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Education

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Department of Education - Teachers' Superannuation
ANNUAL SCHEME STATEMENTS



for the year ended 31 March 2006



INVESTOR IN PEOPLE

HC1609
NIA 311/03

£13.50

**Department of Education - Teachers' Superannuation
Annual Scheme Statements
For the year ended 31 March 2006**

*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*

8 November 2006

*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*

8 November 2006

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DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

**ANNUAL SCHEME STATEMENTS
for the year ended 31 March 2006**

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DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

REPORT OF THE MANAGERS for the year ended 31 March 2006

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 Will Haire
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
Finlaison House
15-17 Furnival Street
LONDON
EC4A 1AB

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.

Performance and Position

The NITSS account is influenced by changes in membership numbers, salary levels, mortality rates and the age profile of the scheme. Of these elements, membership numbers are likely to change from 2007, with the proposed introduction of automatic scheme membership for part-time teachers. This proposal is currently subject to consultation, but if introduced it would result in all part-time staff being automatically put in the scheme either on first appointment or when they receive a new contract of employment. Teachers would still retain the right to opt out of the scheme, as is the case with full-time members.

Changes to the Scheme

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

- ◆ Pensions were increased by 3.1% with effect from 11 April 2005 in line with increases in the cost of living.
- ◆ From 1 April 2005 the employers' contribution rate changed from 7% to 14%.
- ◆ The Department is currently consulting on a range of potential changes to the scheme, including increasing the normal pension age from 60 to 65 for new members, removal of the present added years arrangements, introduction of two-tier ill-health retirement arrangements, introducing a cost sharing arrangement between employers and employees for future changes in the contribution rate. It is expected that the changes will be introduced in April 2007. In addition to the scheme changes the outcome of the current scheme valuation will be implemented from April 2007.

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 2005-06 year was as follows:

Transfers in from HPSSSS	£19,583
Transfers out to PCSPS	£305,729

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 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 2005	26,600
Add: New entrants	1,001
Re-entrants in the year	1,012
Transfers in	203
Less: Retirements in the year	(888)
Members leaving who have deferred pension rights	(3,628)
Transfers out	(22)
Deaths in Service	(13)
Refunds/opt out	(24)
Active members at 31 March 2006	24,241

B. Deferred members	
Deferred members at 1 April 2005	11,419
Add: Members leaving who have deferred pension rights	3,628
New members now classed as deferred	163
Less: Members taking up deferred pension rights	(138)
Transfers out	(82)
Re-entrants	(1,012)
Refunds	(65)
Deferred members at 31 March 2006	13,913

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 April 2005	13,955	1,212	15,167
Members retiring in year at normal retirement age	1,021	-	1,021
Restorations	13	5	18
New dependants	-	98	98
Deaths in year	(251)	-	(251)
Dependants leaving	-	(37)	(37)
Suspensions/other leavers	(8)	(10)	(18)
Pensions in payment at 31 March 2006	14,730	1,268	15,998

D. Compensation payments	
Members in receipt of compensation at 1 April 2005	6,994
Add: New members in receipt of compensation	649
Less: Deaths/other leavers	(69)
Members in receipt of compensation payments at 31 March 2006	7,574

Note 1 Active to Deferred Members

A significant swing from active to deferred members occurred within 2005-06. This was due to improvements in recording of particular types of member. The system has been enhanced to automatically enter and remove exit dates dependant on when a member last taught. A new category of member who has first entered service in 2005-06 but is now classed as deferred.

This is something which the Department was unable to capture in previous years due to classification problems.

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 2006

A. Liabilities

The capitalised value as at 31 March 2006 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 2006, has been assessed using the methodology and assumptions described in Sections C and D and E below. Table 1 summarises the results.

Table 1

Past service liabilities as at 31 March 2006

Value of liability in respect of	£ billion
Active members (past service)	3.01
Deferred pensions	0.25
Pensions in payment	2.86
Total	6.12

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 2005/06.

Table 2

Contribution rate 2005/06

Contribution rate	Percentage of pensionable pay
Standard contribution rate	25.3%
Members' contribution rate	6.0%
Employer's share of standard cost	19.3%
Actual rate charged to employers	14.0%

The actual rate charged to employers (of 14.0%) is less than the employer's share of the standard cost (of 19.3%) for the reasons explained in Sections C and D. In relation to the pensionable payroll for the financial year 2005/06, the actual charges made to employers in cash terms were £109 million (derived from the accounts data provided by the Department of Education). Based on this data, the accruing cost of pensions in 2005/06 (at 25.3% of pay, including member contributions) is estimated to be £197 million.

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 contribution rate for accruing costs in 2005/06 was determined using the projected unit method.

D. Financial Assumptions

Table 3 shows the principal financial assumptions adopted to prepare this statement. With effect from 1 April 2005, the assumed rate of return in excess of prices was reduced from 3.5% a year to 2.8% a year, and the assumed rate of return in excess of earnings was reduced from 2.0% a year to 1.3% a year.

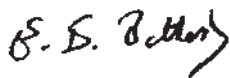
E. Demographic Assumptions

The past service liabilities as at 31 March 2006 were calculated using demographic assumptions derived from the specific experience of the scheme membership, and are the same as those adopted for the 2004 valuation (except that no allowance has been included for future premature retirements). The contribution rate used to determine the accruing cost in 2005/06 was calculated using the demographic assumptions

applicable at the start of the year: that is, the assumptions adopted for the 2001 valuation but including allowance for greater future mortality improvement for future pensioners.

F. Notes

- (1) Section A of this Statement is based on the results of a full actuarial valuation carried out as at 31 March 2004 with an approximate updating for the subsequent financial year to reflect known changes. The cost of benefits accruing in the year 2005/06, shown in Section B, is based on the results of the interim valuation as at 31 March 2001, but modified as described in Sections D and E.
- (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), premature retirements or 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

1 September 2006

APPENDIX

Resource Accounting (FRS 17-based)

Year ending 31 March 2006

Table 3

Financial assumptions

Assumption	31 March 2006	31 March 2005
Rate of Return (discount rate)	5.4%	7.0%
Rate of Return in excess of:		
Earnings increases	1.3%	2.0%
Pension increases	2.8%	3.5%
Expected return on assets:	n/a	n/a

Table 4

Balance Sheet Disclosures

£ billion

	31 March 2006	31 March 2005	1 April 2005
Total market value of assets	nil	nil	nil
Value of liabilities	(6.12)	(5.07)	(5.75)
Surplus (deficit)	(6.12)	(5.07)	(5.75)
of which recoverable by employers	n/a	n/a	n/a

Note: The increase in the value of the liabilities from 31 March 2005 to 1 April 2005 is due to the reduction in the assumed discount rate with effect from 1 April 2005.

APPENDIX

Table 5

Profit & Loss Disclosures

	£ billion
	Year ending 31 March 2006
<u>Analysis of amount charged to Operating Profit</u>	
Current service cost	0.20
Past service cost	0.04
Unrecognised past surplus	0
Adjustment to pensions liability	0
Total operating charge	<u>0.24</u>
<u>Analysis of the amount credited to other finance income</u>	
Expected return on pension scheme assets	0
Interest on pension scheme liabilities (@5.4%)	-0.31
Net return	<u>-0.31</u>
<u>Analysis of amount recognised in STRGL</u>	
Actual return less expected return on pension scheme assets	-
Experience gains and losses arising on the scheme liabilities	-0.01
Changes in assumptions underlying the present value of liabilities	-0.03
Actuarial gain (loss) in pension scheme	<u>-0.04</u>
Prior period adjustment	-
Actuarial gain (loss) recognised in STRGL	<u>-0.04</u>
<u>Movement in surplus during the year</u>	
Surplus at beginning of year	-5.07
Change in discount rate from 1 April 2005	-0.68
Current service cost	-0.20
Reduction in liabilities in respect of benefits paid during the year	0.22
Past service costs	-0.04
Other finance income	-0.31
Actuarial gain (loss)	-0.04
Surplus at end of year	<u>-6.12</u>

Government Actuary's Department
September 2006

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION

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 Teachers' Superannuation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

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 give 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 comply with the requirements of the *Government Financial Reporting Manual* 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 *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- ◆ Prepare the financial statements on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as Accounting Officer for the Department of Education Teachers' Superannuation.

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 the Accounting Officers' Memorandum issued by the Department of Finance and Personnel 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, 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 2006 and up to the date of approval of the accounts, and accords with the Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board 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. The Board 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 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 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

A follow up to the Internal Audit review referred to in the Statement of Internal Control of the TSS Resource Accounts 2004-05 concluded that 17 of the internal recommendations had been implemented, 4 had been partially implemented and 9 had still to be implemented. Based on the degree of progress in implementing the recommended improvements, Internal Audit concluded that the control framework had not improved sufficiently since the review to justify the upgrading of the original assurance rating.

A further 6 recommendations have since been implemented and management considers that all of the key recommendations have now been implemented.

High priority tasks, including the UK-wide Review of Teachers Pensions; the Review of the Premature Retirement Scheme; two actuarial valuations; and the "August Retirements", have delayed implementation of the remaining recommendations. However, management is currently in the process of undertaking additional corrective actions to address these recommendations in order to enhance the system of internal control.

Signed: _____



Date: _____

9 October 2006

Accounting Officer

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 of the Department of Education Teachers' Superannuation Account for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement 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

The Accounting Officer is responsible for preparing the Annual Report and 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 financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report 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 also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, the Annual Report is not consistent with the Actuary's Report, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 13-15 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Accounts and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Manager and the Report of the Actuary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 fraud or error 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 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 Scheme for the year ending 31 March 2006, the net resources, the net outgoings, recognised gains and losses and the 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.

I have no observations to make on these financial statements.



J M Dowdall CB
Comptroller and Auditor General

11 October 2006

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.

**DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION
STATEMENT OF PARLIAMENTARY SUPPLY**

SUMMARY OF RESOURCE OUTTURN 2005-06

	2005-06						2004-05	
	Estimate			Outturn				
	Gross Expenditure	Accruing Resources	NET TOTAL	Gross Expenditure	Accruing Resources	NET TOTAL		
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£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	637,000	157,751	479,249	555,028	157,751	397,277	81,972	355,021
Non-Budget	600,000	-	600,000	680,000	-	680,000	(80,000)	-
Total Resources	<u>1,237,000</u>	<u>157,751</u>	<u>1,079,249</u>	<u>1,235,028</u>	<u>157,751</u>	<u>1,077,277</u>	<u>1,972</u>	<u>355,021</u>

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

Summary of Net Cash Requirement 2005-06

	2005-06				2004-05
	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/(excess)	Outturn £000
				£000	
Net cash requirement	4	78,761	69,907	8,854	102,301

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)

	Note	Forecast 2005-06		Outturn 2005-06	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	-	-	5,605	<i>5,597</i>

Income Excess AR is £5,604,796.25. Cash Excess AR is £5,596,911.87. This amount is surrenderable to the Consolidated Fund.

Actual CFER receipts were £207.82. This amount is also surrenderable to the Consolidated Fund.

Statement of Parliamentary Supply (Continued)

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

1. Annually Managed Expenditure – Saving £81,972k

The variance is mainly due to the outturn for current service cost and interest on liabilities being lower than expected.

2. Non-Budget – Excess £80,000k

The difference of £80,000k is the result of the difference in the nominal discount rates used by the Government Actuary's Department to prepare the estimated movement in the pension scheme liability at 1 April 2005 for the Spring Supplementary Estimate and the Report of the Actuary for the 2005-06 Resource Accounts (discount rates of 6.3% and 5.4%, respectively).

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

COMBINED REVENUE ACCOUNT

for the year ended 31 March 2006

Principal arrangements

Teachers' Superannuation Scheme

	Note	2005-06 £000	2004-05 £000
Income:			
Contributions receivable	7	(158,804)	(100,530)
Transfers in	8	(4,552)	(3,263)
		<u>(163,356)</u>	<u>(103,793)</u>
Outgoings:			
Pension cost	9 & 18.6	240,000	150,000
Enhancements	10	476	400
Transfers in	11	4,552	3,263
Interest on scheme liabilities	12 & 18.6	310,000	280,000
		<u>555,028</u>	<u>433,663</u>
Net Outgoings for the Year	3(a)	<u>391,672</u>	<u>329,870</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Actuarial loss	18.9	40,000	180,000
Total recognised losses for the financial year		<u>40,000</u>	<u>180,000</u>
Prior period adjustment		-	310,000
Adjustment due to change in discount rate %	3(a)	680,000	-
Total losses recognised since last annual report		<u>720,000</u>	<u>490,000</u>

DEPARTMENT OF EDUCATION – TEACHERS' SUPERANNUATION**COMBINED BALANCE SHEET**

as at 31 March 2006

	Note	2005-06 £000	2004-05 £000
Current assets			
Debtors	14	<u>11,875</u>	<u>10,379</u>
		11,875	10,379
Creditors: amounts falling due within one year	16	<u>(11,823)</u>	<u>(11,331)</u>
		(11,823)	(11,331)
Net current liabilities: excluding pension liability		52	(952)
Provisions for liabilities and charges			
Pensions arrears	17	-	(360)
Pensions	18.6	<u>(6,126,869)</u>	<u>(5,078,135)</u>
Net liabilities		<u>(6,126,817)</u>	<u>(5,079,447)</u>
Taxpayers' equity			
General fund	20	<u>(6,126,817)</u>	<u>(5,079,447)</u>
		<u>(6,126,817)</u>	<u>(5,079,447)</u>

Signed: _____



Date: 9 October 2006

DEPARTMENT OF EDUCATION – TEACHERS’ SUPERANNUATION

COMBINED CASH FLOW STATEMENT

for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	21(a)	(64,310)	(97,258)
Payments of amounts due to the Consolidated Fund		(5,151)	(586)
Financing	21(b)	69,400	98,578
(Decrease)/Increase in cash in the period	21(c)	(61)	734

DEPARTMENT OF EDUCATION - TEACHERS' SUPERANNUATION

NOTES TO THE SCHEME STATEMENT Accounts for the year ended 31 March 2006

1. Basis of preparation of the scheme statement

The combined scheme statements have been prepared in accordance with the relevant provisions of the *2005-06 Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liability and movements in that liability during the year. These 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.

In addition to the primary statements prepared under UK GAAP, the *FReM*, also requires the scheme to prepare an additional statement – a *Statement of Parliamentary Supply*. This, and its 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 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.

2. Statement of accounting policies

The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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 accounts.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Pension 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.

2.3 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.

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

2.4 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.

2.5 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 2.8 per cent real rate (i.e. 5.4 per cent including inflation).

2.6 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.

2.7 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 Revenue Account. The interest cost is based on a discount rate of 2.8 per cent real rate (i.e. 5.4 per cent including inflation).

2.8 Other payments

Other payments are 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 method and is discounted at 2.8 per cent real rate (i.e. 5.4 per cent including 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.

2.10 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 balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

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 providers.

3. Reconciliation of Estimates, accounts and budgets

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

	Note	Outturn £000	Supply Estimate £000	2005-06 Outturn compared with Estimate £000	2004-05 Outturn £000
Net Resource Outturn		1,077,277	1,079,249	1,972	355,021
Prior Period Adjustment		-	-	-	(20,000)
Adjustment due to change in discount %		(680,000)	(600,000)	80,000	-
Non-supply income	5	(5,605)	-	5,605	(5,151)
Net outgoings		391,672	479,249	87,577	329,870

An adjustment of £680m was put through the opening reserve position as at 1 April 2005. It was reflected in the Report of the Actuary, for the year ended 31 March 2006, and represents the difference between the Estimates and accounting treatment of the change in the discount rate from 3.5% to 2.8%. Parliamentary approval was given for the necessary resources, and was reflected as a non-budget item of £600m, in the Estimates and in the Statement of Parliamentary Supply.

For accounting purposes, the effects of the change in the discount rate are reflected through reserves and not recognised in the Revenue account. There is thus a difference between the bases on which the Statement of Parliamentary Supply and the Revenue account have been prepared. For 2006-07, the Estimates and the accounting treatment will be brought into line.

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 cash requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate saving / (excess) £000
Net Resource outturn	3(a)	1,079,249	1,077,277	1,972
Accruals Adjustments: Non-cash items:	3(a)	(600,000)	(680,000)	80,000
Changes in working capital other than cash		1,000	1,364	(364)
Increase in provision		(637,000)	(555,028)	(81,972)
Use of provision		235,512	226,294	9,218
Net cash requirement		78,761	69,907	8,854

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

1. Non-cash item (Note 4) – Saving £80,000k

The difference of £80,000k is the result of the difference in the nominal discount rates used by the Government Actuary's Department to prepare the estimated movement in the pension scheme liability at 1 April 2005 for the Spring Supplementary Estimate and the Report of the Actuary for the 2005-06 Resource Accounts (discount rates of 6.3% and 5.4%, respectively).

2. Increase in provision (Note 4) – Excess £81,972k

The variance is mainly due to the outturn for current service cost and interest on liabilities being lower than expected.

5. Analysis of income payable to Consolidated Fund

	Note	Forecast 2005-06		Outturn 2005-06	
		Income £000	Receipts £000	Income £000	Receipts £000
Other operating income and receipts not classified as ARs	3(a) & 20	-	-	5,605	5,597
Total income payable to the Consolidated Fund	21(c)	-	-	5,605	5,597

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Operating income		163,356	103,793
Income authorised to be Accruing Resource		(157,751)	(98,642)
Operating income payable to the Consolidated Fund	5	<u>5,605</u>	<u>5,151</u>

7. Pension contributions receivable

	2005-06 £000	2004-05 £000
Employers	109,797	53,230
Employees:		
Normal	46,979	45,379
Premature retirement compensation receipts from DEL	1,552	1,521
Purchase of added years	476	400
	<u>158,804</u>	<u>100,530</u>

8. Pension transfer in (See also Note 11)

	2005-06 £000	2004-05 £000
Individual transfers in from other schemes	4,552	3,263

9. Pension cost

	2005-06 £000	2004-05 £000
Current service cost	200,000	150,000
Past service cost	40,000	-
	<u>240,000</u>	<u>150,000</u>

10. Enhancements (see also Note 18.6)

	2005-06 £000	2004-05 £000
Employees: Purchase of added years	476	400

11. Transfer in (see also Note 8)

	2005-06 £000	2004-05 £000
Individual transfers in from other schemes	4,552	3,263

12. Interest charge (see also Note 18.6)

	2005-06 £000	2004-05 £000
Interest charge for the year	310,000	280,000

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)	2005-06	2004-05
	£000	£000
Movements in the year		
Balance at 1 April	40,892	38,035
New investments	5,159	5,089
Sales of investments to provide pension benefits	(2,146)	(2,218)
Changes in market value of investments	15	(14)
Balance at 31 March	<u>43,920</u>	<u>40,892</u>

13(b) 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.

The possibility exists under Upper Pay Scale 3 that retired teachers who re-enter teaching employment may become entitled to arrears of pension.

14. Debtors

	Note	2005-06 £000	2004-05 £000
Contributions due:			
Employers		2,022	970
Employees		876	858
Added years		17	-
Overpaid pensions		280	387
DEL debtor		116	108
Provision for bad debt		(87)	(88)
		<u>3,224</u>	<u>2,235</u>
Consolidated Fund debtor	21(b)	8,651	8,144
Total Debtors		<u>11,875</u>	<u>10,379</u>

Included within these figures is £116,240.22 (2004-05 £108,345.84) that will be due to the Consolidated Fund once the debts are collected.

14 (b) Intra Government balances

	Amounts falling due within one year	
	2005-06 £000	2004-05 £000
Balances with other central government bodies	8,857	8,316
Balances with bodies external to government	3,018	2,063
Balance at 31 March	<u>11,875</u>	<u>10,379</u>

15. Bank overdraft

	Note	2005-06 £000	2004-05 £000
Balance at 1 April		(3,102)	(3,836)
Net change in cash balances		(60)	734
Balance at 31 March	16	(3,162)	(3,102)
The following balances at 31 March are held at:			
Commercial Banks		(3,162)	(3,102)
		(3,162)	(3,102)
The balance at 31 March comprises:			
Income not Accruing Resources received and payable to the Consolidated Fund		5,489	5,042
Amounts owed from the Consolidated Fund for supply		(8,651)	(8,144)
		(3,162)	(3,102)

16. Creditors

	Note	2005-06 £000	2004-05 £000
Amounts falling due within one year:			
Bank overdraft	15	3,162	3,102
Members		662	897
Inland Revenue and voluntary contributions		2,374	2,121
Other creditors		20	60
Amounts due to the Consolidated Fund - Excess Accruing Resources	5	5,605	5,151
		11,823	11,331

16 (b) Intra government balances

	Amounts falling due within one year	
	2005-06 £000	2004-05 £000
Balances with other central government bodies	7,979	7,385
Balances with bodies external to government	3,844	3,946
Balance at 31 March	11,823	11,331

17. Provision for pension arrears

	2005-06 £000	2004-05 £000
Balance at 1 April	360	-
Provided in the year	-	360
Utilised in the year	(360)	-
Balance at 31 March	-	360

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. The provision above was utilised for this reason.

18. Provision for pension liability

18.1 The Department of Education Teachers' Superannuation Scheme is an unfunded defined benefit scheme. A full actuarial valuation was carried out as at 31 March 2004. The major assumptions used by the Actuary were:

	At 31 March 2006	At 31 March 2005	At 31 March 2004
Rate of return (discount rate)	5.4%	7.0%	7.0%
Rate of return in excess of:			
Pension increases	2.8%	3.5%	3.5%
Earnings increases	1.3%	2.0%	2.0%

18.2 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.

18.3 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.

- 18.4 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 18.9 and 18.10. 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.
- 18.5 The valuation of the Scheme liabilities at 31 March 2006 includes assumptions, which are subject to an ongoing consultation, as described in the Report of the Managers. The effect of any changes to these assumptions arising from the consultation will be reflected in future valuations of Scheme liabilities.

18.6 Analysis of movement in the scheme liability

	Note	2005-06 £000	2004-05 £000
Scheme liability at 1 April		(5,078,135)	(4,664,340)
Adjustment due to change in discount rate %	3(a)	(680,000)	-
		(5,758,135)	(4,664,340)
Current service cost	9	(200,000)	(150,000)
Past service cost	9	(40,000)	-
Interest on pension scheme liability	12	(310,000)	(280,000)
		(550,000)	(430,000)
Enhancements	10	(476)	(400)
Pension transfers in	11	(4,552)	(3,263)
		(5,028)	(3,663)
Benefits paid	18.7	222,742	196,352
Pension payments to and on account of leavers	18.8	3,552	3,516
		226,294	199,868
Actuarial gain/(loss)	18.9	(40,000)	(180,000)
Scheme liability at 31 March		(6,126,869)	(5,078,135)

During the year ended 31 March 2006 contributions were 20% of pensionable pay.

18.7 Analysis of benefits paid

	2005-06 £000	2004-05 £000
Pensions or annuities to retired employees and dependants	177,676	162,612
Commutations and lump sum benefits on retirement	44,336	32,635
Lump sum benefits on death in service	730	1,105
Per cash flow statement	222,742	196,352

18.8 Analysis of payments to and on account of leavers

	2005-06 £000	2004-05 £000
Refunds to members leaving service	135	104
Individual transfers to other schemes	3,417	3,412
Per cash flow statement	3,552	3,516

18.9 Analysis of actuarial gain/(loss)

	2005-06 £000	2004-05 £000
Experience (losses)/gains arising on the scheme liabilities	(10,000)	(50,000)
Changes in assumptions underlying the present value of the scheme liabilities	(30,000)	(130,000)
Per Statement of Recognised Gains and Losses	(40,000)	(180,000)

18.10 History of experience gains and losses

	2005-06	2004-05	2003-04
Experience losses and (gains) on scheme liabilities:			
Amount (£000)	10,000	50,000	(100,000)
Percentage of the present value of the scheme liabilities	0.2%	1.0%	(2.1%)
Total actuarial loss:			
Amount (£000)	40,000	180,000	220,000
Percentage of the present value of the scheme liabilities	0.7%	3.5%	4.7%

18.11 Sensitivity analysis

18.11.1 This assessment represents the Government Actuary's best estimate of the liabilities and Current Service Cost as at 31 March 2006. The assessment has been carried out by adjusting the results of the 2004 actuarial valuation, assuming that the distribution of the membership by age, sex, and salary (or pension) is broadly unchanged since 2004. 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.

18.11.2 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.

Changes to main assumptions

18.11.3 The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2006 of changes to the main actuarial assumptions. 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).) A key demographic assumption is pensioner mortality. Table 1 shows the indicative effects of changes to these assumptions.

Table 1

Sensitivity to main assumptions

Variant*	Approximate change in total liability	
(i) Rate of return (nominal): - 0.5% a year	+ 0.75%	+ £45 million
(ii) Rate of return in excess of salaries: - 0.5% a year	+ 2.50%	+ £150 million
(iii) Rate of return in excess of prices: - 0.5% a year	+ 6.00%	+ £370 million
(iv) Pensioner mortality: reduction of 2 years of age	+ 4.25%	+ £260 million

* Note: *Changing the assumptions in the opposite direction will produce approximately an equal and opposite change in liability.*

18.11.4 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. GMP benefits are not fully inflation linked in payment and the change in the nominal return therefore

affects the value of GMP benefits. The total actuarial liability would change by about 0.75%.

18.11.5 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 total actuarial liability would change by about 2.5%.

18.11.6 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 6%.

18.11.7 Variant (iv) shows the significance of pension mortality: if longevity at retirement were to improve by about 2 years, then this would increase the total actuarial liability by about 4.25%.

19. Transfers in and out

Transfers in amounting to £147,812.49 which had been agreed in January, February and March 2006 were received in April 2006.

Transfers out amounting to £156,434.52 which had been agreed in March 2006 were paid in April 2006.

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 cost of this transfer has been determined by the Government Actuary's Department as £965,000 plus interest at the Barclays base rate from March 2006 to the date of payment.

20. General Fund

	Note	2005-06 £000	2004-05 £000
Balance at 1 April		(5,079,447)	(4,666,826)
Adjustment due to change in discount rate %	3(a)	(680,000)	-
Adjusted opening balance		(5,759,447)	(4,666,826)
Financing from Consolidated Fund	21(b)	69,907	102,301
Adjustments for amounts authorized to be applied by Excess Vote for 2003-04		-	99
Income not Accruing Resource, payable to the Consolidated Fund	5	(5,605)	(5,151)
Combined net outgoings for the year		(391,672)	(329,870)
Actuarial loss (SRGL)		(40,000)	(180,000)
Balance at 31 March		(6,126,817)	(5,079,447)

Notes to the Cash Flow Statement

21 (a) Reconciliation of net outgoings to operating cash flows

	Note	2005-06 £000	2004-05 £000
Net outgoings for the year		(391,672)	(329,870)
(Increase)/Decrease in debtors	14	(989)	(64)
Increase/(Decrease) in creditors	16	(23)	(1,479)
Increase/(Decrease) in liabilities and charges	17	(360)	360
Increase in pension provision		550,000	430,000
Increase in pension provision – enhancement and transfers in		5,028	3,663
Use of provisions – pension liability		(222,742)	(196,352)
Use of provisions – refunds and transfers		(3,552)	(3,516)
Net cash outflow from operating activities		(64,310)	(97,258)

21 (b) Analysis of financing

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply): current year		61,256	94,157
From the Consolidated Fund (Supply): prior year		8,144	4,421
Net Financing		69,400	98,578
Consolidated Fund Debtor		8,651	8,144
Receipt of Consolidated Fund Debtor		(8,144)	(4,421)
Financing from the Consolidated Fund	20	69,907	102,301

21 (c) Reconciliation of net cash requirement to increase/(decrease) in cash

	Note	2005-06 £000	2004-05 £000
Net cash requirement		(69,907)	(102,301)
From the Consolidated Fund (Supply): current year		61,256	94,157
From the Consolidated Fund (Supply): prior year		8,144	4,421
Amounts due to the Consolidated Fund received in a prior year and paid over		(5,043)	(586)
Amounts due to the Consolidated Fund received and not paid over	5	5,489	5,043
Receipt of a prior year debtor due to the Consolidated Fund	5	108	-
Payment of the above receipt to the Consolidated Fund		(108)	-
Increase/(decrease) in cash		(61)	734

22. 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.

23. 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 2006

	Efficient Discharge	Redundancy
Belfast Education and Library Board	6	107
North Eastern Education and Library Board	10	104
Southern Education and Library Board	8	94
South Eastern Education and Library Board	8	73
Western Education and Library Board	7	92
Voluntary Grammar Schools	2	67
Further Education Colleges	5	24
Other Grant-Maintained Schools	-	1
Other Bodies	-	3
TOTAL	46	565

Total number of teachers retired on grounds of premature retirement as at 31 March 2006

	Efficient Discharge	Redundancy
Belfast Education and Library Board	217	975
North Eastern Education and Library Board	266	1,037
Southern Education and Library Board	416	757
South Eastern Education and Library Board	326	682
Western Education and Library Board	281	842
Voluntary Grammar Schools	162	438
Further Education Colleges	175	664
Other Grant-Maintained Schools	5	5
Other Bodies	31	74
TOTAL	1,879	5,474

24. 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.

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