Department of
Education
www.education-ni.gov.uk

Department of Education - Teachers' Superannuation

ANNUAL SCHEME STATEMENTS

for the year ended 31 March 2017

Department of Education – Teachers’ Pension

Annual Scheme Statements

For the year ended 31 March 2017

Department of Education – Teachers' Pension
Annual Scheme Statements
For the year ended 31 March 2017

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

28 June 2017

This publication is also available on our website at www.education-ni.gov.uk.

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

Contents	**Page**

ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS
for the year ended 31 March 2017

Statutory basis for the Scheme

The Teachers' Pension Scheme ("the Scheme") operates under the Teachers' Pension Regulations (Northern Ireland) 1998 (as amended) and the Teachers' Pension Scheme Regulations (Northern Ireland) 2014 (as amended).

Eligibility to join the Scheme

Persons in the employments specified in Schedule 1 of the Teachers' Pension Scheme Regulations (Northern Ireland) 2014 are eligible to join the Scheme.

Further information about the Scheme is available on the internet at www.education-ni.gov.uk.

Main features of the Scheme

The Teachers' Pension Scheme is an unfunded, defined benefit scheme to which teachers and their employers contribute. Benefits are index-linked and there is provision for payments to dependants.

Corporate Governance and Management of the Scheme

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

The Scheme Manager is responsible for policy in respect of the Scheme, legislative changes, and managing the relationship with the Government Actuary's Department (GAD).

The Scheme Administrator is responsible for the implementation of the Scheme regulations including day to day management of receipts and payments, and correspondence with Scheme members.

To manage the annual requirements for actuarial valuations and information for the preparation of the Annual Scheme Statements, the Teachers' Pension Scheme Steering Group meets during the year.

The Steering Group consists of staff from across the Department of Education, including the Financial Reporting Team (FRT), and the Teachers' Pay and Pensions Team (TP&PT). To enable the Accounting Officer to maintain a sound system of internal control, the Accounting Officer is informed by the work of the internal auditors and reports from senior managers on the effectiveness of internal controls; and by comments made by the external auditors in their management letter and other reports. More detail is provided in the Governance Statement.

The Public Service Pensions Act (NI) 2014 ("the 2014 Act") requires each public service pension scheme (including the NITPS) to have a Pension Board to assist the scheme manager in securing the effective and efficient administration of the pension scheme and a Scheme Advisory Board for considering major changes to scheme rules.

Pension Board

Primary and secondary legislation does not prescribe the constitution of the Pension Board beyond the requirement that employer representatives and member representatives are equal in number. The Pension Board is comprised of 12 members and includes:

- an independent chairperson (recruited following the principles of the Public Appointments Process);
- a pensions official from the public sector pensions arena;
- 4 pension scheme member representatives;
- 4 employer representatives; and
- 2 DE officials at Directorate level drawn from the pensions policy area of business and from the area with overall responsibility for the Department's internal audit function.

Scheme Advisory Board

The Scheme Advisory Board is chaired by a Department official and the other members are nominated by a defined list of organisations representing members and employers. Attendance at meetings is limited to two attendees per organisation.

The NITPS Scheme Advisory Board is the established forum for consultation on matters relating to the Scheme. The Board comprises representatives of the recognised teacher unions, the University and College Union and employers from both the school and further education sectors.

Employers

The Teachers' Pension Scheme is for persons in the employments specified in Schedule 2 of the Teachers' Pension Regulations (Northern Ireland) 1998 and Schedule 1 of the Teachers' Pension Scheme Regulations (Northern Ireland) 2014. A full list of employers currently within the Scheme can be obtained from the Scheme Administrator.

Arrangements governing determination of contribution rates and benefits

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

Key developments in year

Contributions

There were no changes to contribution rates during the year. Contribution rates for employees are in accordance with the table below. Employers' contributions are 17.7% of pensionable pay

Lower Salary*	Higher Salary*	Contribution Rate in 2016-17
-	£25,999	7.4%
£26,000	£34,999	8.6%
£35,000	£41,499	9.6%
£41,500	£54,999	10.2%
£55,000	£74,999	11.3%
£75,000	>£75,000	11.7%

* contributions are based on full-time equivalent (FTE) pay levels

Changes in benefits

There was no increase in Pensions with effect from 6 April 2016 (6 April 2015: 1.2%).

Membership statistics

Details of changes in membership of the Teachers' Pension Scheme are as follows:

A. Active members	
Active members at 1 April 2016	**24,262**
Opening adjustment*	283
	24,545
Add:	
New entrants	1,097
Re-entrants in the period	789
Transfers in	0
Opt in	0
Less:	
Retirements in the period	(620)
Members leaving who have deferred pension rights	(1,662)
Deaths in service	(14)
Refunds/opt out	(36)
Transfers out	(5)
Active members at 31 March 2017	**24,094**

B. Deferred members	
Deferred members at 1 April 2016	**15,168**
Opening adjustment*	(218)
	14,950
Add:	
Members leaving with deferred pension rights	1,662
New members now classed as deferred	4
Less:	
Members taking up deferred pension rights	(256)
Transfers out	(25)
Re-entrants	(789)
Refunds	(47)
Deaths	(1)
Opt Outs	(1)
Deferred members at 31 March 2017	**15,497**

*An opening adjustment is required in respect of active and deferred members due to late receipt of service history and ongoing data cleansing during the period.

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 April 2016	**20,629**	**1,989**	**22,618**
Add:			
Members retiring in period at normal retirement age	898	-	898
Restorations	11	6	17
New dependants	-	204	204
Less:			
Deaths in period	(413)	(96)	(509)
Dependants leaving	-	(18)	(18)
Suspensions/other leavers	(13)	-	(13)
Pensions in payment at 31 March 2017	**21,112**	**2,085**	**23,197**

D. Compensation payments	
Members in receipt of compensation at 1 April 2016	**8,329**
Add: New members in receipt of compensation	71
Less: Deaths/other leavers	(199)
Members in receipt of compensation at 31 March 2017	**8,201**

Transfers
The Scheme has not accepted or transferred a liability during the year in respect of any group transfers.

Financial position at 31 March 2017
The Scheme liability at 31 March 2017 was £14.8 billion compared to £11.5 billion at the end of the previous year. The main reason for the increase was the change in financial assumptions as summarised in the Report of the Actuary. An analysis of movements in the Scheme liability is shown at note 14.4 to the Scheme Statements.

Issues for 2016-17
There were no significant issues arising during the year.

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

Information for members

Additional Voluntary Contributions (AVCs)
The Department of Education Teachers' Pension Scheme has no arrangements to offer Free-Standing Additional Voluntary Contributions (FSAVCs) or stakeholder pensions. However, the 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. No contributions to these AVCs are made by the Scheme or teachers' employers. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held on their account and any movements in the year.

All transactions and related assets and liabilities connected with the AVC scheme are private arrangements between Prudential and the employees, therefore they do not form part of the Department of Education Teachers' Pension Scheme Statements.

Final AVC figures supplied by Prudential for 2016-17 were as follows:

Prudential Teachers' AVC Facility (Northern Ireland)	**2016-17 £000**	**2015-16 £000**
Movements in the year		
Balance at 1 April	44,228	44,199
New investments	3,836	3,434
Sales of investments to provide pension benefits	(3,456)	(3,405)
Change in market value of investments	5	-
Balance at 31 March	**44,613**	**44,228**
Contributions received to provide life cover	82	93
Benefits paid on death	96	82

Scheme Managers, Advisers and Employers are listed below:

Accounting Officer
Derek Baker
Permanent Secretary
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Manager and Premature Retirement Compensation Scheme Manager
Barry Jordan
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Administrator and Premature Retirement Compensation Scheme Administrator
Peter Crossley
Department of Education
Teachers' Pay & Pensions Team
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

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

Bankers
Danske Bank
Donegall Square North
BELFAST
BT1 5GB

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

Auditor
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

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

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

Peter Crossley
Scheme Administrator, Teachers' Pension Scheme
Department of Education
Teachers' Pay and Pensions Team
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

REPORT OF THE ACTUARY

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Department of Education Northern Ireland ('the Department'). It summarises the pensions disclosures required for the Department's Teachers Pension Annual Scheme Statements 2016-17 ('the scheme', or 'NITPS').

2. The NITPS is a defined benefit scheme. It has a final salary section which applies to benefits accrued before 1 April 2015 and to future accrual for older members who have fully protected status or tapered protection. There is also a new career average section applying to future accrual of benefits after 1 April 2015 for members without protected status. The rules of the final salary section are set out in *The Teachers' Pension Regulations (Northern Ireland) 1998* (SR(NI) 1998/333) and the rules of the career average section are set out in *The Teachers' Pension Scheme Regulations (Northern Ireland) 2014* (SR(NI) 2014/310), as amended. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation. (Under IAS19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2015, with an approximate updating to 31 March 2017 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2015 together with that available at 31 March 2017 used to prepare this statement.

Table A – Active Members

	31 March 2015 Membership data		2016-17 Accounts
	Number (nearest 10)	**Total pensionable pay* (£ million pa)**	**Total Salaries Implied By Receipts (£ million pa)**
Males	6,130	245.3	-
Females	19,100	713.2	-
Total	25,230	958.5	879.3

* Pensionable Pay is the Full Time Equivalent Figure.

Table B – Deferred members

	Number (nearest 10)	Total deferred pension* (£ million pa)
Males	3,760	5.7
Females	8,920	14.8
Total	12,680	20.5

* Pension amounts include pension increase granted 6 April 2015.

Table C – Pensions in Payment

	Number (nearest 10)	Total annual pension* (£ million pa)	2016-17 Accounts Total Pension (£ million pa)
Males	7,070	131.5	-
Females	13,070	189.0	-
Spouses & dependants	1,960	11.1	-
Total	22,100	331.6	348

* Pension amounts include pension increase granted 6 April 2015.

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal assumptions applying to the 2016-17 Scheme Statements. The contribution rate for accruing costs in the year ended 31 March 2017 was determined using the PUCM and the principal assumptions applying to the 2015-16 Scheme Statements.

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

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2017	31 March 2016
Rate of return (discount rate)	2.80%	3.60%
Rate of earnings increases*	4.55%	4.20%
Rate of future pension increases	2.55%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	0.24%	1.37%
Earnings increases	-1.70%	-0.60%
Expected return on assets:	n/a	n/a

*Short-term adjustments have been made to this assumption for the period to 2020.

8. The pension increase assumption as at 31 March 2017 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

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

10. The 'S1' series of standard tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) are used but with adjustments derived from recent scheme experience. For current and future male normal-health pensioners, a 107% loading has been applied (that is mortality rates are assumed to be 7% heavier than those in the standard table) relative to the S1NMA_L table. For current and future female normal health pensioners, age dependent loadings (74% up to age 79, 84% at ages 80-84, 98% at 85-89, 106% from age 90) have been applied relative to the S1NFA_L table. Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom. The tables adopted and the loadings applied are the same as were adopted for the 2015-16 Scheme Statements but the mortality improvement assumption has been updated following publication of the 2014 based principal population projections on 29 October 2015.

11. Reforms to the NITPS which were implemented in April 2015 may affect the behaviour of members which will affect the value of their benefits accrued both before and after 1 April 2015 i.e. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. The assumed age retirement rates are based on recent experience but make allowance for later retirements for members who transfer to the new scheme on or after 1 April 2015. The assumptions are the same as for the 2015-16 Scheme Statements.

12. The contribution rate used to determine the accruing cost in 2016-17 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2015-16 Scheme Statements.

Liabilities

13. Table E summarises the assessed value as at 31 March 2017 of benefits accrued under the scheme prior to 31 March 2017 based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ billion

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(14.78)	(11.50)	(12.03)	(10.78)	(9.56)
Surplus/(Deficit)	(14.78)	(11.50)	(12.03)	(10.78)	(9.56)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Pension cost

14. The cost of benefits accruing in the year ended 31 March 2017 (the Current Service Cost) is based on a standard contribution rate of 34.7%. Members contributed between 7.4% and 11.7% of pensionable pay depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 9.6%. The corresponding figures for 2015-16 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	1 April 2016 to 31 March 2017	1 April 2015 to 31 March 2016
Standard contribution rate	34.7%	36.0%
Members' estimated average contribution rate	(9.6%)	(9.6%)
Employers' estimated share of standard contribution rate	25.1%	26.4%

15. For the avoidance of doubt, the actual rate of contributions payable by employers 17.7% of pensionable pay for 2016-17, is not the same as the employer's share of the standard contribution rate as above (25.1% for 2016-17). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Annual Report and Accounts is the discount rate. The discount rate for Annual Report and Accounts is set each year by HM Treasury to reflect the requirements of the Accounting Standard IAS 19.

16. The estimated pensionable payroll for the financial year 2016-17 was £879 million (derived from the contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2016-17 (at 34.7% of pay) is assessed to be £305 million. There have been no past service costs in the year 2016-17.

Sensitivity analysis

17. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2017 of changes to the significant actuarial assumptions.

18. The principal financial assumptions are the future increases in pensionable salary due to general inflation (earnings increases), pension increases (both in payment and deferment), and the rate of interest (or discount rate) used to calculate the value of the benefits and contributions. A key demographic assumption is pensioner mortality.

19. There is significant uncertainty associated with how members will retire in future for those members who will move across to the new scheme. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in final salary scheme sections and so I have included an indication of the approximate effect (on the total past service liability) of all active members who move to the new scheme retire on average 1 year later. In practice the impact differs for members retiring before and after NPA so although the pattern of age retirement can have a significant impact on liabilities the results of this scenario show a negligible impact.

20. There was uncertainty around the actual level of withdrawals experienced by the scheme over the analysis period used to determine the scheme-specific withdrawal assumption adopted. To illustrate the possible impact of this uncertainty we have included an indication of the approximate effect of withdrawal rates being a third higher than assumed.

21. Table G shows the indicative effects on the total liability as at 31 March 2017 of changes to these assumptions (rounded to the nearest ½%).

Table G: Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*	+½% a year	- 10.0%	- £1,500 million
(ii) earnings increases*	+½% a year	+ 2.5%	+ £400 million
(iii) pension increases*	+½% a year	+ 8.0%	+ £1,200 million
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement*		+ 3%	+ £450 million
(vi) all active members who move to the new scheme retire (on average) 1 year later		0%	£0 million
(vii) withdrawal rates a third higher		- 0.5%	- £100 million

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

Garth Foster
Government Actuary's Department
17 May 2017

Combined Statement of Comprehensive Net Expenditure disclosures for the year ended 31 March 2017

	Year ended 31 March 2017 £ billion*	Year ended 31 March 2016 £ billion*
Analysis of amount charged to pension cost		
Current service cost	0.30	0.32
Past service cost	-	0.01
Total operating charge	**0.30**	**0.32**
Analysis of amount recognised in Combined Statement of Comprehensive Net Expenditure		
Pension financing cost	0.41	0.43
	0.41	**0.43**
Analysis of amount recognised in Statement of Changes in Taxpayers' Equity (SCITE)		
Experience gains and losses arising on pension liabilities	0.06	0.15
Changes in mortality assumptions		0.26
Changes in demographic assumptions (other than mortality)		-
Changes to financial assumptions	(3.03)	0.48
Net actuarial gains/(losses) recognised in SCITE	**(2.97)**	**0.88**
Movement in deficit during the year		
Surplus/(Deficit) at 1 April	(11.5)	(12.03)
Current service cost	(0.30)	(0.32)
Benefits paid during the year	0.41	0.40
Past service costs	-	(0.01)
Net transfers in	(0.01)	-
Interest on pension liability	(0.41)	(0.43)
Actuarial (losses)/gains	(2.97)	0.88
Deficit at 31 March	**(14.78)**	**(11.50)**

As required by the FReM, all actuarial gains and losses are recognised in full in the period in which they occur.
*Figures are taken directly from the GAD Report and may not necessarily add up due to roundings.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance has directed the Department of Education Teachers' Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

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

In preparing the Scheme Statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Department of Finance including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM have been followed, and disclose and explain any material departures in the Scheme Statements; and
- prepare the Scheme Statements on a going concern basis.

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

GOVERNANCE STATEMENT

1. Introduction

1.1 This Governance Statement is a key feature of the Teachers' Superannuation Annual Scheme Statements. It provides details of how I, as Accounting Officer, have ensured effective management and control of resources during the 2016-17 year and of the action taken to ensure effective risk management and a high standard of corporate governance.

1.2 The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year, which includes the Teacher's Pension Scheme and an opinion on the Department's governance, risk management and internal control system. There were no limited opinions.

2. Governance Framework

2.1 The Department of Education (DE) operates under the direction and control of the Minister for Education who is Head of the Department. The Minister leads the Department and is responsible and accountable to the Assembly for the policies, programmes and actions of the Department.

2.2 As Permanent Secretary, I am the Minister's principal adviser, the administrative Head of the Department and the Accounting Officer. As Accounting Officer, I am personally responsible and accountable to the Minister and to the Assembly for the effective management and organisation of the Department and for the Teachers' Superannuation Scheme, including the use of public money and the stewardship of its assets. I have delegated the role of Scheme Manager to the Director of Education Workforce Development, while the day to day administration of the Scheme is carried out by Teachers' Pay and Pensions Team (TPPT).

The Departmental Board

2.3 The Department is managed by a Departmental Board which, within the strategic framework set by the Minister, supports me in the discharge of my role.

2.4 The Departmental Board is chaired by me and comprises two Deputy Secretaries; the Chief Inspector of the Education and Training Inspectorate; the Director of Finance; the Director of Human Resources and Corporate Services; and two independent non-executive directors. The role of the latter members is to provide an independent and external perspective on the work of the Board; to bring some specific expertise to its discussions; and to provide a constructive challenge across the Departmental Board's business. Other Departmental Directors have been invited to attend meetings where agenda items relevant to their business areas required their attendance to inform discussion. The Departmental Board's work is guided by a corporate governance framework which is reviewed regularly.

2.5 Further details on the Departmental Board can be found in the main Governance Statement published in the DE's 2016-17 Annual Report and Accounts. This includes a list of members along with individual attendance records, details of the Board's role and categories of routine business.

Board Sub-Committees

2.6 During 2016-17, the Board was supported by two sub-committees: the Audit and Risk Assurance Committee (ARAC); and the Performance Efficiency Scrutiny Committee (PESC).

Audit and Risk Assurance Committee

2.7 The ARAC is an independent advisory committee with no executive functions. Its role is to support me as Accounting Officer and to support the Departmental Board in discharging our respective responsibilities for issues of risk, control, governance and associated assurance with the support of a professionally qualified Internal Audit (IA) service.

2.8 The ARAC comprises four independent members. Two members are serving senior civil servants and two are DE independent Board members.

2.9 During 2016-17 ARAC meetings were also attended by DE staff, including myself as Permanent Secretary (with effect from 27 February 2017) and my predecessor, Paul Sweeney; the Deputy Secretary with responsibility for finance and performance management, the Director of Finance, the Head of Internal Audit and a representative from the Department's external auditors, the Northern Ireland Audit Office (NIAO).

2.10 Throughout the year the Committee considered the findings from Internal and External Audit activity along with the outcomes of key governance processes such as risk management, governance and accountability review meetings and the bi-annual Non Departmental Public Body (NDPB) governance statements. In addition, the Committee invited various risk owners (Directors) to attend and provide assurance on their areas of responsibility.

2.11 A report on key issues discussed at ARAC meetings was provided for each Departmental Board meeting and full minutes circulated to Departmental Board members when finalised. ARAC is also preparing its annual report for 2016-17, summarising the work of the committee and providing its opinion on the comprehensiveness and reliability of the assurances available to support the Departmental Board and, particularly, to support the Accounting Officer in his accountability obligations.

2.12 In April 2017 ARAC completed an assessment of its own effectiveness during 2016-17 and the outcome was "satisfactory".

2.13 Further details on the ARAC can be found in the main Governance Statement published in DE's 2016-17 Annual Report and Accounts. This includes a list of members along with individual attendance records, the key areas in which the ARAC provided independent advice, scrutiny and challenge during 2016-17 and information on key areas progressed by this sub-committee.

Performance Efficiency Scrutiny Committee

2.14 During 2016-17, PESC was chaired by the Deputy Secretary with responsibility for Resources, Reform & Infrastructure. Membership also comprised the Deputy Secretary with responsibility for education and children's services; the Director of Finance; the Deputy Director of Finance; the Director of Planning and Performance Management (up to 4 December 2016); the Director of Education Workforce Development; and the Director of Inclusion and Wellbeing. Other senior staff attended PESC meetings to facilitate oversight and/or the carrying out of particular tasks.

2.15 Further details on the PESC can be found in the main Governance Statement published in DE's 2016-17 Annual Report and Accounts. This includes a list of members, key roles for PESC during 2016-17 and information on key areas progressed by this sub-committee.

3 DE Board Performance

3.1 I consider that the DE Board operated effectively during 2016-17, meeting regularly and considering relevant issues at the appropriate time.

Review of Board Effectiveness

3.2 The annual evaluation of Board effectiveness was due to be conducted in February 2017. Due to three changes in Board membership from September 2016 to February 2017 including the Chair, the review was postponed until June 2017. The findings will be presented to the DE Board at its meeting on 29 June.

4 Corporate Governance

4.1 As noted in the Department's Governance Statement, the Department has in place a Corporate Governance Framework which aligns with the Corporate Governance in Central Government Departments: Code of Practice NI 2013.

5 Quality of data used by the Board

5.1 The Departmental Board relies on four main sources of data to inform its deliberations. These are:

- statistical information (for example, data related to enrolments, attainment, attendance, workforce);
- financial information (including monitoring reports on capital and resource expenditure);
- Human Resources (HR) information, mainly data on attendance management; and
- inspection evidence, mainly data used to compile the Chief Inspector's report and the annual report to the Departmental Board.

Included in DE's 2016-17 Annual Report and Accounts are the steps taken by the Board to satisfy itself as to the quality of data provided.

6 Ministerial Directions

6.1 Arrangements exist to respond to a situation where as Accounting Officer I believe that I am being asked by a Minister to take a course of action that could potentially result in irregular expenditure; impropriety; or poor value for money. In such circumstances, I should ask for a formal Ministerial Direction to proceed.

6.2 During 2016-17-16 no Ministerial Directions were sought or given in relation to the Teachers' Superannuation Scheme.

7. Risk Assessment

7.1 The DE Board has responsibility for ensuring that an effective risk management process is in place and is regularly reviewed. In discharging this responsibility, it is supported by its ARAC and the Department's IA team. The Chair of ARAC is a non-executive Director on the DE Board and is privy to discussions in relation to Departmental risk at DE Board meetings. This arrangement, in conjunction with written and verbal updates provided at each meeting, ensures that the ARAC is kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

7.2 The DE Risk Management Framework (RMF) sets out the Department's approach to risk and the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. Details of this, including risk appetite are included in the main Governance Statement published in DE's 2016-17 Annual Report and Accounts.

Pension Board/Scheme Advisory Board

7.3 The Northern Ireland Teachers' Pension Scheme (NITPS) Pension Board and Scheme Advisory Board were established under the Teachers' Pension Scheme Regulations (Northern Ireland) 2014. The Pension Board has responsibility for assisting the

Scheme Manager to secure compliance with the Regulations and other legislation relating to the governance and administration of the Scheme, along with the provision of advice to the Department about the scope and direction of the administration as delivered by its service providers and DE officials. The Pension Board also provides assurance to me as Accounting Officer, scheme members and employers about the effective financial management of the NITPS, including contribution collection, financial forecasting, debt management and production of Scheme Accounts. Two DE officials are appointed to the Board by me.

7.4 The Scheme Advisory Board is responsible for providing advice to the Scheme Manager, at the Department's request, on the desirability of changes to the Scheme and on matters of policy.

7.5 The Department maintains registers of any notified conflicts of interest for members of the Pension Board and Scheme Advisory Board.

7.6 On 4 May 2017 both Boards formally reviewed their respective terms of reference and performance during 2016/17 and agreed measures to further developing their roles. Subject to the agreement of the Department these will be taken forward during 2017/18

Technical Excess Vote

7.7 The Teacher's Pension Scheme has incurred a technical Excess Vote of £3.9m in 2016-17, as the net resource outturn exceeded the Estimate position. The Excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January Monitoring Round, this Excess would not have occurred.

2017-18 Budget Position

7.8 The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Annual Benefit Statements (ABS)

7.9 The Teachers' Pension Scheme Regulations (Northern Ireland) 2014 required the scheme manager to provide an annual benefit information statement to each active member of this scheme no later than the "relevant date" and at least once in each year ending with the anniversary of that date.

7.10 The "relevant date" by which Northern Ireland Teachers Pension Scheme (NITPS) was obliged to issue annual benefit statements to all active members was 31 August 2016. The statements included details of pensionable benefits as at 31 March 2016. At that time there were 23,871 active members entitled to receive an ABS and at 31 August 2016 the scheme had successfully issued all statements apart from 595 which did not meet the target date. The reasons for non issue of an ABS to 595 members was largely due to incomplete data migrated from former IT systems, some of which required the IT system supplier to amend.

7.11 NITPS submitted a breach of law report to the Pension Regulator outlining the extent of the breach, the planned course of action and the anticipated date for full compliance. The regulator confirmed that they would not take any action for the delay in sending annual benefit statements, provided these were issued by the agreed date. The remaining 595 statements were issued by 30 November 2016.

Overpayments

7.12 There were no notable overpayments identified during the year. Recovery of previously discovered overpayments is ongoing.

Accuracy of membership data

7.13 The Department continues to manage its risk in relation to the accuracy of membership data. The Department has worked with the IT systems provider to amend the records of a number of members; and more accurate and reliable reports have been developed and are in place. The Department recognises the importance of the accuracy of the membership data produced from the pension system and continues to strive to improve the quality of this information.

Data security lapses

7.14 The Department did not identify any data security issues relating to the Scheme during the year.

Fraud Prevention and Whistleblowing

7.15 The Department's fraud and whistleblowing arrangements were reviewed and updated during 2015/16 and are fully compliant with current best practice. A fraud risk analysis was also undertaken during 2015/16 to identify areas where the risk of fraud exists and ensure that appropriate measures are in place to minimise those risks.

7.16 Fraud monitoring and reporting arrangements have been effectively maintained throughout the year and no cases of fraud arose during 2016-17 of which the Department are aware.

7.17 The Department participates in the biennial NFI, which compares public sector databases to identify mismatches between information held. This allows the Department to compare teachers' pension payroll against other payrolls. Where mismatches are found, each case is investigated to ascertain if overpayments or possible fraud have taken place.

8. Conclusion

8.1 In conclusion, it is my assessment that an appropriately rigorous system of governance and accountability in relation to the Teachers' Pension System is operating, which I can rely on as Accounting Officer, to provide assurance that the public funds and other resources for which I am accountable are deployed effectively and appropriately in this area.

D A Baker

Signed: ______________________________ **Date: 26 June 2017**

Accounting Officer

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 Teachers' Pension Scheme for the year ended 31 March 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Teachers' Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Teachers' Pension Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers, Report of the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on regularity

Basis for qualified opinion on regularity arising from breach of an Assembly control total

In 2016-17 the Teachers' Pension Scheme expended more resources than the Assembly had authorised resulting in an excess vote. Net resource outturn of £475,875,000 was £3,905,000 in excess of the £471,970,000 limit authorised by the Assembly. This excess arose because the Assembly dissolved at the end of January 2017 and therefore the process of considering and approving the 2016-17 Spring Supplementary Estimates by way of a Budget Bill could not take place. Had the Assembly approved these Estimates the excess would not have occurred.

In my opinion:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2017; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2017 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Opinion on other matters

In my opinion:

- the information given in the Report of the Managers and Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

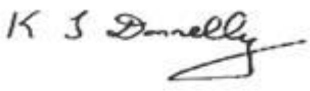
Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

27 June 2017

STATEMENT OF ASSEMBLY SUPPLY

Summary of Resource Outturn 2016-17

								2016-17 £'000	2015-16 £'000
		Estimate			Outturn				Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn Compared with Estimate: Saving/ (excess)	Net Total
Annually Managed Expenditure		725,000	(251,233)	473,767	725,286	(247,413)	477,873	(4,106)	515,519
Non-Budget		-	(1,797)	(1,797)	-	(1,998)	(1,998)	201	(2,013)
Total Resources	SoAS1	**725,000**	**(253,030)**	**471,970**	**725,286**	**(249,411)**	**475,875**	**(3,905)**	**513,506**

RfR A: Providing a pension scheme for persons covered by the Teachers' Pension Scheme

Summary of net cash requirement 2016-17

				2016-17 £'000	2015-16 £'000
	Note	Estimate	Outturn	Net Total Outturn Compared with Estimate: Saving/ (excess)	Outturn
Net cash requirement	SoAS2	171,778	164,311	7,467	156,149

Summary of income payable to the Consolidated Fund

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

		Forecast 2016-17 £'000		Outturn 2016-17 £'000	
	Note	Income	Receipts	Income	Receipts
Total	SoAS3	-	-	7	*7*

The notes on pages 27 to 28 form part of the Statement of Assembly Supply.

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

Request for Resources – Excess £3.9 million

Request for Resources A- The Teacher's Pension Scheme has incurred a technical Excess of £3.9m. The Excess arose due to the Assembly being dissolved in January 2017 and therefore the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position. Had the Spring Supplementary Estimates and associated Budget Bill been approved by the Assembly to reflect changes to departmental budgets that had previously been agreed by the Executive or changes that could reasonably have been expected to have been agreed in the January Monitoring Round, this Excess would not have occurred.

SoAS1. Reconciliation of net resource outturn to net expenditure

				2016-17 £'000	2015-16 £'000
	Note	Outturn	Supply Estimate	Outturn Compared With Estimate: saving/(excess)	Outturn
Net Resource Outturn		475,875	471,970	(3,905)	513,506
Non-supply income (CFERs)	SoAS3				-
Net Expenditure in Combined Statement of Comprehensive Net Expenditure		**475,875**	**471,970**	**(3,905)**	**513,506**

SoAS2. Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	Net Total Outturn Compared with Estimate: saving/(excess)
		£'000	£'000	£'000
Net Resource Outturn	SoAS1	471,970	475,875	(3,905)
Accruals adjustments:				
New provisions and changes to previous provisions		(725,000)	(725,286)	286
Changes in working capital other than cash		11,000	2,265	8,735
Use of provisions		413,808	411,457	2,351
Net cash requirement		**171,778**	**164,311**	**7,467**

SoAS3. Analysis of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2016-17 £'000		Outturn 2016-17 £'000	
	Note	Income	Receipts	Income	*Receipts*
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	7	*7*
Total income payable to the Consolidated Fund		**-**	**-**	**7**	***7***

SoAS4. Reconciliation of income recorded within the Combined Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

		2016-17 £'000	2015-16 £'000
Operating income		249,411	245,888
Income authorised to be accruing resources		249,411	245,888
Operating income payable to Consolidated Fund		**-**	**-**

Other Assembly Accountability Disclosures

Losses and Special payments

Losses statement:

During the years 2016-17 and 2015-16 total losses were less than £250,000; and in accordance with Annex 4.10 to Managing Public Money Northern Ireland (MPMNI), no further disclosure is required.

Special payments:

During the years 2016-17 and 2015-16 there were no special payments.

Other payments:

During the years 2016-17 and 2015-16 there were no other significant payments.

FINANCIAL STATEMENTS

COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2017

Principal arrangements
Teachers' Pension Scheme

	Note	2016-17 £'000	2015-16 £'000
Income:			
Contributions receivable	3	(241,339)	(242,784)
Transfers in	4	(6,562)	(3,104)
Other pension income	5	(1,510)	-
		(249,411)	(245,888)
Expenditure:			
Pension cost	6	305,000	320,000
Past Service Cost	6	-	6,000
Pension Financing Costs	7	412,000	430,000
Enhancements	8	213	289
Transfers In – Additional Liability	9	6,563	3,105
Other Pension Cost	10	1,510	-
		725,286	759,394
Net expenditure		**475,875**	**513,506**

Other Comprehensive Net Expenditure

	Note	2016-17 £000	2015-16 £000
Pension re-measurements:			
Actuarial (Gain)/Loss	14.7	2,966,174	(887,768)
Total Comprehensive Net (Income)/ Expenditure for the year		**3,442,049**	**(374,262)**

The notes on pages 33 to 49 form part of these Scheme Statements.

COMBINED STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

Principal arrangements
Teachers' Pension Scheme

	Note	2016-17 £'000	2015-16 £'000
Current assets:			
Receivables	11	6,189	4,468
Cash and cash equivalents	12	1,424	631
Total current assets		7,613	5,099
Current liabilities:			
Payables (within 12 months)	13	(5,724)	(5,478)
Net current liabilities, excluding pension liability		1,889	(379)
Pension liability	14.4	(14,780,003)	(11,499,999)
Net liabilities, including pension liability		**(14,778,114)**	**(11,500,378)**
Taxpayers' equity:			
General fund		(14,778,114)	(11,500,378)
		(14,778,114)	**(11,500,378)**

D A Baker

Signed: ________________________________ **Date: 26 June 2017**

Accounting Officer

The notes on pages 33 to 49 form part of these Scheme Statements.

COMBINED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2017

		General Fund	
		2016-17	**2015-16**
	Note	**£'000**	**£'000**
Balance at 1 April		(11,500,378)	(12,030,789)
Net Assembly Funding – drawn down		165,100	155,600
Net Assembly Funding – deemed (prior year)		629	1,177
Supply payable adjustment – current year	13	(1,417)	(628)
Excess accruing resources	13	-	-
Combined comprehensive net expenditure for the year		(475,874)	(513,506)
Actuarial gain/(loss)	14.7	(2,966,174)	887,768
Net change in Taxpayers' Equity		(3,277,736)	(530,411)
Balance at 31 March		**(14,778,114)**	**(11,500,378)**

The notes on pages 33 to 49 form part of these Scheme Statements.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net expenditure for the year		(475,875)	(513,506)
Adjustments for non-cash transactions:			
(Increase) / decrease in receivables		(1,716)	(441)
Increase / (decrease) in payables		244	(561)
Less movement in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		(793)	592
Increase in pension provision	14.4	717,000	756,000
Increase in pension provision – enhancements and transfers in	14.4	6,776	3,394
Increase in pension provision – capitalised cost of enhancement	14.4	1,510	-
Use of provisions – pension liability	14.5	(407,529)	(395,928)
Use of provisions – death in service	14.5	(2,324)	(2,491)
Use of provisions – refunds and transfers	14.6	(1,604)	(3,208)
Net cash outflow from operating activities		(164,311)	(156,149)
Cash flows from financing activities			
From the Consolidated Fund (supply): current year		165,100	155,600
Net Assembly Financing		165,100	155,600
Net (decrease) / increase in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		789	(549)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		7	3
Payments of amounts due to the Consolidated Fund		(3)	(46)
Net (decrease) / increase in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		793	(592)
Cash and cash equivalents at the beginning of the period	12	631	1,223
Cash and cash equivalents at the end of the period	12	**1,424**	**631**

The notes on pages 33 to 49 form part of these Scheme Statements.

NOTES TO THE SCHEME STATEMENTS

1. Basis of preparation of the Scheme Statements

The combined Scheme Statements have been prepared in accordance with the relevant provisions of the 2016-17 Government Financial Reporting Manual (FReM*)* issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. 'IAS 19 Employee Benefits' and 'IAS 26 Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

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

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

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

The Teachers' Pension (Miscellaneous Amendment) Regulations (Northern Ireland) 2015 provides that the rate of employer contributions is fixed at 17.7% of the employee's salary. The Department determined the contribution rates for employees after a consultation exercise. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the Northern Ireland Assembly through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Department of Education and reported in the annual resource accounts of the Department.

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

The Scheme Statements also have regard to the accounts direction given by the Department of Finance in accordance with Section 9(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent they are meaningful and appropriate in the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme Statements.

2.1 Going Concern Basis

The Statement of Financial Position as at 31 March 2017 shows net liabilities of £14.8bn, reflecting liabilities due in future years. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the Scheme is supply financed and draws its funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years. In addition, there are no assets in the scheme (note 1.1) as it operates on a pay-as-you-go basis with the shortfall being met through the Supply Funding process. Therefore, the actuarial liability of accrued costs will always place the Scheme in a net liability position.

2.2 Accounting convention

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

2.3 Pension contributions receivable

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

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

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

2.4 Transfers in and out

Transfers in and out in respect of individuals are accounted for on a cash basis. However, where the Scheme has formally accepted or transferred a liability in respect of a group transfer, such transfers are accounted for on an accruals basis.

Transfers in are simultaneously recognised as income and expenditure so that the increase in the Scheme liability is accounted for at the same time as the income is received.

2.5 Other income

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

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. It is calculated by factoring up the actual contribution rates charged to employers (17.7%) to the projected unit credit rate (34.7%) adopted by the Actuary.

2.7 Past service cost

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, change to, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure in the year in which the change in benefits vests.

2.8 Pension financing cost

The pension financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement, and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2016, being 0.24% per cent real rate (i.e. 2.80% per cent including CPI inflation) and is recognised in the Combined Statement of Comprehensive Net Expenditure. These discount rates are determined by HM Treasury and circularised in a Public Expenditure System (PES) paper.

2.9 Other expenditure

Other expenditure is accounted for on an accruals basis except for the costs of administering the Teachers Pension Scheme and the Teachers Premature Retirement Scheme which are borne by the Department of Education.

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at the close of 31 March 2017, being 0.24% per cent real rate (i.e. 2.80% per cent including CPI inflation).

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

Further details in respect of the Scheme liability are provided in note 14.

2.11 Pension benefits payable

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

2.12 Pension payments to those retiring at their normal retirement age

Lump sums and 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.

2.13 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).

2.14 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.

2.15 Actuarial gains / losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Combined Statement of Comprehensive Net Expenditure.

2.16 Premature Retirement Compensation

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

2.17 Cash and cash equivalents

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

2.18 Currency and rounding

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

2.19 Changes to International Financial Reporting Standards

Management have reviewed all new accounting standards and concluded that there are no changes affecting these annual Scheme Statements.

2.20 Changes to the Financial Reporting Manual (FReM)

The FReM for 2016-17 did not introduce any changes applicable to these annual Scheme Statements.

3. Contributions receivable

	2016-17 £000	2015-16 £000
Employers' contributions	155,632	156,537
Employees' contributions - normal	83,496	83,946
Employees' contributions - purchase of added years	213	288
Premature retirement compensation receipts from DFE	1,998	2,013
	241,339	**242,784**

£245 million contributions are expected to be payable to the Scheme in 2017-18.

4. Transfers in (see also Note 9)

	2016-17 £000	2015-16 £000
Individual transfers in from other schemes	**6,562**	**3,104**

5. Other pension income (see also Note 10)

	2016-17 £000	2015-16 £000
Capitalised cost of enhancements to pensions payable	**1,510**	**-**

6. Pension cost (*see also* Note 14.4)

	2016-17 £000	2015-16 £000
Current service cost	**305,000**	**320,000**
Past Service Cost	**-**	**6,000**
	305,000	**326,000**

.

7. Pension financing cost (*see also* Note 14.4)

	2016-17 £000	2015-16 £000
Net interest on defined benefit liability	**412,000**	**430,000**

8. Enhancements *(see also* Note 14.4*)*

Purchase of added years and added pension	2016-17 £000	2015-16 £000
Employees:	213	289
Employers:		-
	213	**289**

9. Transfer in – additional liability (*see also* Note 4)

	2016-17 £000	2015-16 £000
Individual transfers in from other schemes	**6,563**	**3,105**

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

10. Other pension cost (*see also* Note 5)

	2016-17 £000	2015-16 £000
Capitalised cost of enhancement to pensions payable	**1,510**	**-**

11. Receivables - contributions due in respect of pensions

11.1 Analysis by type

Amounts falling due within one year:	2016-17 £000	2015-16 £000
Pension contributions due from employers	2,730	2,651
Employees' normal contributions	1,443	1,405
Overpaid pensions	547	600
Provision for bad debt	(207)	(356)
Receivable from DFE & DE	1,676	168
Total receivables at 31 March	**6,189**	**4,468**

Included within these figures is £nil (2015-16: £nil) that will be due to the Consolidated Fund once the debts are collected.

12. Cash and cash equivalents

	Note	2016-17 £000	2015-16 £000
Balance at 1 April		631	1,223
Net change in cash balances		793	(592)
Balance at 31 March		**1,424**	**631**
The following balances at 31 March were held at:			
Commercial banks and cash in hand		**1,424**	**631**
The balance at 31 March comprises:			
Amounts issued from the Consolidated Fund for supply but not spent at year end	13	1,417	628
Excess accruing resources	13	-	-
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	13	7	3
		1,424	**631**

13. Payables - in respect of pensions

13.1 Analysis by type

Amounts falling due within one year:	2016-17 £000	2015-16 £000
Pensions	130	653
HMRC and voluntary contributions	4,085	4,073
Interdepartmental balances owed in respect of refund of overpaid contributions	13	17
Other payables	72	104
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,417	628
Excess accruing resources	-	-
Consolidated Fund extra receipts received due to be paid to the Consolidated Fund	7	3
Total payables at 31 March	**5,724**	**5,478**

14. Pension liability

14.1 Assumptions underpinning pension liability

The Department of Education Teachers' Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2017. The Report of the Actuary and Combined Statement of Comprehensive Net Expenditure disclosures on pages 9 to 15 set out the scope, methodology and results of the work the actuary has carried out.

The last full formal actuarial valuation undertaken for the Department of Education Teachers' Pension Scheme was completed as at 31 March 2012 per the Government Actuary's report dated 3 February 2015.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

An actuarial valuation of the Scheme for IAS 19 purposes has been carried out as at 31 March 2015. Full membership data as at 31 March 2015 was provided by the Department. This data, and the checks and adjustments to it are summarised in the report dated 12 April 2017. The assessment has been carried out by calculating the liability as at 31 March 2015 based on the data provided as at 31 March 2015 and rolling forward that liability to 31 March 2017.

The liability calculations as at 31 March 2017 have been carried out using the demographic assumptions adopted for the 2015-16 Scheme Statements which are the same as those used for the 2012 funding valuation except with regards to the allowance for future improvements in mortality. Mortality improvements have been updated at 31 March 2017 in line with those used for the 2014 based National Population Projections. In undertaking this exercise, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have been used.

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

- Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- Benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- Income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- Following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

Financial assumptions	**At 31 March 2017**	**At 31 March 2016**	**At 31 March 2015**	**At 31 March 2014**	**At 31 March 2013**
Rate of increase in salaries*	1.00%	1.00%	1.00%	1.00%	0.00%
Rate of increase in pensions in payment and deferred pensions*	2.55%	1.20%	2.70%	2.20%	5.20%
Nominal discount rate**	2.80%	3.60%	3.55%	4.35%	4.10%
Rate of CPI inflation**	2.20%	2.20%	2.20%	2.50%	1.70%
Discount rate net of CPI**	0.24%	1.37%	1.30%	1.80%	2.35%

*These relate to the increase in that particular year. **These relate to long-term assumptions assumed to apply to all future years (for the purpose of the particular year's accounting disclosures).

Life expectancies at age 60		**At 31 March 2017**	**At 31 March 2016**	**At 31 March 2015**	**At 31 March 2014**	**At 31 March 2013**
Current retirements:	Females (years)	31.7	31.6	32.2	32.1	32.8
	Males (years)	29.4	29.3	29.5	29.4	29.2
*Retirements in 20 years time:	Females (years)	33.6	33.5	34.2	34.1	35.1
	Males (years)	31.4	31.3	31.6	31.5	31.6

*The life expectancy from age 60 of future pensioners will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 40

Life expectancies at age 65		**At 31 March 2017**	**At 31 March 2016**	**At 31 March 2015**	**At 31 March 2014**	**At 31 March 2013**
Current retirements:	Females (years)	26.6	26.5	27.1	27.0	27.8
	Males (years)	24.4	24.3	24.5	24.4	24.4
*Retirements in 20 years time:	Females (years)	28.4	28.3	29.1	29.0	30.0
	Males (years)	26.3	26.2	26.5	26.4	26.6

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

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

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

In accordance with IAS 19 the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

14.2 Analysis of pension liability

Analysis of provision for pension liability	**At 31 March 2017 £ billion**	**At 31 March 2016 £ billion**	**At 31 March 2015 £ billion**	**At 31 March 2014 £ billion**	**At 31 March 2013 £ billion**
Pensions in payment	6.30	5.94	6.24	5.70	5.39
Deferred members	0.65	0.40	0.50	0.46	0.36
Active members	7.83	5.16	5.29	4.62	3.81
Total	**14.78**	**11.50**	**12.03**	**10.78**	**9.56**

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

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 14.7. The disclosure of “experience” gains or losses for the year in note 14.8 shows the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

14.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is included below. Each of the sensitivity results has been determined by calculating the liability under the sensitivity scenario in a similar way to the main results, with a valuation on the sensitivity basis being carried out using full membership data as at 31 March 2015 and rolled forward to 31 March 2017.

The principal financial assumptions are the discount rate, earnings increases and pension increases (currently based on the Consumer Prices Index [CPI]). A key demographic assumption is pensioner mortality.

The liability is very sensitive to the assumed discount rate but this is primarily because changing the discount rate in isolation also changes the rate net of earnings and pension increases. If earnings and pension increases were increased at the same time then the impact on the liability would be small. Higher pension increases have a substantial effect because this has an impact on all categories of members.

A wide range of demographic assumptions is required to determine the actuarial liability. All the assumptions are uncertain but some of the assumptions are more uncertain than others owing to the quality of the past data available for analysis and its relevance to members' future circumstances. For example, the timing of retirements for members who remain in the existing scheme after 1 April 2015 is more predictable than for those who are moved into the new career average scheme. Some assumptions, for example, rates of death in service, only have a small impact on the liability. The significant assumptions for the purpose of the sensitivity analysis are those which are more uncertain and may have the potential for a larger impact on the liability. These are pensioner mortality, timing of retirements for members moving to the new scheme and withdrawal rates.

If longevity at retirement were assumed to be a year greater, then this would increase the total actuarial liability by about 3%.

The reforms to the Scheme implemented with effect from 1 April 2015 introduce a later normal retirement age for accrual after 2015. As a result of the Scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the new Scheme. In general, assumed age retirement rates can have a significant impact on the Scheme liabilities and so the analysis indicates the approximate effect (on the total past service liability) of all active members who move to the new Scheme retiring one year later than assumed in the main liability calculations. Changing the assumed timing of retirement has different effects on members retiring before and after the normal pension age (NPA). For members retiring before NPA, later retirement will result in additional costs to the Scheme, whereas for members retiring after NPA it will result in savings. These effects tend to cancel each other out unless the change in retirement age is large.

There was uncertainty around the actual level of withdrawals experienced by the Scheme over the analysis period used to determine the Scheme specific withdrawal assumption adopted. The analysis illustrates the possible impact of this uncertainty by giving an indication of the approximate effect of withdrawal rates being a third higher than assumed.

The following table shows the indicative effects on the total liability as at 31 March 2017 of changes to these assumptions (mostly rounded to the nearest 0.5%). The sensitivities show the change in each assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions:			
(i) Discount rate*	+½% a year	-10.%	-£1,500 million
(ii) earnings increases*	+½% a year	+2.5%	+£400 million
(iii) pension increases*	+½% a year	+8%	+£1,200 million
Demographic assumptions:			
(iv) additional one year increase to life expectancy at retirement*		+3%	+£450 million
(v) all active members who move to the new Scheme retire (on average) one year later		0%	£0 million
(vi) withdrawal rates a third higher		-0.5%	-£100 million

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

14.4 Analysis of movements in the Scheme liability

	Note	2016-17 £000	2015-16 £000
Scheme liability at 1 April		(11,499,999)	(12,030,000)
Current service cost	6	(305,000)	(320,000)
Past Service Cost	6	-	(6,000)
Pension financing cost	7	(412,000)	(430,000)
		(717,000)	(756,000)
Enhancements	8	(214)	(289)
Pension transfers in	9	(6,563)	(3,105)
Other pension cost	10	(1,510)	-
		(8,287)	(3,394)
Benefits payable	14.5	409,853	398,419
Pension payments to and on account of leavers	14.6	1,604	3,208
		411,457	401,627
Actuarial loss	14.7	(2,966,174)	887,768
Scheme liability at 31 March		**(14,780,003)**	**(11,499,999)**

During the year ended 31 March 2017, contributions from employers were 17.7% and from employees approximately 9.6% of pensionable pay on average, employees' contributions being based on different rates for different tiers of pensionable salary.
The Actuarial loss arises from the effect of the significant reduction in net discount rates as shown in 14.1 Financial Assumptions.
At 31 March 2017 the approximate split of the liability is £14.0bn pre 2015 final salary Sections and £0.8bn post 2015 CARE section.

14.5 Analysis of benefits paid

	2016-17 £000	2015-16 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	348,034	338,393
Commutations and lump sum benefits on retirement	59,495	57,535
Lump sum benefits on death in service	2,324	2,491
Total benefits paid	**409,853**	**398,419**

14.6 Analysis of payments to and on account of leavers

	2016-17 £000	2015-16 £000
Refunds to members leaving service	157	180
Individual transfers to other schemes	1,447	3,028
Total payments to and on account of leavers	**1,604**	**3,208**

14.7 Analysis of actuarial gain / (loss)

	2016-17 £000	2015-16 £000
Experience gains /(losses)	66,826	147,768
Changes in mortality assumptions		260,000
Changes in demographic assumptions		-
Changes in financial assumptions	(3,033,000)	480,000
Total actuarial gain / (loss)	**(2,966,174)**	**887,768**

The Actuarial loss arises from the effect of the significant reduction in net discount rates as shown in 14.1 Financial Assumptions.

14.8 History of experience gains / (losses)

	2016-17	2015-16	2014-15	2013-14	2012-13
Experience gains / (losses) on Scheme liabilities:					
Amount (£000)	66,826	147,768	220,800	(234,262)	600,019
Percentage of the present value of the Scheme liabilities	0.5%	1.28%	1.83%	(2.17%)	6.27%
Total amount recognised in the Statement of Changes in Taxpayers' Equity:					
Amount (£000)	(2,966,174)	887,768	(839,200)	(924,262)	(169,981)
Percentage of the present value of the Scheme liabilities	20%	7.71%	(6.97%)	(8.57%)	(1.77%)

15. Financial instruments

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

16. Contingent liabilities disclosed under IAS 37

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

The Brewster judgement issued by the Supreme Court on 8 February 2017 may give rise to a liability for the scheme in respect of survivor's pensions. The Government will consider what, if any, implications this ruling may have for other public service pension schemes. The Department does not have sufficient information at this time to determine the nature of the potential total liability.

17. Related party transactions

The Teachers' Pension 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 or key managerial staff have undertaken any material transactions with the Schemes during the year.

18. Events after the reporting period

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

Date of authorisation for issue
The Accounting Officer authorised the issue of the Scheme Statements on 27 June 2017.

Department of Education, Rathgael House, 43 Balloo Road, Rathgill, Bangor, Co Down BT19 7PR