

LGPS UPDATE

There has been plenty in the news recently about Local Government finances and investments; in addition, the LGPS in England and Wales has released the latest statistical update on the scheme. This year's figures are not yet available for the schemes in Scotland and Northern Ireland.

Average Pension

The average LGPS in payment is around £3,900 per year, with most female scheme members receiving less than half that amount (due mainly to women being more likely to work part-time and have shorter service). Much is made in the press about so-called 'gold-plated' public sector pension arrangements, but in terms of pension amount, the average pension in the UK is over £8,000 per year, more than double the occupational retirement income of most local government workers.

Membership

The scheme's active membership is still increasing, with 1% more members in the English funds (taking active membership to over 1.6 million people) and 1.6% more in the Welsh funds (over 126,000 individuals) this year than in 2006-7. This is positive, showing that despite continued outsourcing the scheme is attracting more new entrants than it is losing. There are also more pensioners and deferred members (those who have left the scheme but not retired), 2 million in the English funds and over 122,000 in Wales. So nearly 4 million people are directly affected by the LGPS and many more when members' families and dependants are taken into account. This makes the LGPS the biggest pension scheme in the UK by membership as well, as we'll see, by value.

Value

Unlike the other public sector schemes, the LGPS is funded, meaning there is real money contributed, invested and subsequently spent on member benefits. The total market value of the English and Welsh funds (at 31st March) was £127.5billion. The next biggest pension fund in the UK is the BT pension scheme and is currently worth a mere £40billion.

Contributions from employers and employees make up most of the scheme's income (around 63%) with members contributing £1.7billion over the last year. The employers' contributions have increased by over 55% since 2003-4 to just over £5billion, taking into account the deficit as well as ongoing scheme funding. In Wales employees contribute £115m and employers £363m (up by 52% since 2003-4).

Income from investments contributed less than 30% to the scheme's income but totalled £3.25billion. More than 84% of the scheme's annual expenditure goes on paying pensions and lump sums, a total of £5.35billion over the last year, the rest gets spent on miscellaneous costs to the funds and the disposal of liabilities.

All the investments held by LGPS funds amount to a significant amount of shareholder power, a key reason for members to get involved with their funds and to ask questions about where the money is invested and how the shareholder influence this buys is put to use.

Update on Reforms

Discussions are continuing between the unions, CLG and employers on developing a mechanism to secure the long term sustainability of the LGPS. In addition a further consultation on the governance arrangements for the scheme and the funds is due shortly.

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