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Department of Education - Teachers' Superannuation

ANNUAL SCHEME STATEMENTS

for the year ended 31 March 2012

Department of Education – Teachers' Superannuation
Annual Scheme Statements
For the year ended 31 March 2012

Laid before the Northern Ireland Assembly by the Department of Finance and Personnel under Section 10(4) of the Government Resources and Accounts Act (Northern Ireland) 2001

6 July 2012

This document/publication is also available on our website at www.deni.gov.uk.

Any enquiries regarding this document/publication should be sent to us at Department of Education, Rathgael House, 43 Balloo Road, Rathgill, BANGOR, BT19 7PR.

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION ANNUAL SCHEME STATEMENTS
for the year ended 31 March 2012

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REPORT OF THE MANAGERS
for the year ended 31 March 2012

Background to the Teachers' Superannuation Scheme

Statutory basis for the scheme
The Teachers' Superannuation Scheme ("the Scheme") operates under the Teachers' Superannuation Regulations (Northern Ireland) 1998 (as amended).

Eligibility to join the scheme
Northern Ireland teachers' pensions were significantly modified and improved under the Teachers' Pensions etc. (Reform Amendments) Regulations (Northern Ireland) 2007.

These regulations introduced a pension age of 65 for new entrants and modifications to the scheme for existing members from 1 April 2007.

Persons in the employments specified in Schedule 2 of the Teachers' Superannuation Regulations (Northern Ireland) 1998 are eligible to join the scheme.

Further information about the scheme is available on the internet at www.deni.gov.uk.

Main features of the scheme
The Teachers' Superannuation Scheme is an unfunded, defined benefit 'final salary' scheme to which teachers and their employers contribute. Benefits are index-linked and there is provision for payments to dependants.

Management of the scheme
The Teachers' Superannuation Scheme is managed by the Department of Education. The Department also manages the Teachers' Premature Retirement Compensation Scheme which operates under the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010.

Employers
The Teachers' Superannuation Scheme and the Teachers' Premature Retirement Compensation Scheme cover the majority of employers within the educational field. These include the Education and Library Boards, Voluntary and Maintained Schools, Further Education Colleges, Universities and a small number of other employers. A full list of employers currently within the scheme can be obtained from the Scheme Administrator.

Corporate governance of the scheme
The Teachers' Superannuation Scheme Steering Group meets several times a year to discuss, for example, annual requirements for actuarial valuations and information for the preparation of the annual scheme statements. Ad hoc meetings are also held as required.

The Steering Group consists of staff from Accounting, Financial Governance and Accountability Team (AFGAT), Teachers Negotiating and Pensions Policy Team (TNPPT), and the Teachers Pay and Pensions Team (TPPT).

A Statement on Internal Control is prepared annually for approval by the Department's Audit and Risk Management Committee. To enable him to maintain a sound system of internal control, the Accounting Officer is informed by the work of the internal auditors and reports from senior managers on the effectiveness of internal controls; and by comments made by the external auditors in their management letters and other reports.

Arrangements governing determination of contribution rates and benefits

The Department of Education in exercise of powers conferred upon it by the Superannuation (Northern Ireland) Order 1972 and after consultation with relevant interested parties makes regulations which determine the contributions and benefits of the scheme.

The Teachers' Superannuation Consultative Committee is the established forum for consultation on matters relating to the scheme. The Committee comprises representatives of the recognised teacher unions, the University and College Union and employers from both the school and further education sectors.

Key developments in year

Changes in contributions

There were no increases in 2011-12 in respect of contribution rates by employees and employers which remained at 6.4% and 13.6% respectively of pensionable pay.

Changes in benefits

Pensions were increased by 3.1% with effect from 11 April 2011.

Membership statistics

Details of the membership of the Teachers' Superannuation Scheme are as follows:

A. Active members	
Active members at 31 October 2010	**25,304**
Opening adjustment**	417
	25,721
Add: New entrants	1,121
Re-entrants in the period	433
Transfers in	20
Less: Retirements in the period	(756)
Members leaving who have deferred pension rights	(1,497)
Deaths in service	(16)
Refunds/opt out	(40)
Transfers out	(10)
Active members at 31 December 2011*	**24,976**

B. Deferred members	
Deferred members at 31 October 2010	**12,809**
Opening adjustment**	913
	13,722
Add: Members leaving who have deferred pension rights	1,454
New members now classed as deferred	43
Less: Members taking up deferred pension rights	(78)
Transfers out	(50)
Re-entrants	(433)
Refunds	(23)
Deaths	(5)
Opt outs	(20)
Deferred members at 31 December 2011*	**14,610**

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 January 2011	**17,869**	**1,574**	**19,443**
Add: Members retiring in year at normal retirement age	902	-	902
Restorations	7	16	23
New dependants	-	157	157
Less: Deaths in year	(276)	(48)	(324)
Dependants leaving	-	(25)	(25)
Suspensions/other leavers	(11)	-	(11)
Pensions in payment at 31 December 2011*	**18,491**	**1,674**	**20,165**

D. Compensation payments	
Members in receipt of compensation at 31 October 2010	**8,728**
Add: New members in receipt of compensation	56
Less: Deaths/other leavers	(106)
Members in receipt of compensation payments at 31 December 2011*	**8,678**

* In prior years, as the Department has needed to meet shortened financial reporting deadlines, membership statistics for the 12 months ending 31 December have been disclosed, rather than the financial year ending of 31 March. This change was made after consultation with both the Government Actuary's Department (GAD) and the Northern Ireland Audit Office (NIAO).

In October 2010 the administration of the Scheme was transferred to a new system and a report to produce membership statistics from it had not been developed in time for inclusion of all figures as at 31 December in the prior year report.

** During 2011-12, the Department worked with the new service provider to develop a report to produce the membership statistics in the required format. The migration of data to the new system and the process of developing the new report highlighted data errors on the old system. This resulted in the need to adjust the opening figures for Active and Deferred Members in this years report.

The Department is content, after reviewing financial data for 1 January 2012 to 31 March 2012 and making enquiries with key personnel, that there is no evidence of substantial changes to Scheme membership during this period.

Financial position at 31 March 2012
The Scheme liability at 31 March 2012 was £9.08 billion compared to £8.44 billion at the end of the previous year. The main reasons for the increase were a higher than expected pension increase in April 2011 and an increase to take account of the increase in deferred membership. An analysis of movements in the Scheme liability is shown at note 21 to the Scheme statements.

Events after the reporting period
There were no events after the reporting period which required adjustment to the accounts or additional disclosures.

Issues for 2012-13
The employee contribution rate during 2011-12 was 6.4% of pensionable salary. The contribution rates for 2012-13, on which the Department consulted, are as shown in the following table:

Lower Salary	Higher Salary	Contribution Rate in 2012-13	Increase (against 6.4%)
-	14,999	6.4%	0%
15,000	25,999	7.0%	0.6%
26,000	31,999	7.3%	0.9%
32,000	39,999	7.6%	1.2%
40,000	74,999	8.0%	1.6%
75,000	111,999	8.4%	2.0%
112,000	-	8.8%	2.4%

Information for members

Additional Voluntary Contributions (AVCs), Free-Standing Additional Voluntary Contributions (FSAVCs) and Stakeholder Pensions
Prudential plc has been selected by the Department of Education to provide AVCs to members of the Teachers' Superannuation Scheme. Scheme members are made aware of the AVC arrangements and there is a facility which allows contributions through payroll. No contributions are made by the Managers of the Teachers' Superannuation Scheme or by employers. The only role of the Managers of the Teachers' Superannuation Scheme is to

advise Prudential plc of the date from which a member's pension is payable and of the maximum pension payable under Inland Revenue rules. Members of the Teachers' Superannuation Scheme may make their own arrangements for making payments to institutions which offer a FSAVC or Stakeholder Pensions. Where a member has a FSAVC, the only role of the Managers of the Teachers' Superannuation Scheme is to carry out a check at retirement to ensure that pension benefits do not exceed Inland Revenue limits.

The aggregate amounts in respect of AVCs are detailed in note 17 to the Scheme Statements.

<u>Schemes' Managers, Advisers and Employers are listed below:</u>

<u>Accounting Officer</u>

Mr Paul Sweeney
Permanent Secretary
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

<u>Scheme Manager and Premature Retirement Compensation Scheme Manager</u>

Mr Mark Mawhinney
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

<u>Scheme Administrator and Premature Retirement Compensation Scheme Administrator</u>

Mr Peter Crossley
Department of Education
Teachers' Pensions Branch
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

Pension Scheme Actuary

Government Actuary's Department
Finlaison House
15-17 Furnival Street
LONDON
EC4A 1AB

Bankers

Northern Bank
Donegall Square North
BELFAST
BT1 5GB

Legal Advisers

Departmental Solicitor's Office
Victoria Hall
12 May Street
BELFAST
BT1 4NL

Auditors

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

Disclosure to the Auditors

The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

Contact for enquiries

Any enquiries about the Teachers' Superannuation Scheme or the Teachers' Premature Retirement Compensation Scheme should be addressed to:

Mr Peter Crossley
The Scheme Administrator, Teachers' Superannuation Scheme
Department of Education
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

STATEMENT BY THE ACTUARY

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of Department for Education Northern Ireland ('the Department'). It summarises the pensions disclosures required for the 2011-12 Resource Accounts of the Northern Ireland Teachers' Pension Scheme (NITPS or 'the scheme').

2. The NITPS is a final salary defined benefit scheme, the rules of which are set out in The Teachers' Superannuation Regulations (Northern Ireland) 1998 (SI 1998/333) and subsequent amendments. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2008, with an approximate updating to 31 March 2012 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2008 and 31 March 2012 used to prepare this statement.

Table A – Active members

31 March 2008		31 March 2012
Number	Total salaries (pa)[1] (£ million)	Total salaries (pa)[1,2] (£ million)
25,849	907	982

Table B – Deferred members

31 March 2008		31 March 2012
Number	Total deferred pension (pa) (£ million)	Total deferred pension (pa)[2] (£ million)
11,877	12.7	19.1

Table C – Pensions in payment

31 March 2008		31 March 2012
Number	Total pension (pa) (£ million)	Total pension (pa)[2] (£ million)
17,719	228.1	296.4

[1] Full time equivalent
[2] Figures as at 31 March 2012 are estimated based on accounts data supplied.

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2011-12 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2012 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2010-11 Resource Accounts.

6. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2012, the assumed rate of return in excess of pension increases was decreased from 2.90% a year to 2.80% a year, and the assumed rate of return in excess of earnings was decreased from 0.70% a year to 0.60% a year. In addition, with effect from 31 March 2012, the assumed rate of future pension increases is 2.00% a year and the assumed nominal rate of salary growth is 4.25% a year (changed from 2.65% and 4.90% respectively as at 31 March 2011).

Table D – Principal financial assumptions

Assumption	31 March 2012	31 March 2011
Rate of return (discount rate)	4.85%	5.60%
Rate of return in excess of:		
Earnings increases	0.60%	0.70%
Pension increases	2.80%	2.90%
Expected return on assets:	n/a	n/a

8. The pension increase assumption as at 31 March 2012 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

9. The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

10. The standard mortality tables known as S1NXA are used but with adjustments derived from recent scheme experience. An age rating of -1 year applies to male pensioners, both current and future (that is they are assumed to experience the mortality rates given in the standard tables but at ages one year younger than their actual age). An age rating of -2 years applies to future female pensioners. For current female pensioners, an age rating of -2 years applies to the younger pensioners increasing to +1 year for the older pensioners. Mortality improvements are in accordance with those incorporated in the 2010-based principal population projections for the United Kingdom. These assumptions are the same as adopted for the 2010-11 Resource Accounts, except for the allowance for mortality improvements.

11. The reforms to the scheme proposed for implementation in April 2015 and the increased member contributions being phased in from April 2012 may affect the behaviour of members, eg if members are subject to a later normal pension age for accrual after 2015 they may be expected to retire later. Given the uncertainty surrounding these changes and their potential impact on member behaviour, the Department has decided to make no allowance for them for the purposes of the 2011-12 Resource Accounts.

12. The contribution rate used to determine the accruing cost in 2011-12 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2010-11 Resource Accounts.

Liabilities

13. Table E summarises the assessed value as at 31 March 2012 of benefits accrued under the scheme prior to 31 March 2012 based on the data, methodology and assumptions described in paragraphs 3 to 12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ billion

	31 March 2012	**31 March 2011**	**31 March 2010**	**31 March 2009**	**31 March 2008**
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(9.08)	(8.44)	(9.93)	(7.38)	(7.90)
Surplus/(Deficit)	(9.08)	(8.44)	(9.93)	(7.38)	(7.90)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2012 (the Current Service Cost) is based on a standard contribution rate of 24.7%. Members contributed 6.4% of pensionable pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account contributions paid by members. The corresponding figures for 2010-11 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay		
	1 April 2011 to 31 March 2012	**22 June 2010 to 31 March 2011**	**1 April 2010 to 21 June 2010**
Standard contribution rate	24.7%	29.3%	33.1%
Members' contribution rate	6.4%	6.4%	6.4%
Employers' estimated share of standard contribution rate	18.3%	22.9%	26.7%

15. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently 13.6%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 2.9% pa for the 2011-12 Current Service Cost compared with 3.5% pa for the existing scheme funding rate. (Note that the discount for scheme funding purposes has been reviewed and reduced to 3% but this does not affect the current rate of contributions.) A higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS 19.

16. The pensionable payroll for the financial year 2011-12 was £879 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2011-12 (at 24.7% of pay) is assessed to be £217 million. There is no past service cost and so this is the total pension cost for 2011-12.

17. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2012 of changes to the main actuarial assumptions.

Sensitivity of results

18. The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. The assumed nominal rate of return is also important. A key demographic assumption is pensioner mortality.

19. Table G shows the indicative effects on the total liability as at 31 March 2012 of changes to these assumptions.

Table G - Sensitivity to main assumptions

Change in assumption *			**Approximate effect on total liability**	
Rate of return				
(i)	nominal:	-½% a year	+ 1%	+ £100 million
(ii)	in excess of earnings:	-½% a year	+ 1½%	+ £140 million
(iii)	in excess of pensions:	-½% a year	+ 6¾%	+ £610 million
Pensioner mortality				
(iv)	pensioners living (on average) 2 years longer:		+ 4%	+ £360 million

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

Matt Wood
Government Actuary's Department
16 May 2012

Revenue Account disclosures

	Year ended 31 March 2012 (£ billion)	Year ended 31 March 2011 (£ billion)
Analysis of amount charged to pension cost		
Current service cost	0.22	0.27
Past service cost	-	(0.98)
Total operating charge	**0.22**	**(0.71)**
Analysis of the amount recognised in Statement of Financial Position		
Expected return on scheme assets	-	-
Interest on pension liabilities	(0.47)	(0.42)
Net return	**(0.47)**	**(0.42)**
Analysis of amount recognised in Statement of Change in Taxpayers' Equity (SCITE)		
Actual return less expected return on scheme assets	-	-
Experience gains and losses arising on the pension liabilities	(0.22)	0.06
Changes in mortality assumptions	0.02	-
Changes in demographic assumptions (other than mortality)	-	-
Changes to financial assumptions from 31 March 2012	(0.07)	0.85
Actuarial gains / (losses) recognised in SCITE	**(0.27)**	**0.91**
Movement in liability during the year		
Surplus / (Deficit) at 31 March 2011	(8.44)	(9.93)
Current service cost	(0.22)	(0.27)
Benefits paid during the year	0.32	0.29
Past service costs	-	0.98
Net transfers in	-	-
Other finance income	(0.47)	(0.42)
Actuarial gains / (losses)	(0.27)	0.91
Surplus / (Deficit) at 31 March 2012	**(9.08)**	**(8.44)**

As required by FReM, all actuarial gains and losses are recognised in full in the period in which they occur.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Department of Education to prepare Teachers' Superannuation Scheme resource accounts for each financial year in compliance with the accounting principles and disclosure requirements of the extant edition of the Government Financial Reporting Manual ("the FReM").

The Combined Scheme statements must give a true and fair view of the state of affairs of the Combined Scheme at the year end and of the net resource outturn and cash flows for the year then ended. The Scheme statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the Scheme statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme Rules and the recommendations of the Actuary.

In preparing the Scheme statements, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards, as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements; and

- to prepare the Scheme statements on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department of Education as Accounting Officer for the Teachers' Superannuation Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in Managing Public Money Northern Ireland (MPMNI) which is published by the Department of Finance and Personnel.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Education's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Education for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with guidance issued by the Department of Finance and Personnel.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high-level risks recorded in the Department's risk registers. The Board has procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

The Department's Risk Management Framework, which is available to Departmental staff on the Department's intranet site, provides direction on the Department's underlying approach to risk management, including the roles and responsibilities of the Departmental Board, the Audit and Risk Management Committee, Heads of Directorates, Heads of Teams, Internal and External Audit.

4. The risk and control framework

The Department has set out its attitude to risk in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the Departmental objectives are identified, evaluated and controlled. We have carried out appropriate procedures to ensure that risks associated with the Department's key objectives have been assessed, and determined a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

Steps taken to manage and control risks to information include regularly reviewing and restricting system access to specific staff; ensuring staff receive fraud awareness training; and spot checks performed by team management.

The nature of the risk; the current level of control; any further action being taken; and risk owners, are recorded in the Department's risk registers. The Department's Risk Management Framework includes guidance which helps ensure consistent evaluation of risk.

The Department takes part in the biennial National Fraud Initiative which compares public sector databases to find mismatches between information held. This allows the Department to compare teachers' pension payroll against other payrolls. Where mismatches are found, each case is investigated to ensure no overpayments or possible fraud has taken place.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The risk management arrangements currently in place have been assessed by Internal Audit against HM Treasury guidance. This review has confirmed a satisfactory level of compliance with the guidance and also indicated some areas for improvement including the provision of refresher training for staff.

My review of the effectiveness of the system of internal control is also informed by:

- regular performance information provided by managers with executive responsibilities;

- the subsidiary statements of internal control presented by Heads of Teams and Heads of Directorates within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas; and

- comments made by the external auditors in their management letters and other reports.

6. Significant internal control issues

Overpayments to re-employed teachers

In March 2011, the Department identified overpayments to re-employed teachers, who had exceeded their Annual Earnings Limit (AEL), totalling £0.18 million net. The Teachers Superannuation Regulations provide for the abatement of pension to ensure that a teacher/lecturer who is in receipt of a pension cannot earn more, by way of a combination of pension and salary, than he/she would have earned had he/she continued in full-time employment. The AEL is a combination of pension and salary. The Department closely monitors re-employment of temporary teachers and checks if they exceed their AEL. However, the individuals who had exceeded their AEL were employed as part-time teachers on a permanent contract, as opposed to a temporary basis. This separate classification was not captured in reports which the Department used to monitor the re-employment of retired teachers, resulting in the overpayments.

The Department informs all teachers who retire that if they become re-employed in any role within the education service, they must advise the Department immediately. There is a limit to the amount an individual may earn while leaving his/her pension unaffected. This also applies for some non-teaching employments. Therefore there is an onus on the individual scheme member to inform the Department if they become re-employed.

The Department has investigated the circumstances which led to these overpayments and has implemented additional controls to help prevent any future overpayments. AEL reports are now run on a monthly basis to capture details of teachers who may be approaching their AEL. These reports are checked and teachers approaching their AEL are notified and their pension abated where that is necessary to prevent or limit overpayments.

The Department has recovered £0.04 million from some individuals by 31 March 2012 and recovery from the others is ongoing as part of normal debt recovery procedures.

Signed: ________________________________ **Date: 25 June 2012**

Accounting Officer

Department of Education – Teachers' Superannuation Scheme Accounts

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Department of Education Teachers' Superannuation Scheme for the year ended 31 March 2012 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department of Education Teachers' Superannuation Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Education Teachers' Superannuation Scheme and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31st March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31st March 2012 and of its combined net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Opinion on other matters

In my opinion:

- the information given in the Statement of Internal Control for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
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27 June 2012

STATEMENT OF ASSEMBLY SUPPLY

Summary of Resource Outturn 2011-12

								2011-12 £'000	2010-11 £'000
		Estimate			Outturn				Outturn
Request for Resources RfR A	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn Compared with Estimate: Saving/ (excess)	Net Total
Annually Managed Expenditure		704,557	(179,046)	525,511	694,499	(179,049)	515,450	10,061	(465,573)
Non-Budget		-	(1,840)	(1,840)	-	(1,837)	(1,837)	(3)	(1,791)
Total Resources	3	704,557	(180,886)	523,671	694,499	(180,886)	513,613	10,058	(467,364)

RfR A: Providing for the payment of pensions, lump sums and premature retirement compensation

Summary of net cash requirement 2011-12

				2011-12 £'000	2010-11 £'000
	Note	Estimate	Outturn	Net Total Outturn Compared with Estimate: Saving/ (excess)	Outturn
Net cash requirement	4	144,339	133,047	11,292	114,367

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2011-12 £'000		Outturn 2011-12 £'000	
	Note	Income	Receipts	Income	Receipts
Total	5	-	-	526	*526*

Explanation of the variances between Estimate and outturn (net total resources):

<u>Request for Resources — Saving £10.06 million</u>

The saving is mainly due to lower than anticipated current service cost. This cost is calculated by the Government Actuary's Department in accordance with IAS 19. The resulting figure is rounded to the nearest £10 million.

The notes on pages 24 to 42 form part of these Scheme statements.

COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2012

Principal arrangements
Teachers' Superannuation Scheme

	Note	2011-12 £'000	2010-11 £'000
Income:			
Contributions receivable	8	(177,213)	(177,622)
Transfers in	9	(4,197)	(4,434)
Other pension income	10	-	(96)
		(181,410)	(182,152)
Expenditure:			
Pension cost	11	220,000	(710,000)
Enhancements	12	302	258
Transfers in	13	4,197	4,434
Injury benefits	14	-	-
Interest on scheme liabilities	15	470,000	420,000
Capitalised cost of enhancement	16	-	96
		694,499	(285,212)
Net expenditure / (income)	3(a)	**513,089**	**(467,364)**

Other Comprehensive Net Expenditure

Recognised Gains and Losses for the financial year	Note	2011-12 £000	2010-11 £000
Actuarial loss / (gain)	21.7	270,922	(909,948)
Total Comprehensive Net Expenditure / (Income) for the year ended 31 March 2012		**784,011**	**(1,377,312)**

The notes on pages 24 to 42 form part of these Scheme statements.

COMBINED STATEMENT OF FINANCIAL POSITION as at 31 March 2012

Principal arrangements
Teachers' Superannuation Scheme

	Note	2011-12 £'000	2010-11 £'000
Current assets:			
Receivables	18	3,252	14,805
Cash and cash equivalents	19	2,469	2,007
		5,721	16,812
Current liabilities:			
Payables (within 12 months)	20	(6,483)	(6,086)
Net current (liabilities) / assets, excluding pension liability		(762)	10,726
Pension liability	21.4	(9,080,000)	(8,440,000)
Net liabilities, including pension liability		**(9,080,762)**	**(8,429,274)**
Taxpayers' equity			
General fund		(9,080,762)	(8,429,274)
		(9,080,762)	**(8,429,274)**

Signed: ______________________________ **Date: 25 June 2012**
Accounting Officer

The notes on pages 24 to 42 form part of these Scheme statements.

COMBINED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2012

		General Fund	
	Note	2011-12 £'000	2010-11 £'000
Balance at 1 April		(8,429,274)	(9,920,953)
Net Assembly Funding—drawn down		132,984	112,991
Supply (payable) / receivable adjustment—current year		(1,943)	(2,006)
Supply payable / (receivable) adjustment—prior year		2,006	3,382
Excess Accruing Resources		(524)	-
Combined Net (Expenditure) / Income for the Year	3(a)	(513,089)	467,364
Actuarial (loss) / gain	21.7	(270,922)	909,948
Net change in Taxpayers' Equity		(651,488)	1,491,679
Balance at 31 March		(9,080,762)	(8,429,274)

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

The notes on pages 24 to 42 form part of these Scheme statements.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net (expenditure) / income for the year		(513,089)	467,364
Adjustments for non-cash transactions:			
(Increase) / decrease in receivables	18	11,553	(738)
Increase / (decrease) in payables	20	397	(6,319)
Less movement in payables relating to items not passing through the combined statement of comprehensive net expenditure	20	(462)	5,378
Increase / (decrease) in pension provision	21.4	690,000	(290,000)
Increase in pension provision – enhancements and transfers in	21.4	4,499	4,692
Increase in pension provision – capitalised cost of enhancement	21.4	-	96
Use of provisions – pension liability	21.5	(320,055)	(290,965)
Use of provisions – death in service	21.5	(1,499)	(1,679)
Use of provisions – refunds and transfers	21.6	(3,867)	(2,196)
Net cash outflow from operating activities		(132,523)	(114,367)
Cash flows from financing activities			
From the Consolidated Fund (supply): current year		132,984	112,991
Net Assembly financing		132,984	112,991
Net increase / (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		461	(1,376)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		5	1
Payments of amounts due to the Consolidated Fund		(4)	(4,003)
Net increase / (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		462	(5,378)
Cash and cash equivalents at the beginning of the period	19	2,007	7,385
Cash and cash equivalents at the end of the period	19	**2,469**	**2,007**

The notes on pages 24 to 42 form part of these Scheme statements.

NOTES TO THE SCHEME STATEMENTS

1. Basis of preparation of the Scheme statements

The combined Scheme statements have been prepared in accordance with the relevant provisions of the 2011-12 Government Financial Reporting Manual (FReM*)* issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. 'IAS 19 Employee Benefits' and 'IAS 26 Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, the FReM also requires the scheme to prepare an additional statement – a Statement of Assembly Supply. This statement, and the supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Department of Education – Teachers' Superannuation Scheme and Teachers' Premature Retirement Compensation Scheme

The Teachers' Superannuation Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department of Education on behalf of the members.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Department. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the Assembly through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Department of Education and reported in the annual resource accounts of the Department.

The Scheme statements summarise the transactions of the Teachers' Superannuation Scheme and the Teachers' Premature Retirement Compensation Scheme where the Department of Education acts as a principal. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme statements should be read in conjunction with the Report.

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme statements.

2.1 Accounting convention

These Scheme statements have been prepared under the historical cost convention.

2.2 Pension contributions receivable

a. Employers' normal contributions are accounted for on an accruals basis.

b. Employers' special contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on an accruals basis.

c. Employees' contributions and amounts received in respect of the purchase of added years of service are accounted for on an accruals basis. Neither Additional Voluntary Contributions (AVCs) (note 17), nor payments to providers of Stakeholder Pensions (see the Report of the Managers), are brought into account in these statements.

2.3 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

2.4 Other income

Other income, including refunds of benefits, overpayments recovered other than by deduction from future benefits and miscellaneous income, and the recovery of the capitalised cost of enhancement under the Premature Retirement Compensation Scheme are accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from employee service in the current period. The cost is based on the nominal discount rate applicable at 1 April 2011, based on the financial and demographic assumptions applying as at 31 March 2011. For this calculation pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued after 22 June 2010 and real discount rates are set accordingly. This is recognised in the Combined Statement of Net Expenditure.

2.6 Past service costs

Past service costs are changes in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure on a straight-line basis over the period in which the increase in benefits vests.

2.7 Interest on Scheme liabilities

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement, and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2011, being 2.9 per cent real rate (i.e. 5.6 per cent including CPI inflation) and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.8 Other expenditure

Other expenditure is accounted for on an accruals basis.

2.9 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at the close of 31 March 2012, being 2.8 per cent real rate (i.e. 4.85 per cent including CPI inflation).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the reporting period date and updates it to reflect current conditions.

2.10 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accruals basis.

2.11 Pension payments to those retiring at their normal retirement age

Lump sum and the annual pension payments are accounted for on an accruals basis. Recognition is based on the pension liability accruing from the day following the date of retirement.

2.12 Pension payments to and on account of leavers before their normal retirement age

Refunds of employees' contributions are accounted for on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

2.13 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.14 Actuarial gains / losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Changes in Taxpayers' Equity.

2.15 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the Department of Education to the approved AVC provider.

2.16 Premature Retirement Compensation

The cost of compensation for early retirement because of redundancy or in the interests of the efficient discharge of the employer's function can be broken down into two elements, being the cost of enhancement (added years) and the cost of the early payment of unreduced pension. From 1 April 2008, employers became liable for the cost of enhancement in the form of a lump sum paid to the scheme to meet the liabilities that have yet to be discharged. During 2008-09 and 2009-10, the Scheme continued to meet the cost of early payment of unreduced pension. The cost of the future liability in setting up and revising the provision is recorded as expenditure in the Combined Statement of Comprehensive Net Expenditure, with the offsetting income reflecting the reimbursements receivable from the employers. The Department has made new regulations, which came into operation on 30 April 2010, which have the effect of transferring the full cost of premature retirement compensation (i.e. both enhancement and early payment of pension) to employers.

2.17 Cash and cash equivalents

The cash balance is based on cash at bank as adjusted for any outstanding receipts and payments that have yet to be processed through the account.

2.18 Currency and rounding

The functional currency is Sterling and, except where otherwise stated, all figures have been rounded to the nearest thousand pounds.

2.19 International Financial Reporting Standards

Management have reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

3. Reconciliation of Estimates, accounts and budgets

3(a) Reconciliation of net resource outturn to net expenditure

				2011-12 £'000	2010-11 £'000
	Note	Outturn	Supply Estimate	Outturn Compared With Estimate	Outturn
Net Resource Outturn		513,613	523,671	10,058	(467,364)
Non-supply income (CFERs)	5	(524)	-	524	-
Net Expenditure		**513,089**	**523,671**	**10,582**	**(467,364)**

3(b) Outturn against final administration budget

All costs of administering the Teachers' Superannuation Scheme and the Teachers' Premature Retirement Scheme are borne by the Department of Education.

4. Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	Net total Outturn Compared with Estimate: Saving/(excess)
		£'000	£'000	£'000
Net Resource Outturn	3(a)	523,671	513,613	10,058
Accruals adjustments:				
Non-cash items: increase in provision		(704,557)	(694,499)	(10,058)
Changes in working capital other than cash		-	(11,488)	11,488
Use of provision		325,225	325,421	(196)
Net cash requirement		**144,339**	**133,047**	**11,292**

Explanation of variance between Estimate and net cash requirement:

1. Increase in provision — Saving £10,058k

The saving is mainly due to lower than anticipated current service cost. This cost is calculated by the Government Actuary's Department in accordance with IAS 19. The resulting figure is rounded to the nearest £10 million.

2. Changes in working capital other than cash — Variance £11,488k

Changes in working capital are inherently difficult to forecast. In the absence of any known significant changes in debtors or creditors, no accruals adjustment was included in the Spring Supplementary Estimate 2011-12.

3. Use of provision — Saving £196k

The saving is due to lower than anticipated pension and lump sum payments during the year.

5. Analysis of income payable to the Consolidated Fund

		Forecast 2011-12 £'000		Outturn 2011-12 £'000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – excess accruing resources	6	-	-	524	524
Other amounts collectable on behalf of the Consolidated Fund		-	-	2	2
Total income payable to Consolidated Fund		**-**	**-**	**526**	**526**

6. Reconciliation of income recorded within the Combined Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2011-12 £'000	2010-11 £'000
Operating income		181,410	182,152
Income authorised to be accruing resources		(180,886)	(182,152)
Operating income payable to Consolidated Fund	5	**524**	**-**

7. Non-operating income not classified as accruing resources

There was no such income in the current or previous year.

8. Contributions receivable

	2011-12 £000	2010-11 £000
Employers' Contributions	119,521	119,615
Employees' Contributions - Normal	55,555	55,958
Employees' Contributions - Purchase of added years	300	258
Premature retirement compensation receipts from DEL	1,837	1,791
	177,213	**177,622**

£187 million contributions are expected to be payable to the scheme in 2012-13.

9. Transfers in (*see also* Note 13)

	2011-12 £000	2010-11 £000
Individual transfers in from other schemes	**4,197**	**4,434**

10. Other pension income

	2011-12 £000	2010-11 £000
Capitalised cost of enhancement (see note 16)	**-**	**96**

11. Pension cost

	2011-12 £000	2010-11 £000
Current service cost (see note 21.4)	220,000	270,000
Negative past service cost	-	(980,000)
	220,000	**(710,000)**

12. Enhancements *(see also* Note 21.4*)*

Purchase of added years and added pension	**2011-12 £000**	**2010-11 £000**
Employees:	300	250
Employers:	2	8
	302	**258**

13. Transfer in – additional liability (*see also* Note 9)

	2011-12 £000	**2010-11 £000**
Individual transfers in from other schemes	**4,197**	**4,434**

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Expenditure as expenditure as part of the movements in the provision during the year.

14. Injury benefits

	2011-12 £000	**2010-11 £000**
Injury benefits payable	-	-
Less: recoverable from employers	-	-
Net	-	-

15. Interest on scheme liabilities (*see also* Note 21.4)

	2011-12 £000	**2010-11 £000**
Interest charge for the year	**470,000**	**420,000**

16. Capitalised cost of enhancement (*see also* Note 10)

	2011-12 £000	**2010-11 £000**
Capitalised cost of enhancement	**-**	**96**

17. Additional Voluntary Contributions

The Department of Education Teachers' Superannuation Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, namely Prudential plc. The Managers of the Department of Education Teachers' Superannuation Scheme have responsibility only for the onward payment by employers of members' contributions to the scheme's approved provider. These AVCs are not brought to account in the Scheme statements. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held on their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

Prudential Teachers' AVC Facility (Northern Ireland)

	2011-12 £000	2010-11 £000
Movements in the year		
Balance at 1 April	44,332	43,932
New investments	4,360	4,218
Sales of investments to provide pension benefits	(4,832)	(3,818)
Changes in market value of investments	2	-
Balance at 31 March	**43,862**	**44,332**
Contributions received to provide life cover	148	144
Benefits paid on death	111	27

18. Receivables - contributions due in respect of pensions

18(a) Analysis by type

Amounts falling due within one year:	2011-12 £000	2010-11 £000
Pension contributions due from employers	1,975	9,725
Employees' normal contributions	924	4,576
Overpaid pensions	372	468
Provision for bad debt	(171)	(113)
DEL debtor	152	149
	3,252	**14,805**

Included within these figures is £nil (2010-11 £nil) that will be due to the Consolidated Fund once the debts are collected.

18(b) Analysis by organisation

Amounts falling due within one year:	2011-12 £000	2010-11 £000
Balances with other central government bodies	152	193
Balances with bodies external to government	3,100	14,612
	3,252	**14,805**

19. Cash and cash equivalents

	Note	2011-12 £000	2010-11 £000
Balance at 1 April		2,007	7,385
Net change in cash balances		462	(5,378)
Balance at 31 March		**2,469**	**2,007**
The following balances at 31 March are held at:			
Commercial banks		**2,469**	**2,007**
The balance at 31 March comprises:			
Amounts issued from the Consolidated Fund for supply but not spent at year end	20	1,943	2,006
Excess accruing resources	20	524	-
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	20	2	1
		2,469	**2,007**

20. Payables - in respect of pensions

20(a) Analysis by type

Amounts falling due within one year:	2011-12 £000	2010-11 £000
Pensions	550	616
Inland Revenue and voluntary contributions	3,330	3,324
Interdepartmental balances owed in respect of refund of overpaid contributions	43	41
Other creditors	91	98
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,943	2,006
Excess Accruing Resources	524	-
Consolidated Fund Extra Receipts received	2	1
	6,483	**6,086**

20(b) Analysis by organisation

Amounts falling due within one year:	2011-12 £000	2010-11 £000
Balances with other central government bodies	5,841	5,372
Balances with bodies external to government	642	714
	6,483	**6,086**

21. Provisions for pension liabilities

21.1 Provision for pension liability

The Department of Education Teachers' Superannuation Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2012. The Statement by the Actuary on pages 7 to 11 sets out the scope, methodology and results of the work the actuary has carried out.

In order that the defined benefit obligations recognised in the Scheme statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years." The Scheme regulations also require that a formal actuarial valuation be carried out every five years.

The last formal actuarial valuation undertaken for the Department of Education Teachers' Superannuation Scheme was completed as at 31 March 2004 per the report dated 7 March 2007. An interim review of the Scheme valuation was carried out as at 31 March 2006 per the report dated 12 June 2007. The next formal actuarial valuation was due as at 31 March 2008 and a substantial amount of work was carried out in respect of it. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last completed formal actuarial valuation now exceeds four years, the amounts recognised in these Scheme statements have been prepared using full membership data that was provided for a formal valuation as at 31 March 2008. In undertaking this valuation, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The Scheme manager together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme manager should make available to the actuary in order to meet the expected requirements of the Scheme auditor. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- Benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- Income and expenditure, including details of expected bulk transfers into or out of the Scheme; and

- Following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

Financial assumptions	**At 31 March 2012**	**At 31 March 2011**	**At 31 March 2010**	**At 31 March 2009**	**At 31 March 2008**
Rate of increase in salaries	0.00%	0.00%	2.30%	2.30%	2.45%
Rate of increase in pensions in payment and deferred pensions	3.10%	0.00%	5.00%	3.90%	3.60%
Nominal discount rate	4.85%	5.60%	4.60%	6.00%	5.30%
Rate of CPI inflation	2.00%	2.65%	N/A	N/A	N/A
Discount rate net of CPI	2.80%	2.90%	2.50%	N/A	N/A

Mortality rates at age 60		**At 31 March 2012**	**At 31 March 2011**	**At 31 March 2010**	**At 31 March 2009**	**At 31 March 2008**
Current retirements:	Females (years)	32.7	32.7	32.6	31.8	31.7
	Males (years)	29.1	29.2	29.1	28.6	28.5
*Retirements in 20 years time:	Females (years)	35.0	34.6	34.0	33.3	33.2
	Males (years)	31.5	31.1	30.5	30.2	30.1

*The life expectancy from age 60 of future pensioners will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 40 (currently aged 45 figures up to 31 March 2010).

Mortality rates at age 65		**At 31 March 2012**	**At 31 March 2011**	**At 31 March 2010**	**At 31 March 2009**	**At 31 March 2008**
Current retirements:	Females (years)	27.7	27.7	27.6	26.7	26.6
	Males (years)	24.3	24.3	24.2	23.5	23.4
*Retirements in 20 years time:	Females (years)	29.9	29.6	29.5	28.6	28.6
	Males (years)	26.5	26.2	26.1	25.6	25.5

*The life expectancy from age 65 of future pensioners will depend on their current age. This table shows the life expectancy from age 65 for future pensioners currently aged 45.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the Scheme manager acknowledges that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the financial assumptions table above. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The Scheme manager does not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the Scheme manager, the actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

Analysis of the provision for pension liability	**At 31 March 2012 £ billion**	**At 31 March 2011 £ billion**	**At 31 March 2010 £ billion**	**At 31 March 2009 £ billion**	**At 31 March 2008 £ billion**
Pensions in payment	4.96	4.53	4.95	4.06	4.00
Deferred members	0.36	0.26	0.32	0.30	0.34
Active members	3.76	3.65	4.66	3.02	3.56
Total	**9.08**	**8.44**	**9.93**	**7.38**	**7.90**

21.2 Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

21.3 The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The manager of the Scheme accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 21.4. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

21.4 Analysis of movements in the Scheme liability

	Note	2011-12 £000	2010-11 £000
Scheme liability at 1 April		**(8,440,000)**	**(9,930,000)**
Current service cost	11	(220,000)	(270,000)
Past service cost	11	-	980,000
Interest on pension scheme liability	15	(470,000)	(420,000)
		(690,000)	290,000
Enhancements	12	(302)	(258)
Pension transfers in	13	(4,197)	(4,434)
Capitalised cost of enhancement	16	-	(96)
		(4,499)	(4,788)
Benefits paid	21.5	321,554	292,644
Pension payments to and on account of leavers	21.6	3,867	2,196
		325,421	294,840
Actuarial (loss) / gain	21.7	(270,922)	909,948
Scheme liability at 31 March		**(9,080,000)**	**(8,440,000)**

During the year ended 31 March 2012, contributions were 20% of pensionable pay.

21.5 Analysis of benefits paid

	2011-12 £000	2010-11 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	275,046	259,687
Commutations and lump sum benefits on retirement	45,009	31,278
Lump sum benefits on death in service	1,499	1,679
Per Statement of Cash Flows	**321,554**	**292,644**

21.6 Analysis of payments to and on account of leavers

	2011-12 £000	2010-11 £000
Refunds to members leaving service	191	99
Individual transfers to other schemes	3,676	2,097
Per Statement of Cash Flows	**3,867**	**2,196**

21.7 Analysis of actuarial (loss) / gain

	2011-12 £000	2010-11 £000
Experience (losses) / gains arising on the Scheme liabilities	(220,922)	59,948
Changes in mortality assumptions	20,000	-
Changes in demographic assumptions underlying the present value of the Scheme liabilities	-	-
Changes in assumptions underlying the present value of the Scheme liabilities (adjustment to discount rate % at 31 March)	(70,000)	850,000
Per Statement of Changes in Taxpayers' Equity	**(270,922)**	**909,948**

21.8 History of experience (losses) / gains

	2011-12	2010-11	2009-10	2008-09	2007-08
Experience (losses) / gains on Scheme liabilities:					
Amount (£000)	(220,922)	59,948	103,910	35,015	(190,000)
Percentage of the present value of the Scheme liabilities	(2.43%)	0.7%	1.0%	0.5%	(2.4%)
Total amount recognized in the statement of changes in taxpayers' equity:					
Amount (£000)	(270,922)	909,948	(2,196,090)	945,015	370,000
Percentage of the present value of the Scheme liabilities	(2.98%)	10.8%	(22.1%)	12.8%	4.7%

22. Transfers in and out

Transfers in amounting to £524,013 were agreed in January, February and March 2012 and are expected to be received after 31 March 2012. Small differences between some individual amounts agreed and received may arise due to fluctuations in the underlying investment between the date on which a transfer in is agreed and the date on which it is received.

Transfers out amounting to £221,163, which were agreed in January, February and March 2012, were paid or due to be paid in April 2012.

23. Premature retirement compensation

The Teachers' Premature Retirement Compensation Scheme recovers compensation costs via increased employer contributions.

No teachers retired on grounds of premature retirement in 2011-12 (2010-11: 5).

Total number of teachers retired on grounds of premature retirement as at 31 March 2012

	Efficient Discharge	Redundancy
Belfast Education and Library Board	212	1,158
North Eastern Education and Library Board	266	1,244
Southern Education and Library Board	416	945
South Eastern Education and Library Board	325	911
Western Education and Library Board	265	1,023
Voluntary Grammar Schools	156	640
Further Education Colleges	179	901
Other Grant-Maintained Schools	6	18
Other Bodies	27	81
TOTAL	**1,852**	**6,921**

24. Financial instruments

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to negligible credit, liquidity or market risk.

25. Contingent liabilities disclosed under IAS 37

In the unlikely event of a default by Prudential plc, the Department's approved provider of an Additional Voluntary Contributions scheme, the Department of Education will guarantee pension payments due from that scheme. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contribution Schemes.

26. Losses and special payments

26(a) Losses statement: During the years 2011-12 and 2010-11 total losses were less than £250,000; and in accordance with Annex 4.10 to Managing Public Money Northern Ireland (MPMNI), no further disclosure is required.

26(b) Special payments: During the years 2011-12 and 2010-11 expenditure on behalf of TSS relating to special payments was below the reporting threshold of £250,000 (Annex 4.13 MPMNI).

27. Related party transactions

The Teachers' Superannuation Scheme and the Teachers' Premature Retirement Scheme fall within the ambit of the Department of Education which is regarded as a related party. During the year, the Schemes have had material transactions with the Department, Non-Departmental Public Bodies and other bodies whose employees are members of the Schemes. None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Schemes during the year.

28. Move from Retail Prices Index to Consumer Prices Index

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of the up rating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

This change was challenged through the Judicial Review process. The outcome of the Judicial Review lodged during 2011-12 was that Government's decision to use CPI instead of RPI was legal. This judgment was subsequently appealed to the Court of Appeal which also found in favour of Government. The appellants subsequently decided not to make any further appeal against this decision to a higher court. Therefore no change is required to the accounting treatment adopted for the previous year.

29. Events after the reporting period

There were no events after the reporting period which required adjustments to the accounts or additional disclosures.

The Accounting Officer authorised the issue of the Scheme statements on 27 June 2012.

INVESTORS IN PEOPLE

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