



LOCAL GOVERNMENT PENSION SCHEME

TEN KEY FACTS

1. The LGPS is a funded scheme like private sector defined benefit schemes and unlike the other public sector pension schemes.
2. The LGPS is collectively the biggest pension fund in the country and fourth largest in the world making it a major shareholder in business and the UK economy. Together the 101 LGPS funds hold more than £155 billion in investments and assets, enough to pay benefits for over 20 years. More than four million people are members of the LGPS in the UK either as active, contributing members, pensioners or deferred members.
3. The LGPS has a positive cash flow, with income from investments and contributions exceeding expenditure on benefits by £4-5 billion every year.
4. Members contribute an average of 6.5% of pay to the scheme with higher earners paying proportionately more: up to 7.5%.
5. The average employer contribution rate for current service is 13.9%. In the private sector the comparable employer contribution average is 17%.
6. The Chancellor's intention to raise £1bn through a tax on LGPS scheme members will lead to employees paying on average 9.7% for future service while some employers will pay less than 9%. Research indicates that over 50% of members are likely to opt out of the scheme if this policy is implemented.
7. In April 2008 (2009 in Scotland and Northern Ireland) reformed schemes were launched covering all existing and new LGPS members which reduce the cost to employers year on year. As part of these reforms the average member contributions to the scheme have increased from 5.8% to 6.5%. Employers have already saved millions of pounds from reforms and will continue to do so in the future.
8. More than 7,000 employers participate in the LGPS, many of which are private sector companies and charities providing local public services. One in four members of the LGPS is employed outside of the public sector.
9. 75% of local government employees participate in the LGPS, significantly higher than the average 34% participation rate in private sector schemes but well below the public sector average of 85%. In some local authorities half of the workforce already opts out of the LGPS.
10. The scheme is not gold-plated, the average pension in payment from the LGPS is around £4,200 a year, for women the average is £2,800. The average UK occupational pension in payment is £8,740 a year.