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Department of Education - Teachers' Superannuation

ANNUAL SCHEME STATEMENTS

for the year ended 31 March 2007

INVESTOR IN PEOPLE

NIA 8/07-08

Department of Education – Teachers' Superannuation
Annual Scheme Statements
For the year ended 31 March 2007

Laid before the Northern Ireland Assembly by the Department of Finance and Personnel under Section 10(04) of the Government Resources and Accounts Act (Northern Ireland) 2001

14 September 2007

NIA 8/07-08

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION ANNUAL SCHEME STATEMENTS for the year ended 31 March 2007

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DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

REPORT OF THE MANAGERS

for the year ended 31 March 2007

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 September 2005, 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. The introduction of automatic scheme membership for part-time teachers from 1 April 2007 is expected to result in an increase in membership numbers since it will result in all part-time staff being automatically enrolled in the scheme either on first appointment or when they receive a new contract of employment.

Changes to the Scheme

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

- Pensions were increased by 2.7% with effect from 10 April 2006.
- From 1 April 2006 the employers' contribution rate changed from 14.00% to 14.15%.
- From 1 April 2007 a number of new provisions will be introduced to the scheme and will include a pension age of 65 for new entrants to the NITSS alongside modifications to the current scheme for existing members. Detailed information relating to the changes can be obtained on the internet at www.deni.gov.uk within the "Pension Scheme" section. Alternatively, details can be obtained using the postal address referred to under the "Further Information" section at the end of this report.

Notional Transfers

In accordance with DAO (DFP) 05/06, from 1 April 2006 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 no longer treated on a notional basis. Instead, such transfers result in the payment of actual cash from the transferring Club Scheme to cover the accumulated cost (transfer value) of employees transferring to the receiving Club Schemes. Because the overall effect of this change is that transfers between NI Club Pensions will be treated in the same way as transfers from external schemes, separate disclosure is no longer required within the Report of the Managers.

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 2006		**24,241**
Add:	New entrants	265
	Re-entrants in the year	674
	Transfers in	106
Less:	Retirements in the year	(923)
	Members leaving who have deferred Pension rights	(2,134)
	Transfers out	(5)
	Deaths in Service	(2)
	Refunds/opt out	(21)
Active members at 31 December 2006*		**22,201**

B.	Deferred members	
Deferred members at 1 April 2006		**13,913**
Add:	Members leaving who have deferred pension rights	2,134
	New members now classed as deferred	5
Less:	Members taking up deferred pension rights	(128)
	Transfers out	(35)
	Re-entrants	(674)
	Refunds	(32)
Deferred members at 31 December 2006*		**15,183**

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 April 2006	**14,730**	**1,268**	**15,998**
Members retiring in year at normal retirement age	1,051	-	1,051
Restorations	14	3	17
New dependants	-	80	80
Deaths in year	(190)	(32)	(222)
Dependants leaving	-	(5)	(5)
Suspensions/other leavers	(7)	(5)	(12)
Pensions in payment at 31 December 2006*	**15,598**	**1,309**	**16,907**

D. Compensation payments	
Members in receipt of compensation at 1 April 2006	**7,574**
Add: New members in receipt of compensation	618
Less: Deaths/other leavers	(68)
Members in receipt of compensation payments at 31 December 2006*	**8,124**

***** The requirement to meet shortened financial reporting deadlines under Faster Closing has resulted in the Department's decision to disclose membership statistics for the 9 months ending 31 December 2006 instead of the year ending 31 March 2007 (the TSS Resource Accounts 2007-08 will disclose membership statistics at the year ending 31 December 2007). This change has been taken after consultation with both the Government Actuary's Department (GAD) and the Northern Ireland Audit Office (NIAO). The Department is content, after reviewing financial data for 1 January to 31 March 2007 and making enquiries with key personnel, that there is no evidence of substantial changes to the scheme membership which should be brought to the attention of either GAD, NIAO or the users of these accounts.

Disclosure to the Auditors

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

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

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

STATEMENT OF THE ACTUARY

Accounts for the year ended 31 March 2007

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Department for Education Northern Ireland ("the Department"). It summarises the pensions disclosures required for the Resource Accounts of the Northern Ireland Teachers' Pension Scheme ("the Scheme") as at 31 March 2007.

2. The statement (other than the cost of benefits accruing in the year) is based on the results of an interim valuation carried out as at 31 March 2006, with an approximate updating for the subsequent financial year to reflect known changes. The contribution rate used to determine the accruing costs is based on the valuation as at 31 March 2004 (using the methodology and assumptions applicable to the Resource Accounts).

Membership data

3. Tables A1 to A3 summarise the principal membership data as at 31 March 2006 and 31 March 2007 used to prepare this statement.

Methodology

4. The value of the liabilities has been determined using the projected accrued benefit method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the Resource Accounts as at 31 March 2007. The contribution rate for accruing costs in the year ended 31 March 2007 was determined using the projected unit method and the principal financial assumptions applying to the Resource Accounts as at 31 March 2006.

5. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. It does not include the cost of premature retirements or redundancy benefits in respect of active members, although the assessment of liabilities includes some pensions already in payment in respect of such cases. Injury benefits (in excess of ill-health benefits) are not payable by the Scheme and so the cost of any such benefits has been excluded from the liabilities.

6. The actuarial liability as at 31 March 2007 is based on the new provisions which came into force on 1 April 2007.

Financial assumptions

7. Table A4 (in Appendix) shows the principal financial assumptions adopted to prepare this statement. With effect from 31 March 2007, the assumed rate of return in excess of prices was reduced from 2.8% a year to 1.8% a year, and the assumed rate of return in excess of earnings was reduced from 1.3% a year to 0.3% a year.

Demographic assumptions

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

9. The past service liabilities as at 31 March 2007 were calculated using the demographic assumptions adopted for the interim valuation as at 31 March 2006 under the new provisions (which were the same as those adopted for the valuation as at 31 March 2004 except that no allowance was included for future premature retirements).

10. The contribution rate used to determine the accruing cost in 2006/07 was based on the demographic assumptions applicable at the start of the year, which were those adopted for the valuation as at 31 March 2004.

Liabilities

11. Table 1 summarises the capital value as at 31 March 2007 of benefits accrued under the Scheme prior to 31 March 2007 based on the data, methodology and assumptions described in paragraphs 3 to 10.

Table 1
Past service liabilities as at 31 March 2007

Value of liability in respect of	£ billion
Pensions in payment	3.67
Deferred pensions	0.37
Active members (past service)	3.84
Total	**7.88**

Accruing costs

12. The cost of benefits accruing in the year ended 31 March 2007 is based on a standard contribution rate of 24.5%, as determined at the start of the year. This rate is met partly by a contribution from members (of 6%), with employers meeting the balance of the cost. Table 2 shows the contribution rate used to assess the cost of benefits accruing in the year ended 31 March 2007.

Table 2
Contribution rate 2006/07

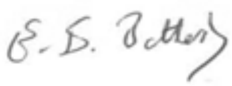
Contribution rate	Percentage of pensionable pay
Standard contribution rate	24.50%
Members' contribution rate	6.00%
Employers' share of standard rate	18.50%
Actual rate charged to employers	14.15%

13. The employers' share of the standard rate determined for the purposes of the Resource Accounts is not the same as the actual rate charged to employers (which is based on the methodology and the financial and demographic assumptions adopted for the funding of the Scheme).

14. In relation to the pensionable payroll for the financial year 2006/07, the contributions actually paid by the employers were £112 million (from data provided by the Department). Based on this information, the accruing cost of pensions in 2006/07 (at 24.50% of pay, including member contributions) is estimated to be £190 million.

Disclosures

15. Table A5 and A6 (in Appendix) show the balance sheet and the profit and loss disclosures as at 31 March 2007.



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

21 August 2007

APPENDIX

Table A1
Active members

	31 March 2006		31 March 2007
	Number	Total salaries* (£ million)	Total salaries* (£ million)
Males	6,844	247	253
Females	17,884	590	606
Total	**24,728**	**837**	**859**

*Full-time equivalent

Table A2
Deferred members

	31 March 2006		31 March 2007
	Number	Total deferred pension (pa)* (£ million)	Total deferred pension (pa) † (£ million)
Males	3,886	4.2	4.4
Females	9,435	10.2	10.8
Total	**13,321**	**14.4**	**15.2**

* Including increases applying from April 2006
† Including increases applying from April 2007

Table A3
Pensions in payment

	31 March 2006		31 March 2007
	Number	Annual pension* (£ million)	Annual pension† (£ million)
Males	5,428	77.6	86.2
Females	9,321	104.6	116.3
Spouses and dependants	1,217	4.7	5.2
Total	**15,966**	**186.9**	**207.7**

*Including pension increase awarded in April 2006
† Including pension increase awarded in April 2007

Table A4
Financial assumptions

Assumption	31 March 2007	31 March 2006
Rate of return (discount rate)	4.6%	5.4%
Rate of return in excess of:		
Earnings increases	0.3%	1.3%
Pension increases	1.8%	2.8%
Expected return on assets:	n/a	n/a

Table A5
Balance sheet disclosures

£ billion

<table>
<tr><th rowspan="2"></th><th colspan="2">31 March 2007
Financial assumptions as at</th><th rowspan="2">31 March 2006</th></tr>
<tr><th>31 March 2007</th><th>31 March 2006</th></tr>
<tr><td>Total market value of assets</td><td>nil</td><td>nil</td><td>nil</td></tr>
<tr><td>Value of liabilities</td><td>(7.88)</td><td>(6.59)</td><td>(6.12)</td></tr>
<tr><td>Surplus (deficit)</td><td>(7.88)</td><td>(6.59)</td><td>(6.12)</td></tr>
<tr><td>of which recoverable by employers</td><td>n/a</td><td>n/a</td><td>n/a</td></tr>
</table>

Table A6
Profit and loss disclosures

	£ billion Year ending 31 March 2007
Analysis of amount charged to operating profit	
Current service cost	0.19
Past service cost	
Premature retirements	0.04
Changes to the Scheme on 1 April 2007 *	-0.14
Total operating charge	0.09
Analysis of the amount credited to other finance income	
Expected return on scheme assets	-
Interest on pension liabilities (@5.4%)	-0.33
Net return	-0.33
Analysis of amount recognised in STRGL	
Actual return less expected return on scheme assets	-
Experience gains and losses arising on the pension liabilities	-0.30
Changes in demographic assumptions	-
Changes to financial assumptions from 31 March 2007	-1.29
Actuarial gain (loss) recognised in STRGL	-1.59
Movement in surplus during the year	
Surplus at beginning of year	-6.12
Current service cost	-0.19
Benefits paid during the year	0.25
Past service costs	0.10
Other finance income	-0.33
Actuarial gain (loss)	-1.59
Surplus at end of year	-7.88

* In respect of negative past service costs of £110m for introduction of the option to commute pension for lump sum and £30m for other Scheme changes.

Government Actuary's Department
21 August 2007

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 2007 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 Department's 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 the Department's risk registers. 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 clarifying the central responsibilities regarding oversight and co-ordination of risk management and providing refresher training for staff.

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

regular performance information provided by managers with executive responsibilities;

the subsidiary statements of internal control presented by Heads of 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

The Statement of Internal Control included in the TSS Resource Accounts 2005-06 refers to 13 recommendations made by Internal Audit. As part of the Department's on-going assurance process, Internal Audit carried out a follow-up review which concluded that 6 of the 13 recommendations have now been implemented, 5 have been partially implemented, and 2 have yet to be implemented. Internal Audit report assurance using a 4 tier 'traffic light' system and based on this degree of implementation, Internal Audit has upgraded the assurance rating from 'red' to 'orange'. However, a number of internal control issues remain outstanding and the Department will continue to take action to ensure these are addressed.

The TSS pensions payroll for August 2007 was not successfully processed on time for pensions payments due for payment on 31 August 2007 due to a breakdown in existing controls. The Department is currently investigating the events, which gave rise to this incident, to identify whether any additional controls are necessary.

Signed: ________________ **Date:** 4 September 2007

Accounting Officer

Department of Education – Teachers' Superannuation Scheme Accounts

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

I certify that I have audited the financial statements of the Department of Education Teachers' Superannuation Scheme for the year ended 31 March 2007 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 Report of the Managers and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the 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 the 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.

In addition, I report to you 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 the Department of Finance and Personnel regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers 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 Report of the Scheme Managers and the Report of the Actuary 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. My responsibilities do not extend to any other information.

Basis of audit opinions

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 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 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.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the scheme's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cashflows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Audit Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast

Date 6 September 2007

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 2006-07

		Estimate			Outturn			2006-07	2005-06
Request for Resource A	Note	Gross expenditure	Accruing resources	Net Total	Gross expenditure	Accruing Resources	Net Total	Net Total Outturn compared to Estimate saving/ (excess)	Outturn Net Total
		£000	£000	£000	£000	£000	£000	£000	£000
Annually Managed Expenditure		675,000	163,440	511,560	424,444	163,440	261,004	250,556	397,277
Non-budget		-	-	-	-	-	-	-	680,000
Total resources	3	675,000	163,440	511,560	424,444	163,440	261,004	250,556	1,077,277

SUMMARY OF NET CASH REQUIREMENT 2006-07

		2006-07			2005-06
	Note	Estimate	Outturn	Net Total Outturn compared to Estimate saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	96,937	87,674	9,263	69,907

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 2006-07		Outturn 2006-07	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total	5	-	-	2,115	*2,106*

Income Excess AR is £2,113,036.99. Cash Excess AR is £2,104,217.04. This amount is surrenderable to the Consolidated Fund. Actual CFER receipts were £2,285.17. This amount is also surrenderable to the Consolidated Fund.

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

Annually managed expenditure — Saving £250,556k

The variance is mainly attributable to two factors, being:

- The outturn for current service cost and interest on scheme liabilities was less than expected, resulting in a saving of approximately £110m; and

- The introduction of certain changes to the Teachers' Superannuation Scheme, resulting from a UK-wide review of teachers' pensions and which are effective from 1 April 2007, has resulted in the recognition of £140m savings to the scheme in the TSS Resource Accounts 2006-07. These savings are described as a Negative Past Service Cost in Note 9 to the Scheme Statements. The accounting treatment of these savings was not finalised until after the completion of the Spring Supplementary Estimate 2006-07, resulting in the omission of said savings from the 2006-07 Estimate.

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

COMBINED REVENUE ACCOUNT
for the year ended 31 March 2007

Principal arrangements
Teachers' Superannuation Scheme

	Note	2006-07 £000	2005-06 £000
Income:			
Contributions receivable	7	(161,728)	(158,804)
Transfers in	8	(3,825)	(4,552)
		(165,553)	(163,356)
Outgoings:			
Pension cost	9 & 19.5	90,000	240,000
Enhancements	10	619	476
Transfers in	11	3,825	4,552
Interest on scheme liabilities	12 & 19.5	330,000	310,000
		424,444	555,028
Net outgoings for the year	3(a)	**258,891**	**391,672**

COMBINED STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2007

	Note	2006-07 £000	Restated 2005-06 £000
Actuarial loss	19.8	1,590,000	720,000
Total recognised losses for the financial year		**1,590,000**	**720,000**

Refer to Note 19.11 for explanation of restated 2005-06 comparatives.

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

COMBINED BALANCE SHEET
as at 31 March 2007

	Note	2006-07 £000	2005-06 £000
Current assets			
Debtors	15	8,718	11,875
Cash at bank and in hand	16	1,738	-
		10,456	11,875
Creditors: amounts falling due within one year	17	(10,763)	(11,823)
		(10,763)	(11,823)
Net current (liabilities) / assets: excluding pension liability		**(307)**	**52**
Provisions for liabilities and charges			
Pensions arrears	18	-	-
Pension liability	19.5	(7,889,840)	(6,126,869)
Net liabilities		**(7,890,147)**	**(6,126,817)**
Taxpayers' equity			
General fund	21	(7,890,147)	(6,126,817)
		(7,890,147)	**(6,126,817)**

Signed: ____________________ Date: 4 September 2007

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

COMBINED CASH FLOW STATEMENT
for the year ended 31 March 2007

	Note	2006-07 £000	2005-06 £000
Net cash outflow from operating activities	22(a)	(85,570)	(64,310)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		2	-
Payments of amounts due to the Consolidated Fund		(2)	(5,151)
Financing	22(b)	90,470	69,400
Increase / (decrease) in cash in the period	22(c)	**4,900**	**(61)**

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION

NOTES TO THE SCHEME STATEMENT
Accounts for the year ended 31 March 2007

1. Basis of preparation of the scheme statement

The combined scheme statements have been prepared in accordance with the relevant provisions of the *2006-07 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.

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 the discount rate applicable at 1 April 2006, being 2.8 per cent real rate (ie 5.4 per cent including inflation).

2.6 Past service costs

Past service costs are changes in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the 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 the discount rate applicable at 1 April 2006, being 2.8 per cent real rate (ie 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 the rate applicable at the close of 31 March 2007, being 1.8 per cent real rate (i.e. 4.6 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

				2006-07	2005-06
	Note	Outturn £000	Supply Estimate £000	Outturn compared with Estimate: saving / (excess) £000	Outturn £000
Net resource outturn		261,004	511,560	250,556	1,077,277
Adjustment due to change in discount %		-	-	-	(680,000)
Non-supply income	5	(2,113)	-	2,113	(5,605)
Net outgoings		**258,891**	**511,560**	**252,669**	**391,672**

During the year ended 31 March 2007, the Budgeting and Estimates treatment for movements in the Scheme liability resulting from a change in the discount rate was brought into line with the accounting treatment. The current year adjustment to the Scheme liability, arising from the change in the discount rate from 2.8% to 1.8%, is reflected in the closing reserve position at 31 March 2007 and appears as an actuarial loss in the Combined Statement of Recognised Gains and Losses ("CSRGL") for the year ended 31 March 2007. Items in the CSRGL do not require Estimate cover.

This differs from the 2005-06 Resource Accounts adjustment of £680m noted in the comparative figures above, being the change in the discount rate from 3.5% to 2.8%. The £680m adjustment was put through the opening reserve position as at 1 April 2005 (CSRGL 2005-06). However, because the item was included in the Spring Supplementary Estimate 2005-06 as a non-budget item, a difference between the Estimates and accounting treatment resulted.

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)	511,560	261,004	250,556
Accruals adjustments:				
Changes in working capital other than cash		1,500	(359)	1,859
Increase in provision	19.5	(675,000)	(424,444)	(250,556)
Use of provision	19.5	258,877	251,473	7,404
Net cash requirement		**96,937**	**87,674**	**9,263**

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

1. Changes in working capital other than cash — Saving £1,859k

The variance is attributable to the fact that the Estimate anticipated an increase in debtor balances and a decrease in creditor balances; whereas the outturn debtors decreased and the reduction in outturn creditors was smaller than forecast.

2. Increase in provision — Excess £250,556k

The variance is mainly attributable to two factors, being:

- The outturn for current service cost and interest on scheme liabilities was less than expected, resulting in a saving of approximately £110m; and
- The introduction of certain changes to the Teachers' Superannuation Scheme, resulting from a UK-wide review of teachers' pensions and which are effective from 1 April 2007, has resulted in the recognition of £140m savings to the scheme in the TSS Resource Accounts 2006-07. These savings are described as a Negative Past Service Cost in Note 9 to the Scheme Statements. The accounting treatment of these savings was not finalised until after the completion of the Spring Supplementary Estimate 2006-07, resulting in the omission of said savings from the 2006-07 Estimate.

5. Analysis of income payable to Consolidated Fund

		Forecast 2006-07		Outturn 2006-07	
	Note	**Income £000**	**Receipts £000**	**Income £000**	**Receipts £000**
Other operating income and receipts not classified as ARs	3(a) & 21	-	-	2,113	*2,104*
Other amounts collectable on behalf of the Consolidated Fund		-	-	2	*2*
Total income payable to the Consolidated Fund		**-**	**-**	**2,115**	***2,106***

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

	Note	**2006-07 £000**	**2005-06 £000**
Operating income		165,553	163,356
Income authorised to be Accruing Resource		(163,440)	(157,751)
Operating income payable to the Consolidated Fund	5	**2,113**	**5,605**

7. Pension contributions receivable

	2006-07 £000	2005-06 £000
Employers	112,155	109,797
Employees:		
Normal	47,268	46,979
Premature retirement compensation receipts from DEL	1,686	1,552
Purchase of added years	619	476
	161,728	**158,804**

8. Pension transfer in (*see also* Note 11)

	2006-07 £000	2005-06 £000
Individual transfers in from other schemes	**3,825**	**4,552**

9. Pension cost (*see also* Note 19.5)

	2006-07 £000	2005-06 £000
Current service cost	190,000	200,000
Past service cost	40,000	40,000
Negative past service cost	(140,000)	-
	90,000	**240,000**

10. Enhancements *(see also* Note 19.5*)*

	2006-07 £000	2005-06 £000
Employees:		
Purchase of added years	**619**	**476**

11. Transfer in (*see also* Notes 8 and 19.5)

	2006-07 £000	2005-06 £000
Individual transfers in from other schemes	**3,825**	**4,552**

12. Interest charge (*see also* Note 19.5)

	2006-07 £000	2005-06 £000
Interest charge for the year	**330,000**	**310,000**

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)	**2006-07 £000**	**2005-06 £000**
Movements in the year		
Balance at 1 April	43,920	40,892
New investments	6,428	5,159
Sales of investments to provide pension benefits	(6,795)	(2,146)
Changes in market value of investments	10	15
Balance at 31 March	**43,563**	**43,920**

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

15 (a) Analysis by type

	Note	2006-07 £000	2005-06 £000
Amounts falling due within one year:			
Contributions due:			
Employers		1,795	2,022
Employees		706	876
Added years		91	17
Overpaid pensions		195	280
DEL debtor		125	116
Provision for bad debt		(49)	(87)
		2,863	3,224
Consolidated Fund debtor	22(b)	5,855	8,651
		8,718	**11,875**

Included within these figures is £125,060.17 (2005-06 £116,240.22) that will be due to the Consolidated Fund once the debts are collected.

15 (b) Intra-Government balances

	Amounts falling due within one year	
	2006-07 £000	2005-06 £000
Balances with other central government bodies	6,004	8,857
Balances with bodies external to government	2,714	3,018
Balance at 31 March	**8,718**	**11,875**

16. Cash at bank and in hand

	Note	2006-07 £000	2005-06 £000
Balance at 1 April		(3,162)	(3,102)
Net change in cash balances		4,900	(60)
Balance at 31 March	17	**1,738**	**(3,162)**
The following balances at 31 March are held at:			
Commercial Banks		**1,738**	**(3,162)**
The balance at 31 March comprises:			
Income not Accruing Resources received and payable to the Consolidated Fund		7,593	5,489
Amounts owed from the Consolidated Fund for supply		(5,855)	(8,651)
		1,738	**(3,162)**

17. Creditors

17 (a) Analysis by type

	Note	2006-07 £000	2005-06 £000
Amounts falling due within one year:			
Bank overdraft	16	-	3,162
Members		386	662
Inland Revenue and voluntary contributions		2,630	2,374
Other creditors		29	20
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
Received		7,593	5,489
Receivable		125	116
		10,763	**11,823**

17 (b) Intra-government balances

	Amounts falling due within one year	
	2006-07 **£000**	**2005-06** **£000**
Balances with other central government bodies	10,348	7,979
Balances with bodies external to government	415	3,844
Balance at 31 March	**10,763**	**11,823**

18. Provision for pension arrears

	2006-07 **£000**	**2005-06** **£000**
Balance at 1 April	-	360
Utilised in the year	-	(360)
Balance at 31 March	**-**	**-**

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, during the year ended 31 March 2006.

19. Provision for pension liability

19.1 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 supplemented by an interim actuarial valuation as at 31 March 2006. The major assumptions used by the Actuary were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005
Rate of return (discount rate)	4.6%	5.4%	7.0%
Inflation assumption			
Rate of return in excess of:			
Pension increases	1.8%	2.8%	3.5%
Earnings increases	0.3%	1.3%	2.0%

19.2 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.

19.3 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.

19.4 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 increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. 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 19.9 and 19.10. 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.

19.5 Analysis of movement in the scheme liability

	Note	2006-07 £000	Restated 2005-06 £000
Scheme liability at 1 April		**(6,126,869)**	**(5,078,135)**
Current service cost	9	(190,000)	(200,000)
Past service cost	9	(40,000)	(40,000)
Negative past service cost	9	140,000	-
Interest on pension scheme liability	12	(330,000)	(310,000)
		(420,000)	(550,000)
Enhancements	10	(619)	(476)
Pension transfers in	11	(3,825)	(4,552)
		(4,444)	(5,028)
Benefits paid	19.6	247,571	222,742
Pension payments to and on account of leavers	19.7	3,902	3,552
		251,473	226,294
Actuarial gain/(loss)	19.8	(1,590,000)	(720,000)
Scheme liability at 31 March		**(7,889,840)**	**(6,126,869)**

During the year ended 31 March 2007 contributions were 20.15% of pensionable pay.

Refer to Note 19.11 for explanation of restated 2005-06 comparatives.

19.6 Analysis of benefits paid

	2006-07 £000	2005-06 £000
Pensions or annuities to retired employees and dependants	196,124	177,676
Commutations and lump sum benefits on retirement	50,708	44,336
Lump sum benefits on death in service	739	730
Per combined cash flow statement	**247,571**	**222,742**

19.7 Analysis of payments to and on account of leavers

	2006-07 £000	2005-06 £000
Refunds to members leaving service	122	135
Individual transfers to other schemes	3,780	3,417
Per combined cash flow statement	**3,902**	**3,552**

19.8 Analysis of actuarial gain/(loss)

	2006-07 £000	Restated 2005-06 £000
Experience (losses)/gains arising on the scheme liabilities	(300,000)	(10,000)
Changes in assumptions underlying the present value of the scheme liabilities	-	(30,000)
Changes in assumptions underlying the present value of the scheme liabilities (adjustment to discount rate % at 1 April)	-	(680,000)
Changes in assumptions underlying the present value of the scheme liabilities (adjustment to discount rate % at 31 March)	(1,290,000)	-
Per Combined Statement of Recognised Gains and Losses	**(1,590,000)**	**(720,000)**

Refer to Note 19.11 for explanation of restated 2005-06 comparatives.

19.9 History of experience gains and losses

	2006-07	Restated 2005-06	2004-05	2003-04	2002-03
Experience losses/(gains) on scheme liabilities:					
Amount (£000)	300,000	10,000	50,000	(100,000)	270,000
Percentage of the present value of the scheme liabilities	3.8%	0.2%	1.0%	(2.1%)	6.9%
Total actuarial loss:					
Amount (£000)	1,590,000	720,000	180,000	220,000	70,000
Percentage of the present value of the scheme liabilities	20.2%	11.8%	3.5%	4.7%	1.8%

Refer to Note 19.11 for explanation of restated 2005-06 comparatives.

19.10 Sensitivity analysis

19.10.1 The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2007 of changes to the main actuarial assumptions.

19.10.2 The principal financial assumptions are the real rates of return in excess of price inflation and earnings growth. (The assumed nominal rate of return 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.

19.10.3 Table 1 shows the indicative effects on the total liability as at 31 March 2007 of changes to these assumptions.

Table 1

Sensitivity to main assumptions

Change in assumption*		Approximate effect on total liability	
Rate of return			
(i) nominal	-0.5% a year	+ 0.75%	+ £60 million
(ii) in excess of earnings	-0.5% a year	+ 2.25%	+ £180 million
(iii) in excess of prices	-0.5% a year	+ 6.50%	+ £510 million
Pensioner mortality:			
(iv) reduction of 2 years of age		+ 4.75%	+ £370 million

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

19.10.4 In variant (ii) of Table 1, the assumed rate of return in excess of prices remains unchanged, and in variant (iii), the assumed rate of return in excess of earnings remains unchanged.

19.10.5 Variant (i) shows little change from the central assumptions because the assumed real rates of return (in excess of prices and earnings) are unchanged. However, GMP benefits are not fully inflation-linked after they come into payment, and so the change in the nominal return (of 0.5% a year) affects the value of GMP benefits. The total actuarial liability would change by about 0.75%.

19.10.6 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 2.25%.

19.10.7 Similarly, variant (iii) shows a substantial effect because the real rates of return in excess of prices differ from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 6.50%.

19.10.8 Variant (iv) shows the significance of pensioner mortality: if longevity at retirement were assumed to be 2 years greater, then this would increase the total actuarial liability by about 4.75%.

19.11 Explanation of restated disclosure of 2005-06 comparatives in respect of adjustment to the scheme liability due to change in discount rate

The Combined Statement of Recognised Gains and Losses within the Teachers' Superannuation Annual Scheme Statements 2005-06 disclosed a total movement of £720m, analysed as a £40m actuarial loss and £680m in respect of a restatement of the opening balance of the pension liability as at 1 April 2005, due to a change in the discount rate percentage. In accordance with FRS 17, the £680m adjustment meets the definition of an actuarial loss. As such, this movement has been reclassified as an actuarial loss in order to make the prior year comparative figures consistent with the 2006-07 disclosures within the Notes to the Scheme Statements. This restatement is reflected in the Combined Statement of Recognised Gains and Losses and the following Notes to the Scheme Statement: 19.5; 19.8; 19.9 and 21.

20. Transfers in and out

Transfers in amounting to £35,576.27 had been agreed in January, February and March 2007, of which £17,579.02 have been received after 31 March 2007.

Transfers out amounting to £51,128.32, which had been agreed in March 2007 were paid in April 2007.

21. General Fund

	Note	2006-07 £000	Restated 2005-06 £000
Balance at 1 April		(6,126,817)	(5,079,447)
Net Parliamentary Funding Drawn Down	22 (b)	81,819	61,256
Year end adjustment Supply (Creditor) / Debtor—current year	22 (b)	5,855	8,651
Income not Accruing Resource, payable to the Consolidated Fund	5	(2,113)	(5,605)
Combined net outgoings for the year		(258,891)	(391,672)
Actuarial loss (SRGL)		(1,590,000)	(720,000)
Balance at 31 March		**(7,890,147)**	**(6,126,817)**

Refer to Note 19.11 for explanation of restated 2005-06 comparatives.

Notes to the Combined Cash Flow Statement

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

	Note	2006-07 £000	2005-06 £000
Net outgoings for the year		(258,891)	(391,672)
(Increase)/decrease in debtors	15	361	(989)
Increase/(decrease) in creditors	17	(11)	(23)
Increase/(decrease) in liabilities and charges	18	-	(360)
Increase in pension provision		420,000	550,000
Increase in pension provision – enhancement and transfers in		4,444	5,028
Use of provisions – pension liability		(247,571)	(222,742)
Use of provisions – refunds and transfers		(3,902)	(3,552)
Net cash outflow from operating activities		**(85,570)**	**(64,310)**

22 (b) Analysis of financing

	Note	2006-07 £000	2005-06 £000
From the Consolidated Fund (Supply): current year		81,819	61,256
From the Consolidated Fund (Supply): prior year		8,651	8,144
Net financing		90,470	69,400
Consolidated Fund debtor		5,855	8,651
Receipt of Consolidated Fund debtor		(8,651)	(8,144)
Financing from the Consolidated Fund	21	**87,674**	**69,907**

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

	Note	2006-07 £000	2005-06 £000
Net cash requirement		(87,674)	(69,907)
From the Consolidated Fund (Supply): current year		81,819	61,256
From the Consolidated Fund (Supply): prior year		8,651	8,144
Amounts due to the Consolidated Fund received in a prior year and paid over		-	(5,043)
Amounts due to the Consolidated Fund received and not paid over	5	1,988	5,489
Receipt of a prior year debtor due to the Consolidated Fund	5	116	108
Payment of the above receipt to the Consolidated Fund		-	(108)
Increase/ (decrease) in cash		**4,900**	**(61)**

23. 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.

24. 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 2007

	Efficient Discharge	Redundancy
Belfast Education and Library Board	6	101
North Eastern Education and Library Board	9	109
Southern Education and Library Board	8	82
South Eastern Education and Library Board	8	81
Western Education and Library Board	6	71
Voluntary Grammar Schools	3	64
Further Education Colleges	7	25
Other Grant-Maintained Schools	1	2
Other Bodies	-	4
TOTAL	**48**	**539**

Total number of teachers retired on grounds of premature retirement as at 31 March 2007

	Efficient Discharge	Redundancy
Belfast Education and Library Board	220	1,062
North Eastern Education and Library Board	270	1,136
Southern Education and Library Board	418	835
South Eastern Education and Library Board	328	754
Western Education and Library Board	284	910
Voluntary Grammar Schools	164	499
Further Education Colleges	180	685
Other Grant-Maintained Schools	6	7
Other Bodies	30	77
TOTAL	**1,900**	**5,965**

25. 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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