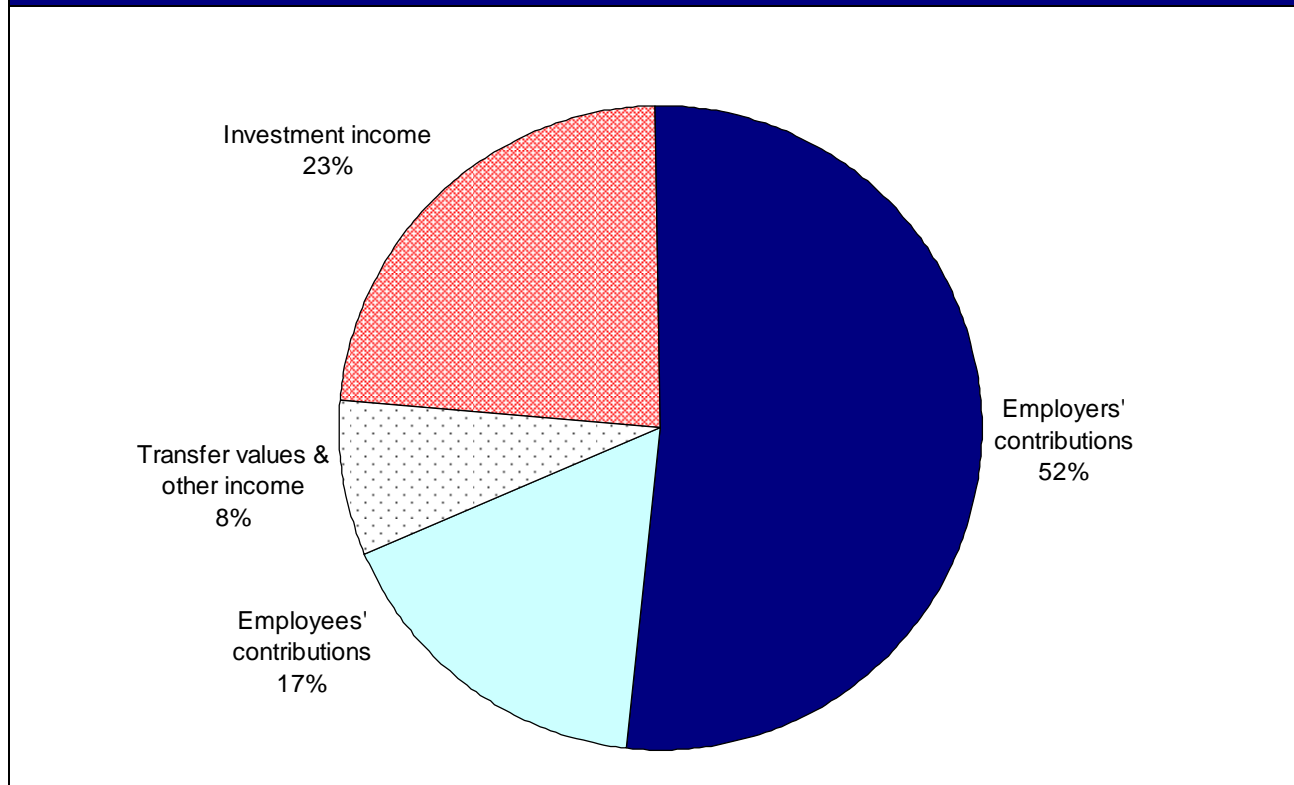
	2006-07	2007-08	2008-09	2009-10	£ million 2010-11
Contributions (including those from admitted authorities)					
Employees ^(a)	1,605	1,680	1,926	1,974	1,966
Employers ^(b)	4,626	5,009	5,400	5,759	5,947
Investment income (gross)	3,019	3,165	2,873	2,572	2,696
<i>of which:</i>					
Dividends receivable	1,959	2,080	1,999	1,754	1,708
Interest receivable	561	638	546	385	383
Income from property	283	303	302	305	345
Other investment income	216	144	25	128	259
Transfer values	754	707	557	800	791
Other income	59	50	50	58	96
Total income	10,063	10,610	10,806	11,163	11,496
Market value of funds at end of year	122,402	119,959	97,272	132,012	£ million 142,716

Source: SF3 forms

(a) The rate of employee's contribution to the scheme changed from 1 April 2008 from a flat rate for all employees to a variable rate dependent on salary.

(b) Includes employers secondary contributions

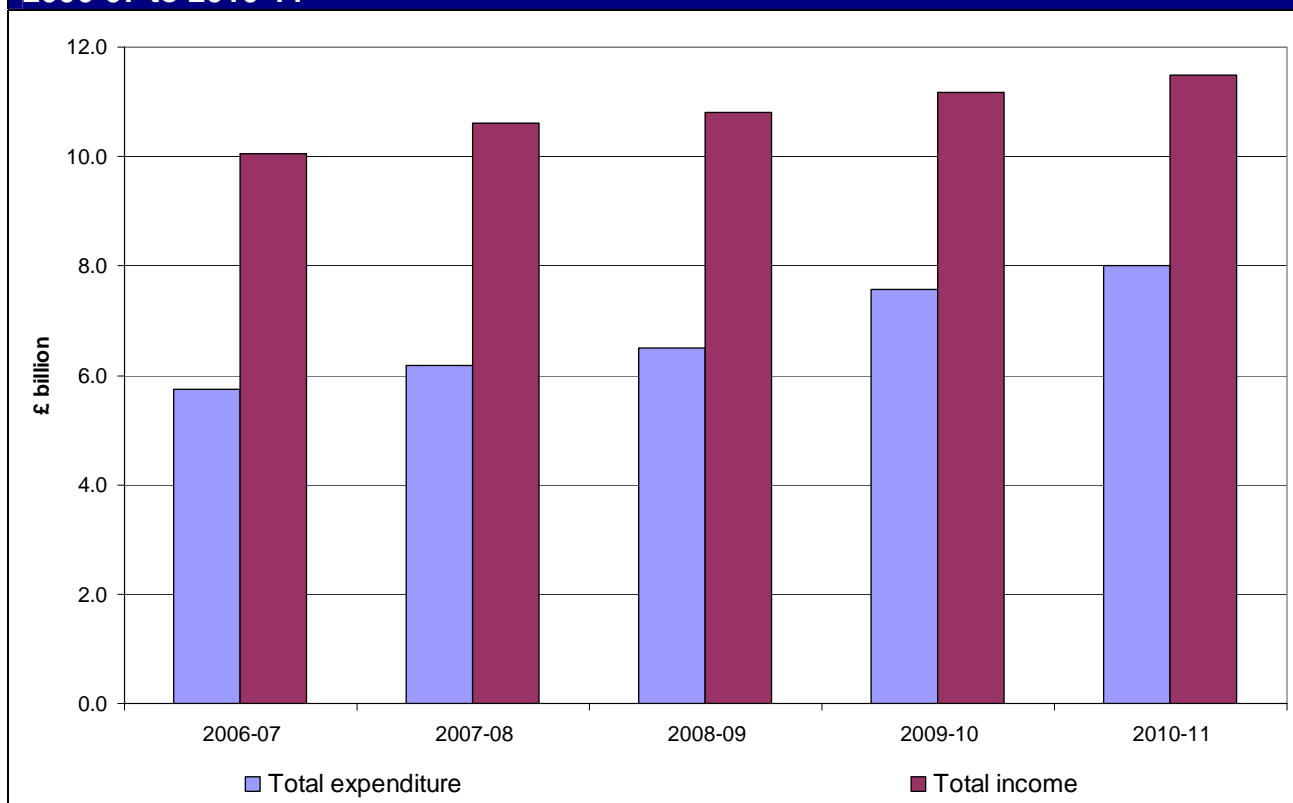
Chart B: Local Government Pension Scheme income in 2010-11



3. **Chart C** provides a comparison of total Local Government Pension Scheme expenditure and income from 2006-07 to 2010-11.

- In 2010-11, total expenditure accounted for 70% of the Local Government Pension Scheme income, up from 57% in 2006-07.

Chart C: Local Government Pension Scheme total expenditure and income 2006-07 to 2010-11



Membership: 2006-07 to 2010-11

4. **Table 3** and **Chart D** provide figures of the membership of the Local Government Pension Scheme at the end of each year from 2006-07 to 2010-11.

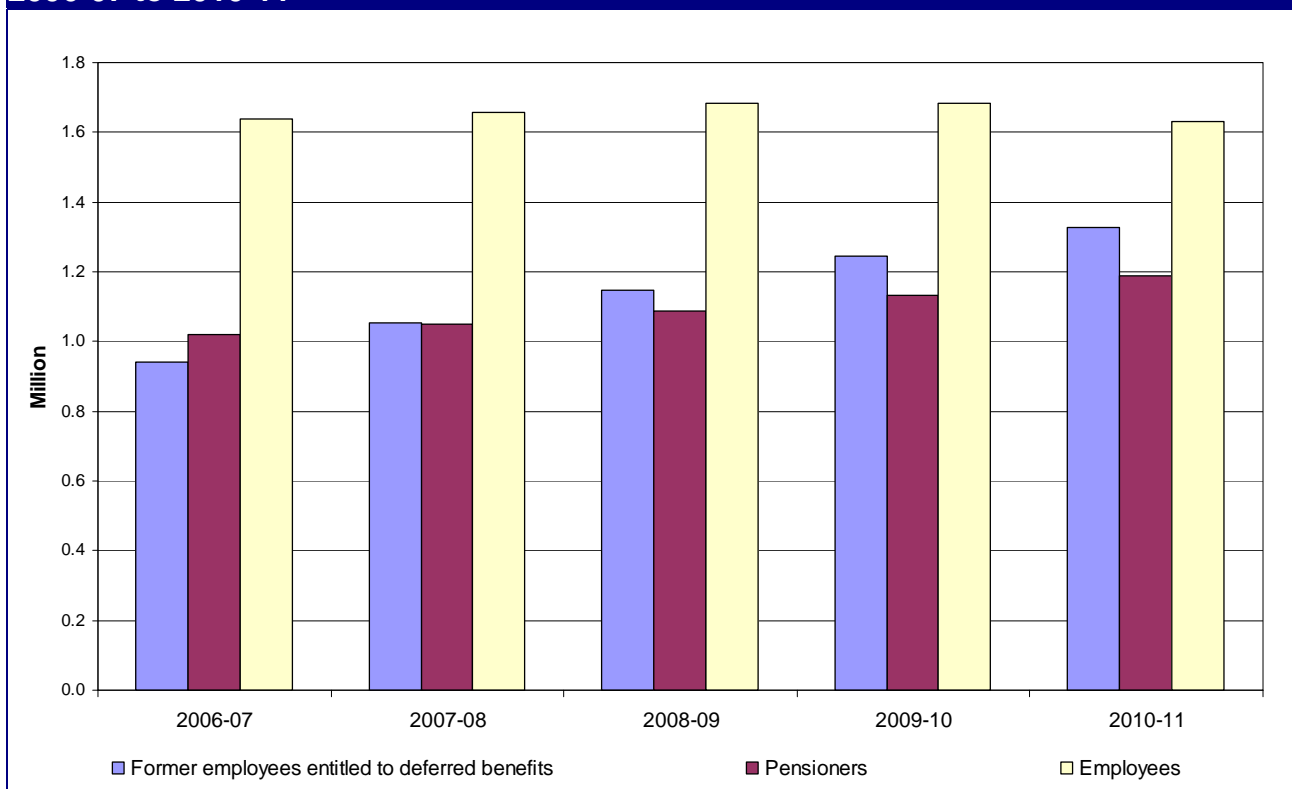
- There were 1.6 million employees in the Local Government Pension Scheme at the end of March 2011, a 51 thousand, or 3%, decrease over the figure for March 2010. There are now fewer employees in the Local Government Pension Scheme than at the end of March 2007.
- During 2010-11 the number of pensioners rose by 56 thousand to 1.2 million an increase of 5% over the figure for the end of 2009-10.
- In 2010-11, the number of former employees entitled to deferred benefits rose by 81 thousand to 1.3 million, an increase of 7% over 2009-10, and an increase of 41% over 2006-07.

Table 3: Number of Local Government Pension Scheme members at the end of each year 2006-07 to 2010-11

	2006-07	2007-08	2008-09	2009-10	Thousand 2010-11
Number of scheme members					
Employees	1,638	1,656	1,685	1,684	1,633
Pensioners	1,019	1,049	1,088	1,131	1,187
Former employees entitled to deferred benefits	942	1,055	1,149	1,245	1,326
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	0	1	2	4	9

Source: SF3 forms

Chart D: Membership of the Local Government Pension Scheme 2006-07 to 2010-11



Retirements from the Local Government Pension Scheme: 2006-07 to 2010-11

5. **Table 4** and **Chart E** provide figures of the type of retirement from the Local Government Pension Scheme from 2006-07 to 2010-11.

- The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40% over the 2009-10 figure to over 17,600.
- By 2010-11, the number of people leaving the Local Government Pension Scheme each year due to retirement has increased by more than 30% over the number for 2006-07.

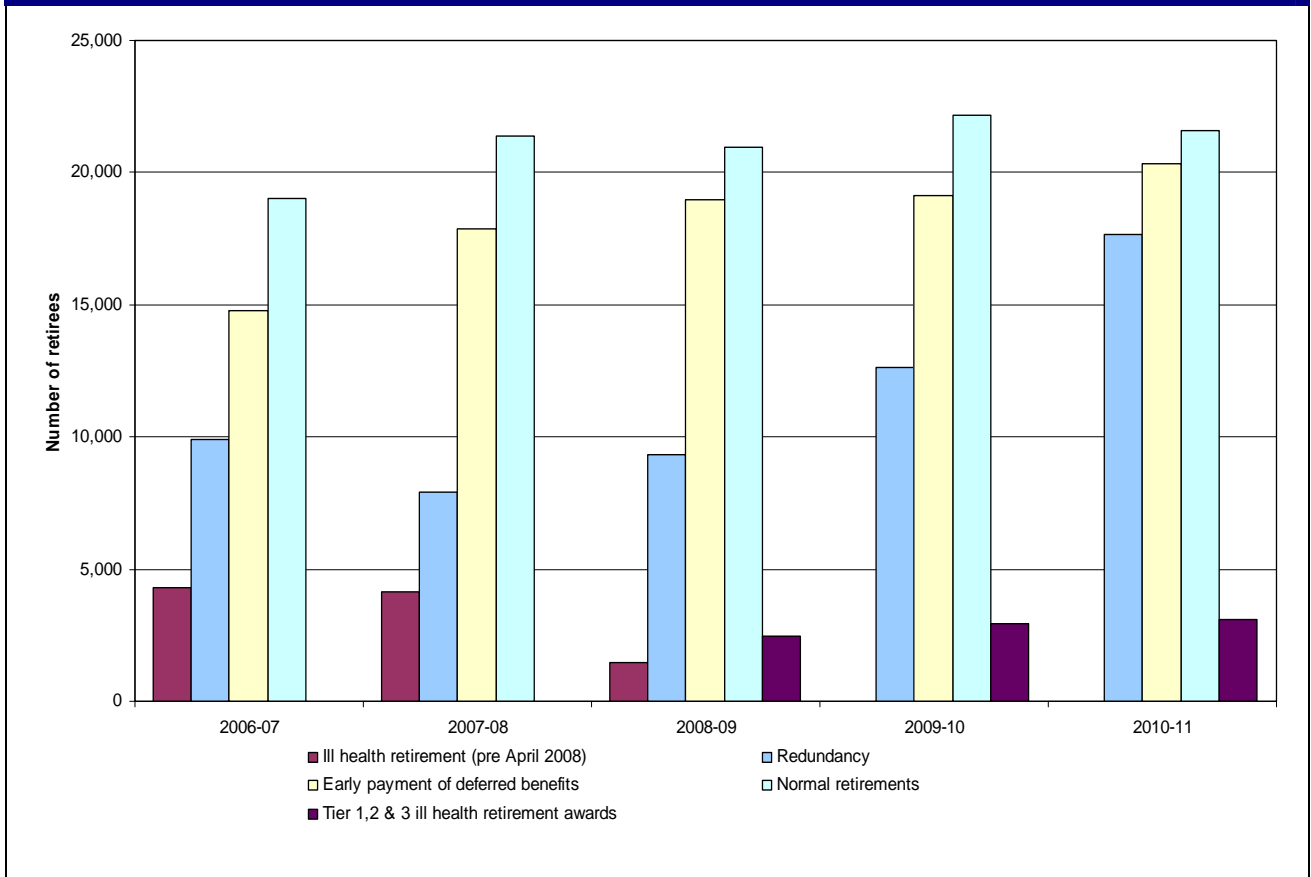
Table 4: Type of retirements from the Local Government Pension Scheme 2006-07 to 2010-11

	2006-07	2007-08	2008-09	2009-10	2010-11
Number of scheme members					
Redundancy	9,923	7,927	9,346	12,637	17,657
Ill health retirement (pre April 2008)	4,279	4,134	1,470	-	-
Tier 1,2 & 3 ill health retirement awards under LGPS ^(a)	-	-	2,475	2,952	3,111
Early payment of deferred benefits	14,804	17,867	18,952	19,150	20,344
Normal retirements	19,038	21,393	20,967	22,180	21,585
Total retirements	48,044	51,321	53,210	56,919	62,697

Source: SF3 forms

(a) This was introduced on 1 April 2008. See *Terminology used in this release* for further details

Chart E: Type of retirement from the Local Government Pension Scheme 2006-07 to 2010-11



Terminology used in this release

A list of terms relating to local government finance is given in the Glossary of Terms to the *Local Government Financial Statistics England No. 21 2011*. This is accessible at www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011. 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.

Grant payable on death

This is payable to the estate of a scheme member who dies in service. Prior to 1 April 2008 this was 2 times final pay. Since 1 April 2008, when the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 came into effect, this has increased to 3 times final pay. This accounts for the significant increase shown in **Table 1** for 2008-09 compared to earlier years.

Ill Health retirement

Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 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.

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.

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. The new Scheme included 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 $1/80^{\text{th}}$ of pensionable pay for each year of membership and a lump sum of three times that amount. Under the new regulations, entitlement is to a pension only based on a higher accrual rate of $1/60^{\text{th}}$ but with the option to commute pension into lump sum.

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.

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 2010-11 (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 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.

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 2010-11 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 0303 444 1201 or email press.office@communities.gsi.gov.uk. For other enquiries please telephone John Farrar on 0303 444 2116 or email sf3.statistics@communities.gsi.gov.uk.
5. The responsible statisticians for this release are Steven Melbourne or Mike Young who can be contacted on 0303 444 2116
6. This Statistical Release can be found at the following web address:
www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/
7. Timings of future releases are regularly placed on the Department's website, www.communities.gov.uk and on the National Statistics website, www.statistics.gov.uk/hub/release-calendar/index.html
8. Further information is also available on the department's website www.communities.gov.uk/localgovernment/localgovernmentfinance/
9. For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Financial Statistics England No.21 2011* which is available in hard

copy from Wetherby Publications Centre at communities@twoten.com (Tel. 0870 1226 236) and electronically from the Department for Communities and Local Government website

www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011

10. In addition to data for England, DCLG also collect data for 8 administering authorities in Wales. Data for 2010-11 and comparisons with previous years can be found at:

www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/summarydata/

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

www.scotland.gov.uk/Publications/2011/02/21143624/5

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

www.communities.gov.uk/documents/statistics/pdf/19559041.pdf

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
	=	discontinuity in data

Rounding

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

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