

LOCAL GOVERNMENT PENSION SCHEME

Ten key facts

- 1.** LGPS funds collectively form the biggest single 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 £150 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.
- 2.** The LGPS is a funded scheme like private sector defined benefit schemes and unlike the other public sector pension schemes.
- 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 6.6% to the scheme with higher earners paying proportionately more.
- 5.** The employer contribution rate for current service is 12.2%. In the private sector the comparable employer contribution average is 15%.
- 6.** The Chancellor's intention to raise £1bn from LGPS scheme members will lead to employees paying on average 9.6% for future service while employers pay 9%. Our research indicates that 40% 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 reduces the cost to employers year on year. The average member contributions to the scheme have increased from 5.8% to 6.6%.
- 8.** Since the new scheme was introduced income from employee contributions to the scheme has increased by 17.5%. The further increases announced by the Chancellor will not increase the funding of the scheme but will operate as a tax on pension saving.
- 9.** More than 7,000 employers participate in the LGPS, many of which are private sector companies and charities providing local public services. 75% of local government employees participate in the LGPS, significantly higher than participation rates in private sector schemes but well below the public sector average.
- 10.** Not gold-plated, the average pension in payment from the LGPS is around £4,200 a year, for women the average is £2,870.

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