



Department of
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Department of Education - Teachers' Superannuation
ANNUAL SCHEME STATEMENTS

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for the year ended 31 March 2005



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HC 499
NIA 236/03

£11.15

**Department of Education - Teachers' Superannuation
Annual Scheme Statements
For the year ended 31 March 2005**

*Laid before the Houses of Parliament
by the Department of Finance and Personnel
in accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

15 November 2005

*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*

15 November 2005

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DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

**ANNUAL SCHEME STATEMENTS
for the year ended 31 March 2005**

Contents	Page
Report of the Managers	1
Report of the Actuary	7
Statement of Accounting Officer's Responsibilities	10
Statement on Internal Control	11
Certificate and Report of Comptroller and Auditor General	14
Schedule 1 – Summary of Resource Outturn	17
Schedule 2 – Revenue Account	20
Schedule 3 – Balance Sheet	21
Schedule 4 – Cash Flow Statement	22
Notes to the Accounts	24

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

REPORT OF THE MANAGERS for the year ended 31 March 2005

Introduction

The *Teachers' Superannuation Scheme* is an unfunded contributory, voluntary membership scheme administered by the Department of Education. The current regulations under which the scheme operates are the *Teachers' Superannuation Regulations (NI) 1998 (as amended)*.

Further information about the scheme is given in the explanatory booklet dated December 1999, which is issued to all members.

The *Teachers' Premature Retirement Compensation Scheme*, which is administered by the Department of Education, provides a range of compensation benefits for teachers who leave service before their normal retirement age under an early retirement scheme. The current regulations under which the scheme operates are *The Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 1991 S.R. 1991 No 132*.

The Managers, Advisers and Employers for both schemes are listed below:

Managers

Accounting Officer

Mr Gerry McGinn
Permanent Secretary
Department of Education
Rathgael House
43 Balloo Road
BANGOR BT19 7PR

Scheme Administrator

Mr Mervyn Gregg
Department of Education
Teachers' Pensions Branch
Waterside House
75 Duke Street
LONDONDERRY BT47 6FP

Advisers

Pension Scheme Actuary

Government Actuary's Department
New King's Beam House
22 Upper Ground
LONDON
SE1 9RJ

Bankers

Northern Bank Ltd
Donegal Square North
BELFAST
BT1 5GB

Legal Advisers

Departmental Solicitors Office
Victoria Hall
12 May Street
BELFAST
BT1 4NL

Auditors

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

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.

Changes to the Scheme

During the year the following changes were made to both schemes:

- ◆ Pensions and benefits, which began before 28 April 2003, were increased by 2.8% with effect from 12 April 2004.
- ◆ Pensions and benefits, which have begun on or after 28 April 2003, have been increased proportionately.
- ◆ The employers' contribution rate changed from 7.85% to 7% from 1 April 2004.

Notional Transfers

Transfers between the Teachers' Superannuation Scheme and both the Principal Civil Service Pensions Scheme (PCSPS) and the Health and Personal Social Services (Superannuation) Scheme (HPSSSS) are treated on a notional basis. The net effect of transfers between the schemes in the 2004-05 year was as follows:

Transfers in from HPSSSS	£13,125
Transfers out to PCSPS	£649,217

Additional Voluntary Contributions (AVCs), Free-Standing Additional Voluntary Contributions (FSAVCs) and Stakeholder Pensions

The Prudential Assurance Company 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 the Prudential 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 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.

Post Balance Sheet Events

There were no post balance sheet events.

Membership Statistics

Details of the current membership of the Department of Education Teachers' Pension Scheme is as follows:

A. Active members	
Active members at 1 April 2004	27,686
System classification (Note 2)	(1,634)
Restated active members at 1 April 2004	26,052
Add: New entrants	1,498
Re-entrants in the year	186
Transfers in	56
Less: Retirements in the year	(730)
Members leaving who have deferred pension rights	(639)
Transfers out	(30)
Deaths in Service	(20)
Refunds/opt out	(24)
Data cleansing	
Adjustments (Note 3)	(176)
System classification (Note 2)	427
Active members at 31 March 2005	26,600
B. Deferred members	
Deferred members at 1 April 2004	3,458
GAD definition changes (Note 1)	7,140
System classification (Note 2)	1,634
Restated deferred members at 1 April 2004	12,232
Add: Members leaving who have deferred pension rights	639
Less: Members taking up deferred pension rights	(87)
Transfers out	(102)
Re-entrants	(186)
Refunds	(32)
Data cleansing adjustments (Note 3)	(618)
System classification (Note 2)	(427)
Deferred members at 31 March 2005	11,419

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 April 2004	13,390	1,168	14,558
Members retiring in year at normal retirement age	816	-	816
Restorations	10	4	14
New dependants	-	93	93
Deaths in year	(237)	-	(237)
Dependants leaving	-	(40)	(40)
Suspensions/other leavers	(24)	(13)	(37)
Pensioners in payment at 31 March 2005	13,955	1,212	15,167

D. Compensation payments	
Members in receipt of compensation at 1 April 2004	6,617
Add: New members in receipt of compensation	460
Less: Deaths/other leavers	(83)
Members in receipt of compensation payments at 31 March 2005	6,994

Due to the age and limitations of the current system, it is difficult to provide accurate information on the movement in these statistics during the year using a method independent of the complex Government Actuary's Department (GAD) module which is used to extract data in the format required for an actuarial valuation. The figures produced by the Department's Information Systems Unit (ISU) cannot reproduce the GAD split between active and deferred members. The figures in bold are definitive and are an accurate reflection of membership.

Note 1 GAD definition changes

Following discussions with GAD, the definition of deferred and active members was amended to include members who had stopped teaching but previously did not have enough service to qualify for benefits and a substantial number of supply teachers who remain eligible to teach but had not done so in the most recent financial year.

Note 2 System Classification

Following an intensive examination of the data during the year, it was felt that due to the rationale stated above, the membership statistics in the scheme statement should be extracted from the GAD module reports. This is a change in method from 2003-04, in which the Department used information extracted by ISU. For this reason, an adjustment has been made to the opening balance in order to reflect the membership under the new method. For these reasons, a further classification adjustment has been shown to agree the closing balance. It further verifies that the data extracted by both methods agrees overall, but a split of actives and deferred cannot be matched, as described above.

Note 3 Data Cleansing

Adjustment as a result of extensive data cleansing exercise in preparation for new Teachers' Pensions Computer System.

Further Information

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

Mr Mervyn Gregg
The Scheme Administrator
Teachers' Superannuation Scheme
Department of Education
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

TEACHERS' SUPERANNUATION SCHEME (NORTHERN IRELAND)**REPORT OF THE ACTUARY
Accounts for the year ended 31 March 2005****A. Liabilities**

The capitalised value as at 31 March 2005 of expected future benefit payments under the Northern Ireland Teachers' Superannuation Scheme, for benefits accrued in respect of employment (or former employment) prior to 31 March 2005, has been assessed using the methodology and assumptions set out in Sections C and D below. Table 1 summarises the results.

Table 1**Past service liabilities**

Value of liability in respect of	£ billion
Pensions in payment	2.37
Deferred pensions	0.27
Active members (past service)	2.43
Total	5.07

B. Accruing costs

The cost of benefits accruing for each year of service is met partly by a 6% contribution from members, with the employer meeting the balance of the cost. Table 2 shows the contribution rate used to assess the cost of benefits accruing in the year 2004/05.

Table 2**Contribution rate**

Contribution rate	Percentage of pensionable pay
Standard contribution rate	20.5%
Members' contribution rate	6.0%
Employer's share of standard cost	14.5%
Actual rate charged to employers	7.0%

In relation to the pensionable payroll for the financial year 2004/05, the actual charges made to employers in cash terms were £53 million (based on the accounts data received from DE). The actual rate charged to employers (of 7.0%) is less than the employer's share of the standard cost (of 14.5%) primarily because it excludes the cost of pension increases.

C. Methodology

The value of the liabilities has been obtained using the projected accrued benefit method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs (of 20.5%) has been determined using the projected unit method (based on the entry age standard contribution rate determined at the 2003 interim valuation).

D. Assumptions

The principal financial assumptions adopted for the pension assessments in this statement are a rate of return in excess of price increases of 3.5% p.a. (most pension benefits under the scheme are increased in line with prices), and a rate of return in excess of earnings increases of 2% p.a. The demographic assumptions adopted for the assessments are derived from the specific experience of the scheme membership. The contribution rate to determine the accruing cost in 2004-05 was calculated using the assumptions applicable at the start of the year.

E. Notes

- (1) Section A of this Statement is based on the results of a full actuarial valuation carried out as at 31 March 2001 with an approximate updating for the subsequent financial year to reflect known changes. The cost of benefits

accruing in the year 2004/05, shown in Section B, is based on the results of the interim valuation as at 31 March 2003.

- (2) The pension benefits taken into account in this assessment are those normally provided from the rules of the pension scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits), or future redundancy benefits in respect of current employees. However, some pensions already in payment in respect of such cases are included in the statement of liabilities in Section A above.



E I Battersby, FIA
Chief Actuary
Government Actuary's Department

31 August 2005

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Accounting Officer is required to prepare a combined financial statement for pension and compensation in the form and on the basis determined by the Department of Finance and Personnel (DFP).

With the exception of certain transactions (which are accounted for on a cash basis) the combined financial statements are prepared on an accruals basis and must show a true and fair view of the financial transactions of the combined scheme during the year and the disposition, at the end of the financial year, of the combined net liabilities. Note 2, "Accounting Policies", to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the combined net liabilities at the year end.

In preparing these financial statements, the Accounting Officer is required to satisfy himself that:

- ◆ suitable accounting policies have been selected and applied consistently;
- ◆ the combined financial statements have been prepared on a going-concern basis, unless it is inappropriate to presume that either of the schemes will continue in operation;
- ◆ reasonable and prudent judgements and estimates have been made;
- ◆ applicable accounting standards have been followed, in accordance with the guidelines set out by DFP, subject to any material departures disclosed in the financial statements.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in *Government Accounting Northern Ireland*.

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

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 set by the Minister, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting 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 2005 and up to the date of approval of the accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Department's Senior Management Team (SMT) has collective responsibility for monitoring and reviewing the high-level risks recorded in the corporate risk register and for receiving reports on significant risks arising from divisional risk registers. SMT has procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

Staff within the Department, in particular Heads of Branches, have received training to ensure they understand the purpose and context of the risk management process and their responsibilities within it. Personal responsibility for risk management is emphasised through risk ownership at the appropriate level and a system of stewardship reporting.

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 and evaluated. 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.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in divisional risk registers and, for higher-level or overarching risks, in the corporate risk register. The Department's Risk Management Framework includes guidance which helps ensure consistent evaluation of risk.

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 Senior Management Team, 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 high level of compliance with the guidance and also indicated some areas for improvement and consolidation, including enhancing the integration of risk management with business planning and improved monitoring arrangements.

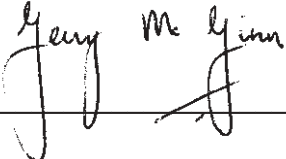
My review of the effectiveness of the system of internal control is also informed by:

- ◆ regular performance information provided by managers with executive responsibilities;
- ◆ the subsidiary statements of internal control presented by Heads of Branch and Heads of Division within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas;
- ◆ comments made by the external auditors in their management letters and other reports.

6. Significant internal control problems

With the introduction of FRS 17 there is a risk associated with the provision of accurate data to the Government Actuary's Department (GAD) to allow for an accurate calculation of the pension scheme liability and associated movements to be reported in the Department of Education Teachers' Superannuation Resource Account. The present Teachers' Pensions computer system was not originally designed to produce data that meets the specifications required by GAD. A project is presently underway to replace the Teachers' Pensions system. The specification of the new system includes the requirement to extract robust data in the format required by GAD to enable accurate actuarial valuations.

An Internal Audit review of Teachers' Pay, Pensions and Administration Branch has identified a number of areas where internal control needs to be improved to ensure integrity of existing systems and accuracy of payments. A plan to address the weaknesses identified has been developed and implementation of the corrective actions will be monitored by management.

Signed: 
Accounting Officer

Date: 26 October 2005

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION
THE CERTIFICATE AND REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL TO THE HOUSE OF
COMMONS AND THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements on pages 17 to 43 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements have been prepared under the accounting policies set out on pages 25 to 27.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 10, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the scheme have been paid in accordance with the Scheme rules and recommendations of the Actuary. I also report if, in my opinion, the Report of the Manager is not consistent with the financial statements, if the Department has not kept proper accounting records for the Scheme, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 11 to 13 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I

considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- ◆ the financial statements give a true and fair view of the financial transactions of the Department of Education Teachers' Superannuation for the year ending 31 March 2005, the net outgoings, recognised gains and losses and cash requirement for the year and the amount and disposition at that date of its assets and liabilities and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel;
- ◆ in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and

- ♦ the contributions payable to the scheme during the year ended 31 March 2005 have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

I have no observations to make on these financial statements.



J M Dowdall CB
Comptroller and Auditor General

27 October 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

Please note: Website Footnote to C&AG Certificate

The maintenance and integrity of the Department of Education's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

SCHEDULE 1
DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION
SUMMARY OF RESOURCE OUTTURN 2004-05

	2004-05						2003-04	
	Estimate		Outturn			Net Total Outturn compared to Estimate: saving/(excess)		
	Gross Expenditure	Accruing Resources	NET TOTAL	Gross Expenditure	Accruing Resources			NET TOTAL
1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	8 £000	
Request for Resources A: Providing for the payment of pensions, lump sums and premature retirement compensation to persons covered by the Teachers' Superannuation Scheme								
Annually Managed Expenditure	454,000	98,642	355,358	453,663	98,642	355,021	337	289,154
Non-Budget	-	-	-	-	-	-	-	367,565
Total Resources	<u>454,000</u>	<u>98,642</u>	<u>355,358</u>	<u>453,663</u>	<u>98,642</u>	<u>355,021</u>	<u>337</u>	<u>656,719</u>
Net cash requirement (Schedule 4)			107,931			102,301	5,630	79,437

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 are shown in italics)

	Forecast 2004-05		Outturn 2004-05	
	Income £000	Receipts £000	Income £000	Receipts £000
Contributions not classified as ARs	-	-	5,151	<i>5,042</i>
Other CFERs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>5,151</u>	<u><i>5,042</i></u>

Income Excess AR is £5,150,523.32. Cash Excess AR is £5,042,177.48. This amount is surrenderable to the Consolidated Fund.

Actual CFER receipts were £131.62. This amount is also surrenderable to the Consolidated Fund.

Reconciliation of resources to cash requirement

	Note	Estimate		Outturn	
		NET TOTAL £000	NET TOTAL £000	Net total outturn compared with Estimate saving/(excess) £000	Prior-year outturns £000
Net Total Resources		355,358	355,021	337	656,719
Accruals Adjustments: Non cash items	22	(454,000)	(433,663)	(20,337)	(393,966)
Changes in working capital other than cash	23	-	1,435	(1,435)	(2,392)
Increase in provision	19	-	(360)	360	-
Use of provision	20.6 & 20.7	206,573	199,868	6,705	186,642
Prior period adjustment	4	-	(20,000)	20,000	(367,566)
Net cash requirement (Schedule 4)		<u>107,931</u>	<u>102,301</u>	<u>5,630</u>	<u>79,437</u>

SCHEDULE 1 (Continued)

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

1. Annually Managed Expenditure – Saving £337k

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):

2. Non Cash Items – Excess £20,337k

The variance is mainly due to current service cost being lower than expected.

3. Changes in Working Capital other than Cash – Excess £1,435k

The variance is mainly because of a decrease in creditor balances.

4. Increase in Provision – Saving £360k

Pay arrears for teachers' progression to point 2 on the Upper Pay Scale resulted in increased liabilities on the Teachers' Superannuation Scheme (see Note 19 for further details).

5. Prior Period Adjustment – Saving £20,000k

The variance arose as a result of having to process a prior period adjustment relating to interest on restated scheme liabilities relating to the 2003-04 financial year. An extensive review of data was undertaken to ensure accuracy of information provided to the Government Actuary's Department for the purposes of the 2001 actuarial valuation (completed in 2005-06). This identified a substantial number of deferred members who were not included in the membership statistics. This resulted in an increase in the 31 March 2004 scheme liability, and a consequential increase of £20,000k in interest on scheme liabilities relating to 2003-04.

Prior period adjustment

The scheme liability has been recalculated at 31 March 2004, following a full scheme actuarial valuation based on data, which was revised, following adverse comment in the 31 March 2004 scheme statements.

As a result of the revised liability, the interest on scheme liability shown in the financial statements to 31 March 2004 was understated by some £20 million.

This has been reflected in the current year outturn.

SCHEDULE 2

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

COMBINED REVENUE ACCOUNT
for the year ended 31 March 2005

Principal arrangements
Teachers' Superannuation Scheme

	Note	2004-05 £000	Restated 2003-04 £000
Income:			
Contributions receivable	5	(100,530)	(101,908)
Transfers in	6	(3,263)	(3,588)
		<u>(103,793)</u>	<u>(105,496)</u>
Outgoings:			
Pension cost	7 & 20.5	150,000	150,000
Enhancements	8	400	378
Transfers in	9	3,263	3,588
Interest on scheme liabilities	10 & 20.5	280,000	260,000
		<u>433,663</u>	<u>413,966</u>
Net outgoings for the year	11	329,870	308,470
Net resource outturn	11	355,021	656,719
STATEMENT OF RECOGNISED GAINS AND LOSSES (SRGL)			
Actuarial loss	20.8	180,000	220,000
Total recognised losses for the financial year		180,000	220,000
Prior period adjustment	4	310,000	3,907,016
Total losses recognised since last annual report		490,000	4,127,016

SCHEDULE 3

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

COMBINED BALANCE SHEET

as at 31 MARCH 2005

	Note	2004-05 £000	Restated 2003-04 £000
Current Assets			
Debtors	15	10,379	6,591
		<u>10,379</u>	<u>6,591</u>
Creditors: amounts falling due within one year			
Bank overdraft	16	(3,102)	(3,836)
Pensions	17	(3,078)	(4,557)
Amounts due to the Consolidated Fund - Excess Accruing Resources	18	(5,151)	(684)
		<u>(11,332)</u>	<u>(9,077)</u>
Net Current Liabilities		(953)	(2,486)
Provisions for Liabilities and Charges			
Pensions arrears	19	(360)	-
Pensions	20.5	(5,078,135)	(4,664,340)
Net Liabilities		(5,079,447)	(4,666,826)
Financed by:			
Revenue Account			
Balance brought forward		(4,666,826)	(3,907,110)
Prior period adjustment		-	(309,998)
Financing from the Consolidated Fund	24	102,301	79,436
Combined net outgoings for the year (Schedule 2)		(329,870)	(308,470)
Actuarial loss (SRGL)		(180,000)	(220,000)
Adjustment for amounts authorised to be applied by			
Excess Vote for 2003-04		99	-
Income not Accruing Resource, payable to the Consolidated Fund	18	(5,151)	(684)
Balance carried forward		(5,079,447)	(4,666,826)

Signed: Date: 26 October 2005

SCHEDULE 4

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

CASH FLOW STATEMENT
for the year ended 31 March 2005

	Note	2004-05 £000	Restated 2003-04 £000
Net cash outflow from operating activities (note A)		(97,258)	(78,853)
Receipts due to the Consolidated Fund		-	1
Payments of amounts due to the Consolidated Fund		(586)	(5,889)
Financing (note B)		98,578	83,490
Increase/(Decrease) in cash in the period		<u>734</u>	<u>(1,251)</u>

Note A – Reconciliation of net outgoings to operating cash flows

	Note	2004-05 £000	Restated 2003-04 £000
Net outgoings for the year (Schedule 2)		(329,870)	(308,470)
Adjustment for movements in working capital other than cash	23	(1,543)	2,293
Increase in provision for liabilities and charges	19	360	-
Increase in pension provision	22	430,000	410,000
Increase in pension provision – enhancements and transfers	22	3,663	3,966
Use of provisions – pension liability	20.6	(196,352)	(184,142)
Use of provisions – refunds and transfers	20.7	(3,516)	(2,500)
Net cash outflow from operating activities		<u>(97,258)</u>	<u>(78,853)</u>

SCHEDULE 4 (Continued)**Note B – Analysis of financing and reconciliation to net cash requirement**

	Note	2004-05 £000	Restated 2003-04 £000
From Consolidated Fund (Supply): current year	24	94,157	75,015
Prior year supply	24	<u>4,421</u>	<u>8,475</u>
Net financing		98,578	83,490
(Increase)/Decrease in cash	16	<u>(734)</u>	<u>1,251</u>
Net cash flows other than financing		97,844	84,741
Adjustments for payments and receipts not related to Supply			
Amounts due to the Consolidated Fund – received in a prior year and paid over – Excess Accruing Resources relating to prior year		(585)	(5,887)
Amounts due to the Consolidated Fund - received and not paid over – Excess Accruing Resources relating to current year		5,042	585
Receipts due to the Consolidated Fund		-	1
Payments of amounts due to Consolidated Fund		-	(2)
Prior period adjustment		<u>-</u>	<u>(1)</u>
Net cash requirement (Schedule 1)		<u>102,301</u>	<u>79,437</u>

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

NOTES TO THE SCHEME STATEMENT Accounts for the year ended 31 March 2005

1. Basis of preparation of the scheme statement

The combined scheme statements have been prepared in accordance with the relevant provisions of the *Northern Ireland Resource Accounting Manual* for 2004-05 issued by the Department of Finance and Personnel, which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirements Benefits*. These accounts show the unfunded pension liability and movements in that liability during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice entitled *Financial Reports of Pension Schemes* to the extent that these are appropriate. The current regulations under which the Teachers' Superannuation Scheme operates are the Teachers' Superannuation Regulations (NI) 1998 (as amended). The current regulations under which the Teachers' Premature Retirement Compensation Scheme operates are the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 1991 S.R. 1991 No 132.

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

The scheme statement summarises the transactions of the Department of Education - Teachers' Superannuation Scheme and the Teachers' Premature Retirement Compensation Scheme where the Department of Education acts as a principal. The balance sheet shows the deficit on the scheme; the Revenue Account shows, *inter alia*, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme statement should be read in conjunction with that Report.

The accounting policies adopted are described below. They have been applied consistently in dealing with items that are considered material in relation to the combined scheme statements.

2. Accounting policies for the Department of Education - Teachers' Superannuation Scheme and Teachers' Premature Retirement Compensation Scheme

2.1 Contributions receivable

- a. Contributions made by employers and employees in respect of pension and premature compensation are combined.
- b. Employers' normal contributions are accounted for on an accruals basis.
- c. 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.
- d. Employees' contributions and amounts received in respect of the purchase of added years service are accounted for on an accruals basis. Neither Additional Voluntary Contributions (AVCs) (note 13) nor payments to providers of Stakeholder Pensions (see the Report of the Managers) are brought into account in these statements.

2.2 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.

Transfers of members to and from the following schemes are accounted for on a notional basis, with no cash transfers:

Principal Civil Service Pension Scheme (Northern Ireland)

Northern Ireland Health and Personal Social Services Superannuation Scheme

2.3 Other income

Other income, including refunds of benefits, overpayments recovered other than by deduction from future benefits and miscellaneous income, 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.

2.4 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current member's service in the current period and is recognised in the Revenue account. The cost is based on a discount rate of 3.5 per cent real rate (ie 6 per cent including inflation).

2.5 Past service costs

Past service costs are increases 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 Revenue Account on a straight line basis over the period in which increase in benefit vest.

2.6 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 Revenue Account. The interest cost is based on a discount rate of 3.5 per cent real rate (ie 6 per cent including inflation).

2.7 Other payments

Other payments are accounted for on an accruals basis.

2.8 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 method and is discounted at 3.5 per cent real rate (ie 6 per cent after 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 balance sheet date and updates it to reflect current conditions.

2.9 Pension benefits payable

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

2.10 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.

2.11 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).

2.12 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.

2.13 Actuarial gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

2.14 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 providers.

Schedule 1 – Summary of Resource Outturn

3. Details of actual outturn – resources and cash

Actual Outturn – Resources:

Request for Resources: Actual amount net resources outturn £355,021,081.68. Actual amount of savings in resources over Estimate £336,918.32.

Actual Outturn – Cash:

Net cash requirement: Outturn net requirement £102,300,921.45 which is £5,630,078.55 less than Estimate.

4. **Prior period adjustment**

The *Northern Ireland Resource Accounting Manual* (NIRAM) for 2004-05 requires a full actuarial valuation of Scheme liabilities, by a professionally qualified Actuary, should be obtained at intervals not exceeding four years. The Actuary should review the most recent actuarial valuation at the balance sheet date and update it to reflect current conditions.

In the year ended 31 March 2004, the last full and complete valuation was done at 31 March 1996 rather than within the last four years as required by NIRAM. As it was not possible to produce a full valuation in time for the 2003-04 resource accounts, the Department, on the recommendation of the Scheme Actuary, obtained an interim valuation as at 31 March 2003 updated for movements in 2003-04.

The Scheme Actuary commented adversely on aspects of the information with which the Department had provided him.

During the year ended 31 March 2005, the Department undertook an extensive review of data, to ensure accuracy of the information provided to the Scheme Actuary for the purposes of the 2001 actuarial valuation. This review led to a substantial increase in deferred membership.

A recalculation of the 31 March 2004 scheme liability was completed on the basis of the revised data, and as a result, there was a revision of the scheme liability, which had been understated by some £350 million. Hence, in order to give a true and fair view of the accounts, the Department has restated the prior year comparatives in the 31 March 2005 financial statements.

Due to the revised scheme liability, there was a resulting increase in the interest on scheme liability. The estimated effect of the change was an increase in net outgoings of £20 million.

As a result of recognising the additional scheme liability, there has been a movement in the reserves as at 31 March 2004 of £310 million, which has been noted in the analysis of movements in reserves.

The remaining £20 million of the overall £350 million restatement was a change in actuarial gains/losses, which is reflected in Note 20.

Schedule 1 comparatives have not been restated as these have been agreed by Parliament and are indelible.

Revenue account
5. Pension contributions receivable

	2004-05 £000	2003-04 £000
Employers	53,230	56,774
Employees:		
Normal	45,379	43,205
Premature retirement compensation receipts from DEL	1,521	1,551
Purchase of added years	400	378
	100,530	101,908

6. Pension transfer in

	2004-05 £000	2003-04 £000
Individual transfers in from other schemes	3,263	3,588

7. Pension Cost

	2004-05 £000	2003-04 £000
Current service cost	150,000	150,000

8. Enhancements (see also Note 20.5)

	2004-05 £000	2003-04 £000
Employees:		
Purchase of added years	400	378

9. Transfer in (see also Note 6)

	2004-05 £000	2003-04 £000
Individual transfers in from other schemes	3,263	3,588

10. Interest charge (see also Note 20.5)

	2004-05 £000	Restated 2003-04 £000
Interest charge for the year	280,000	260,000

11. Reconciliation of net outgoings for the year to control total and net resource outturn

	Note	2004-05 £000	Restated 2003-04 £000
Net outgoings (Schedule 2)		329,870	308,470
Add: Income scored as Consolidated Fund Extra Receipts	18	5,151	684
Add: Prior period adjustment	4	20,000	347,565
Net Resource Outturn (Schedule 1)		355,021	656,719

12. Administration fees and expenses

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

13. 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 this statement. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

Prudential Teachers' AVC Facility (Northern Ireland)	2004-05 £000	2003-04 £000
Movements in the year		
Balance at 1 April	38,035	34,841
New investments	5,089	5,303
Sales of investments to provide pension benefits	(2,218)	(2,127)
Changes in market value of investments	(14)	18
Balance at 31 March	40,892	38,035

14. Contingent Liabilities

In the unlikely event of a default by the Prudential Plc, the Department of Education will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contribution Schemes.

The Department is currently processing the claims of part-time teachers who are pursuing the possibility of having their part-time teaching service prior to 1 May 1995 considered for pension purposes. It is not possible to estimate the value of these claims at the present time as a number of cases are expected to be out of time.

15. Debtors

	Note	2004-05 £000	2003-04 £000
Contributions due:			
Employers		970	1,017
Employees		858	828
Overpaid pensions		387	289
DEL debtor		108	-
Debtor for Accruing Resource		-	99
Provision for bad debt		(88)	(63)
		<u>2,235</u>	<u>2,170</u>
Consolidated Fund debtor	24	8,144	4,421
Total Debtors		10,379	6,591

Included within these figures is £108,345.84 that will be due to the Consolidated Fund once the debts are collected.

The prior year comparative for debtors for amounts due to the Consolidated Fund of £99,375.34 has been reclassified in the current financial year as available as accruing resources following excess vote authorisation for 2003-04.

16. Bank overdraft

	2004-05 £000	2003-04 £000
Balance at 1 April	(3,836)	(2,585)
Net change in cash balances	734	(1,251)
Balance at 31 March	(3,102)	(3,836)
The following balances at 31 March are held at:		
Commercial Banks	(3,102)	(3,836)
	(3,102)	(3,836)
The balance at 31 March comprises:		
Income not Accruing Resources received and payable to the Consolidated Fund	5,042	585
Amounts owed from the Consolidated Fund for supply	(8,144)	(4,421)
	(3,102)	(3,836)

17. Creditors

	2004-05 £000	2003-04 £000
Amounts due within one year for pensions:		
Pensions:		
Members	897	384
Inland Revenue and voluntary contributions	2,121	1,964
DE creditor	-	2,178
Other creditors	60	31
	3,078	4,557

18. Creditors - amounts falling due within one year for Consolidated Fund excess Accruing Resource

	Note	2004-05 £000	2003-04 £000
Accruing Resource realised (Schedule 2)		103,793	105,496
Less: Accruing Resource authorised (Schedule 1)		(98,642)	(104,812)
Income not Accruing Resource, payable to the Consolidated Fund, relating to current year	11	<u>5,151</u>	<u>684</u>

19. Provision for pension arrears

	2004-05 £000
Balance at 1 April	-
Provided in the year	<u>360</u>
Balance at 31 March	<u>360</u>

In England and Wales, a new Upper Pay Scale (UPS) was introduced in September 2000. A performance management scheme was also introduced to inform progress on the UPS.

An agreement was reached in Northern Ireland in November 2004 to introduce a similar performance management scheme. It was agreed that eligible teachers should progress to point 2 of the UPS and the necessary funds were provided for this to be backdated from September 2003. Teachers' salary levels also increased by 2.5% from 1 April 2004.

Calculations of the necessary arrears are ongoing. It was not possible at the time of the production of the scheme statements to determine the value of the liability with certainty, and hence a provision has been made of the likely financial impact.

20. Provision for pension liability

20.1 The Department of Education – Teachers' Superannuation Scheme is an unfunded defined benefit scheme. A full actuarial valuation was carried out as at 31 March 2001 and an interim actuarial review was carried out as at 31 March 2003

by the Government Actuary's Department. The major assumptions used by the Actuary were:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of return (discount rate)	7.0%	7.0%	8.5%
Rate of return in excess of:			
Pension increases	3.5%	3.5%	3.5%
Earnings increases	2.0%	2.0%	2.0%

20.2 The scheme managers are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- ◆ scheme membership, including age and gender profile, active membership deferred pensioners and pensioners;
- ◆ benefit structure, including details of any discretionary benefits and any proposal 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.

20.3 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 far into the future. These 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.

20.4 The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease

(other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept 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 Notes 20.8 and 20.9. 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.

20.5 Analysis of movement in scheme liability

	Note	2004-05 £000	Restated 2003-04 £000
Scheme liability at 1 April		(4,664,340)	(4,217,016)
Current service cost	7	(150,000)	(150,000)
Past service cost		-	-
Interest on pension scheme liability	10	(280,000)	(260,000)
		<u>(430,000)</u>	<u>(410,000)</u>
Enhancements	8	(400)	(378)
Pension transfers in	6	(3,263)	(3,588)
		<u>(3,663)</u>	<u>(3,966)</u>
Benefits paid	20.6	196,352	184,142
Pension payments to and on account of leavers	20.7	3,516	2,500
		<u>199,868</u>	<u>186,642</u>
Actuarial gain/(loss)	20.8	(180,000)	(220,000)
Scheme liability at 31 March		<u>(5,078,135)</u>	<u>(4,664,340)</u>

During the year ended 31 March 2005 contributions were 13% of pensionable pay.

20.6 Analysis of benefits paid

	2004-05 £000	2003-04 £000
Pensions or annuities to retired employees and dependants	162,612	150,029
Commutations and lump sum benefits on retirement	32,635	33,108
Lump sum benefits on death in service	1,105	1,005
Per cash flow statement (Schedule 4)	196,352	184,142

20.7 Analysis of payments to and on account of leavers

	2004-05 £000	2003-04 £000
Refunds to members leaving service	104	119
Individual transfers to other schemes	3,412	2,381
Per cash flow statement (Schedule 4)	3,516	2,500

20.8 Analysis of actuarial gain/(loss)

	2004-05 £000	Restated 2003-04 £000
Experience (losses)/gains arising on the scheme liabilities	(50,000)	100,000
Changes in assumptions underlying the present value of the scheme liabilities	(130,000)	(320,000)
Per Statement of Recognised Gains and Losses	(180,000)	(220,000)

20.9 History of experience gains and losses

	2004-05	Restated 2003-04	2002-03
Experience losses and (gains) on scheme liabilities:			
Amount (£000)	50,000	(100,000)	270,000
Percentage of the present value of the scheme liabilities	1.0%	(2.1%)	6.9%
Total actuarial loss:			
Amount (£000)	180,000	220,000	70,000
Percentage of the present value of the scheme liabilities	3.5%	4.7%	1.8%

20.10 Sensitivity analysis

- 20.10.1 This assessment represents the Government Actuary's best estimate of the liabilities and Current Service Cost as at 31 March 2005. The assessment has been carried out by adjusting the results of the 2001 actuarial valuation, assuming that the distribution of the membership by age, sex, and salary (or pension) is broadly unchanged since 2001. This approach is reasonable but introduces some degree of uncertainty. It should therefore be recognised that the results may differ from those that would emerge following a full actuarial valuation.
- 20.10.2 The assessment of the liabilities is reliable to the extent that the underlying assumptions are borne out in practice and the data provided is accurate. The results would change if the assumptions were not borne out in practice or the data were found to be inaccurate. The Government Actuary believes that the (revised) data provided for the 2001 actuarial valuation is sufficiently accurate to form the basis of this assessment for the Resource Accounts.

Changes to main assumptions

- 20.10.3 The principal financial assumptions are the real rates of return in excess of price inflation and salary escalation. (The assumed nominal rate of inflation is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).) Mortality after retirement is a key demographic assumption. Table 1 shows the indicative effects of changes to these assumptions.

Table 1**Sensitivity to main assumptions**

Variant	Approximate change in liability	
(i) Rate of return (nominal): +/- 0.5% a year	+/- 1% (of total liability)	+/- £50 million
(ii) Rate of return in excess of salaries: +/- 0.5% a year	+/- 5% (of active liability)	+/- £120 million
(iii) Rate of return in excess of prices: +/- 0.5% a year	+/- 5% (of total liability)	+/- £250 million
(iv) Mortality after retirement: reduction/increase of 2 years of age	+/- 4% (of total liability)	+/- £200 million

20.10.4 Variant (i) shows little change from the central assumptions because, although the nominal rate of return differs from the central assumptions (by 0.5% a year), the real rates of return (in excess of prices and salaries) are unchanged. There would be only a minor change (of about 1%) in the total actuarial liability (arising from the value of GMPs).

20.10.5 Variant (ii) shows a more significant effect because the real rate of return in excess of earnings (or, equivalently, real earnings growth) differs from the central assumptions (by 0.5% a year). The actuarial liability in respect of active members would change by about 5%.

20.10.6 Similarly, variant (iii) shows a substantial effect because the real rate of return in excess of prices differs from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 5%.

20.10.7 Variant (iv) shows the significance of mortality after retirement: if longevity at retirement were to improve by about 2 years, then this would increase the total actuarial liability by about 4%.

21. Transfers in and out

Transfers in amounting to £210,161.52 which had been agreed in January, February and March 2005 were received in April 2005.

Transfers out amounting to £238,660.51 which had been agreed in March 2005 were paid in April 2005.

As a result of the merger between the Northern Ireland Hotel and Catering College with the University of Ulster, negotiations are ongoing for a group transfer from the Department of Education: Teachers' Superannuation Scheme to the University Superannuation Scheme. The exact cost of this transfer has still to be determined by the Government Actuary's Department.

22. Non cash items

	Note	2004-05 £000	Restated 2003-04 £000
Non cash items per cash flow statement (Schedule 4)			
Increase in pension provision	20.5	430,000	410,000
Increase in pension provision – enhancements and inward transfers	20.5	3,663	3,966
Non cash items per Schedule 1		433,663	413,966

23. Movements in working capital, other than cash (see Schedules 1 and 4)

	Note	2004-05 £000	2003-04 £000
Increase in debtors – pensions	15	(65)	(27)
(Decrease)/Increase in creditors falling due within one year – pensions	17	(1,478)	2,320
Working capital movement per Schedule 4		(1,543)	2,293
Adjustment for increase in debtor of amounts due to the Consolidated Fund		108	99
Per Schedule 1		(1,435)	2,392

24. Reconciliation of net financing from Consolidated Fund

	Note	2004-05 £000	2003-04 £000
From Consolidated Fund (Supply):			
current year		94,157	75,015
Prior year supply		4,421	8,475
Net financing (Schedule 4)		<u>98,578</u>	<u>83,490</u>
Consolidated Fund debtor	15	8,144	4,421
Receipt of Consolidated Fund debtor		(4,421)	(8,475)
Financing from the Consolidated Fund (Schedule 3)		<u>102,301</u>	<u>79,436</u>

25. Intra-government balances

	Debtors: Amounts falling due within one year £000	Creditors: Amounts falling due within one year £000
Balances with other central government bodies	8,316	7,385
Balances with bodies external to government	2,063	845
At 31 March 2005	<u>10,379</u>	<u>8,230</u>
Balances with other central government bodies	4,593	4,831
Balances with bodies external to government	1,998	410
At 31 March 2004	<u>6,591</u>	<u>5,241</u>

26. 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.

27. Financial instruments

FRS 13 *Derivatives and Other Financial Instruments* requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Department of Education - Teachers' Superannuation Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Liquidity risk

Resources voted by Parliament finance the Department of Education – Teachers' Superannuation Scheme's net revenue resource requirements. The Department of Education – Teachers' Superannuation Scheme is not therefore exposed to significant liquidity risks.

Interest rate risk

All of the Department of Education – Teachers' Superannuation Scheme's financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

28. Losses and special payments

During the year losses arose in 38 cases (2003-04: 79 cases). The total loss was £8,125 (2003-04: £112,785).

29. Premature retirement compensation

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

The number of compensation cases for the current year and in total broken down by employer group, are:

Number of teachers retiring on grounds of premature retirement in the year to 31 March 2005

	Efficient Discharge	Redundancy
Belfast Education and Library Board	7	63
North-Eastern Education and Library Board	8	60
Southern Education and Library Board	8	62
South-Eastern Education and Library Board	7	36
Western Education and Library Board	5	83
Voluntary Grammar Schools	1	30
Further Education Colleges	4	36
Other Grant-Maintained Schools	2	2
Other Bodies	1	1
TOTAL	43	373

Total number of teachers retired on grounds of premature retirement as at 31 March 2005

	Efficient Discharge	Redundancy
Belfast Education and Library Board	213	882
North-Eastern Education and Library Board	266	945
Southern Education and Library Board	412	669
South-Eastern Education and Library Board	319	617
Western Education and Library Board	278	751
Voluntary Grammar Schools	162	375
Further Education Colleges	172	641
Other Grant-Maintained Schools	5	4
Other Bodies	31	73
TOTAL	1,858	4,957

30. Report of the Managers

Due to the age and limitations of the current computer system, it is difficult to provide accurate information on the movement in the membership statistics during the year using a method independent of the complex GAD module reporting system. The figures produced by ISU cannot replicate the GAD split between active and deferred members. This is the method used in previous accounts.

For the reasons above, the Department felt that in order to provide a true and fair view of the scheme membership in the Report of the Managers, a change in method was required.

The scheme membership published is now as provided to GAD, and verified with the figures, in total, produced by ISU from the Teachers' Pensions computer system. The 31 March 2004 membership has also been restated to reflect this.

