Presented pursuant to the GRA Act 2000 c.20, s.6

Teachers' Pension Scheme (England and Wales)

Resource Accounts 2004-05

LONDON: The Stationery Office
HC 627

10 November 2005
£8.00

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(For the year ended 31 March 2005)

Ordered by the House of Commons to be printed 10 November 2005

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Contents

TEACHERS' PENSION SCHEME: ENGLAND AND WALES

REPORT OF THE MANAGERS

Accounts for the year ended 31st March 2005.

Introduction

The Teachers' Pension Scheme is an unfunded, contributory, public service occupational pension scheme, governed by statutory regulations. The current regulations are the Teachers' Pension Regulations 1997 (as amended).

Membership of the scheme is voluntary and is open to members of the teaching profession in England and Wales.

The scheme is managed by the Department for Education and Skills and administered under contract by Capita Teachers' Pensions.

Outside the scheme, are provisions for premature retirement compensation payments made on behalf of employers and for the recovery of the costs of those payments from employers. Those provisions are managed by the Department for Education and Skills and administered under contract by Capita Teachers' Pensions.

The Managers, Advisers and employers for both are as listed below:

MANAGERS, ADMINISTRATORS, ADVISERS AND EMPLOYERS

MANAGERS

Accounting Officer

Sir David Normington
DfES
SANCTUARY BUILDINGS
Great Smith Street
London
SW1P 3BT

Scheme Manager and Premature Retirement Scheme Manager (contact)

Richard Symms
DfES
Mowden Hall
Staindrop Road
DARLINGTON
DL3 9BG

ADVISERS

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

BANKERS

Paymaster (1836) Ltd

LEGAL ADVISERS

Legal Directorate: Academies and School Workforce Group
Caxton House
Tothill Street
London
SW1H 9NA

AUDITORS

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

ADMINISTRATOR OF THE SCHEME

Capita Business Services Ltd
Teachers' Pensions
Mowden Hall
DARLINGTON
Co Durham
DL3 9EE

EMPLOYERS

Any organisation in England and Wales that employs teachers can join the scheme. There were 2,263 employers participating in 2004-05 that fall into the following categories:

- 172 Local Education Authorities (LEAs);
- 435 further education institutions;
- 90 higher education institutions, and
- 1,566 independent establishments.

CHANGES TO THE TEACHERS' PENSION SCHEME

During the year the following changes were made to the Scheme.

Pensions were increased by 2.8% with effect from 12 April 2004 in line with increases in the cost of living.

From April 2004 the employers' contribution rate was maintained at 13.5%.

CHANGES TO THE PREMATURE RETIREMENT COMPENSATION SCHEME

During the year, compensation payments to certain individuals were increased by 2.8% in line with the increases in pensions.

FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS AND STAKEHOLDER PENSIONS

Employees of organisations which participate in the Teachers' Pension Scheme may make their own arrangements for making payments to institutions which offer free-standing additional voluntary contribution (FSAVC) schemes. The Managers of the Teachers' Pension Scheme have no responsibility in connection with such arrangements. Employers have made known to staff the arrangement and provide a facility for staff to contribute through payroll if they so wish. No contributions are made by the Managers of the Teachers' Pension Scheme or by employers.

POST-BALANCE SHEET EVENTS

The discount rate used to determine the pension scheme liability reduced from 3.5% to 2.8% real from 1 April 2005. See note 31 to the Accounts.

MEMBERSHIP STATISTICS

Detail of the current membership of the Teachers' Pension Scheme England and Wales is as follows:-

Please note that the figures for Active Members are for year ending March 2004. The figures for Pensions in Payment are for year ending March 2005. This is the latest data available.

A Active Members

	Active members brought forward from 31 March 03	553,557
	Adjustments due to data received post-31 March 03	5,081
	Total active members at 1 April 2003	**558,638**
Add:	New entrants in the year	39,454
	Re-Entrants in the year	33,974
	Transfers in	541
	Opted In	684
Less:	Premature retirements	(2,409)
	Age and infirmity retirements	(7,944)
	Actuarially reduced benefits	(3,553)
	Opted out	(2,099)
	Other exits (including Transfers out)	(37,697)
	Deaths	(416)
	Active members at 31 March 2004	**579,173**

B Deferred Members

	Deferred members brought forward from 31 March 04	359,080
	Adjustments due to data received post 31 March 04	6,231
	Total deferred members at 1 April 2004	**365,311**
Add:	Exits with no benefits payable (including optants out with service remaining in scheme and transfers in)	39,481
Less:	Deaths	(233)
	Return of contributions	(989)
	Re-entry to service	(24,431)
	Transfers out	(2,489)
	Awards out of service	(4,220)
	Deferred members at 31 March 2005	**372,430**

C Pensioners in Payment

	Members	Dependants	Total
Pensioners at the start of the year – brought forward from 31 March 2004	414,273	41,154	455,427
Adjustments due to data received post 31 March 04	1,271	4,739	6,010
Total pensioners in payment at 1 April 2004	415,544	45,893	**461,437**
Add:			
Members retiring in the year			
– Age\premature pensions	12,894		12,894
– Infirmity pensions	1,882		1,882
– Actuarially reduced benefits	5,698		5,698
New dependants		3,330	3,330
Less Cessations in Year			
– Age\premature pensions	(9,548)		(9,548)
– Infirmity pensions	(1,607)		(1,607)
– Actuarially reduced benefits	(86)		(86)
Dependants		(1,413)	(1,413)
Pensioners in payment at 31 March 2005	424,777	47,810	**472,587**

Further information

Any enquiries about either the Teachers' Pensions Scheme or the Premature Retirement Compensation Scheme in England and Wales should be addressed to:-

Capita Business Services Ltd
Teachers' Pensions
Mowden Hall
DARLINGTON
Co Durham
DL3 9EE

Sir David Normington
Accounting Officer

Date: 19 October 2005

Teachers' Pension Scheme (England and Wales)
Accounting Year Ended 31 March 2005
Report of the Actuary

(Note by the Government Actuary's Department)

Liabilities

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

Table 1: Past service liabilities

Value of liability in respect of	£ billion
Pensions in payment	54.1
Deferred pensions	8.4
Active members (past service)	57.2
Total	**119.7**

Accruing costs

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

Table 2: Contribution rate

Contribution rate	Percentage of pensionable pay
Standard contribution rate	20.0%
Members' contribution rate	6.0%
Employer's share of standard cost	14.0%
Actual rate charged to employers	13.5%

The actual rate charged to employers (of 13.5%) is less than the employer's share of standard cost (14.0%) for the reasons explained in Section C.

In relation to the pensionable payroll for the financial year 2004-05, the actual charges made to employers in cash terms are assessed as £2.6 billion (from the accounts data received by DfES). Based on this data, the accruing cost of pensions in 2004-05 (at 20% of pay) is estimated to be £3.9 billion.

Methodology

C. The value of the liabilities has been obtained using the projected accrued benefit method, with allowance for expected future pay increases in respect of active members. The contribution rate for accruing costs in 2004-05 (of 20.0%) has been determined using the projected unit method (based on the entry age standard contribution rate determined at the 2001 valuation).

Assumptions

D. Table 3 shows the principal financial assumptions adopted to prepare this statement. The demographic assumptions were derived from the specific experience of the scheme membership, and are the same as those adopted for the 2001 valuation except that the liabilities as at 31 March 2005 were calculated including allowance for greater future mortality improvement for future pensioners. The contributions rate to determine the accruing cost in 2004-05 was calculated using the assumptions applicable at the start of the year.

Notes

E. (1) Section A of this Statement is based on the results of a full actuarial valuation carried out as at 31 March 2001 with an approximate updating for subsequent financial years to reflect known changes, and adjusted for subsequent corrections to the membership data provided for the valuation. The cost of benefits accruing in the year 2004-05, shown in Section B, is also based on the results of the valuation as at 31 March 2001, but modified as described in Section C.

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

E I Battersby, FIA 30 September 2005
Chief Actuary
Government Actuary's Department

Teachers' Pension Scheme (England & Wales)
Resource Accounting (FRS17-based)

Year Ending 31 March 2005

Table 3: Financial Assumptions

Assumption*	31 March 2005	31 March 2004
Rate of return (discount rate)	7%	7%
Rate of return in excess of:		
Earnings increases	2%	2%
Pension increases	3½%	3½%
Expected return on assets:	n/a	n/a

Table 4: Balance Sheet Disclosures

		£ billion
	31 March 2005	31 March 2004
Total market value of assets	nil	nil
Value of liabilities	(119.7)	(113)
Surplus (deficit)	(119.7)	(113)
of which recoverable by employers	n/a	n/a

Table 5: Profit & Loss Disclosures

	£ billion Year ending 31 March 2005
Analysis of amount charged to operating profit	
Current service cost	3.9
Past service cost	0
Unrecognised past surplus	0
Adjustment to pensions liability	–0.5
Total operating charge	3.4
Analysis of the amount credited to other finance income	
Expected return on pension scheme assets	0
Interest on pension scheme liabilities (@6%)	6.8
Net return	–6.8
Analysis of amount recognised in STRGL	
Actual return less expected return on pension scheme assets	0
Experience gains and losses arising on the scheme liabilities	0.2
Changes in assumptions underlying the present value of liabilities	–1.3
Actuarial gain (loss) in pension scheme	–1.1
Prior period adjustment	0
Actuarial gain (loss) recognised in STRGL	–1.1
Movement in surplus during the year	
Surplus at beginning of year	–113
Adjustment to pensions liability	0.5
Current service cost	–3.9
Reduction in liabilities in respect of benefits paid during the year	4.6
Past service costs	0
Other finance income	–6.8
Actuarial gain (loss)	–1.1
Surplus at end of year	–119.7

Government Actuary's Department **30 September 2005**

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, the Accounting Officer is required to prepare a combined financial statement for pension and compensation in the form and on the basis determined by HM Treasury.

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

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

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

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

THE TEACHERS' PENSION SCHEME: ENGLAND AND WALES STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of internal control that supports the achievement of the Teacher's Pension Scheme's policies, aims and objectives, set by the Department's Ministers, whilst safeguarding the public funds and Departmental assets, in accordance with the responsibilities assigned to me in Government Accounting.

The Departmental Board includes two non-executive members and regularly meets to discuss all strategic policy management issues. This includes providing direction on major operational issues, reviewing performance and ensuring that the Department is working economically, efficiently and effectively. The Board regularly reviews the key high level risks and ensures they are effectively managed. Every quarter I discuss the key Departmental risks with the Secretary of State.

The Department has contracted out the administration of the Teachers' Pension Scheme. The Teachers' Pension Scheme contract is managed by the Department and operated in accordance with the Department's internal control framework. As Accounting Officer, I have overall responsibility for ensuring that the contractor is managing the risks effectively and for reviewing the effectiveness of the contractor's systems of internal control.

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 the Teachers' Pension Scheme's 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 Teachers' Pension Scheme for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Board recognises the importance of leadership to create an environment where risk management is effective. Collectively we have developed and communicated the Department's risk management policy including risk appetite. Senior managers have been trained in how to effectively manage risk. Risk management has been embedded into all finance and project and programme management training. Guidance on the identification, assessment and management of risk in the Department has been fully updated and publicised to all staff during the year.

The risk and control framework

The Department's approach is to assign risks to those best placed to manage them. Therefore individual managers are responsible to the risk owners for managing risk as they have knowledge of the issues involved and can best mitigate the potential impact. All managers are expected to systematically identify, assess and manage risk and document the underlying assumptions.

The risk management process is built into the Teachers' Pension Scheme's business planning and reporting processes. There is clear accountability and ownership of risk to ensure that risk is managed at the appropriate level and there are frameworks in place to escalate risks to ensure that significant risks are reported to senior management and, if required, the Board.

The Department has a number of mechanisms through which it engages with employers' representatives and unions on the administration and management of the Teachers' Pension Scheme, and thereby minimise the risks involved. These include a Teachers' Pension User Group through which all parties can raise issues or concerns about the administration of the Scheme. This, in turn, is supported by communications from the Scheme administrator to employers and members including presentations and visits to employers. The Department is developing a communications strategy in collaboration with all stakeholders to further improve the quality and the breadth of Teachers' Pension Scheme communications.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors of both the Department and the contractor, the managers within the Teachers' Pension Scheme contract management team who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors. I have also been advised by the Board, the Audit Committee and the Risk Committee.

The Department's internal auditors undertake an annual work programme approved by the Board to review risk control and governance. This culminates in the 'Annual Assurance Report to the Accounting Officer' produced by the Head of Internal Audit which informs me as to the effectiveness of the overall system of internal control. The Audit Committee supports the Accounting Officer by offering objective advice on issues concerning the operation of control and governance of the Department. The Audit Committee is chaired by a non-executive director and its role and composition have been reviewed during 2004-05 to bring it into line with Treasury best practice guidance.

A separate Risk Committee, chaired by the Director General of the Finance, Analysis and Strategy Directorate, identifies key business risks for the Department and provides assurance to the Board and the Accounting Officer on Departmental risk management.

Internal Control issues

During the year we have examined the budgeting and accounting controls to identify any weaknesses that contributed to the 2003-04 excess vote and we have taken action to address the issues. In addition, Internal Audit Division are currently undertaking a review of the wider Teachers' Pensions budget and profiling system. As Accounting Officer I am satisfied that there are no material threats to the operational effectiveness of the Teachers' Pension Scheme, and that the systems in place comply with the Treasury requirements on risk management, internal control and governance.

Sir David Normington
Accounting Officer

Date: 19 October 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 15 to 31 under the Government Resources and Accounts Act 2000. The financial statements have been prepared under the accounting policies set out on pages 20 to 22.

Respective responsibilities of the Accounting Officer and auditor

As described on page 10, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of transactions. The Accounting Officer is also responsible for the preparation of the contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the scheme have been paid in accordance with the Scheme rules and the recommendations of the actuary. I also report if, in my opinion, the Report of the Scheme manager is not consistent with the financial statements, if the Department has not kept proper accounting records for the Scheme or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 11 to 12 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Scheme for the year ending 31 March 2005, the net outgoings, recognised gains and losses, and cash requirement for the year and the amount and disposition at that date of its assets and liabilities, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Treasury;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the contributions payable to the Scheme during the year ended 31 March 2005 have, in all material respects, been paid in accordance with the Scheme rules and the recommendations of the Actuary.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

24 October 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

The maintenance and integrity of the Department'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 website.

Schedule 1

Summary of Resource Outturn 2004-05 (£000s)

	2004-05							2003-04
	Estimate			Outturn				
	Gross expenditure	A in A	NET TOTAL	Gross expenditure	A in A	NET TOTAL	Net total outturn compared with estimate: saving/ (excess)	Prior-year outturn
Request for resources								
Teachers' Pensions	10,766,362	3,889,637	6,876,725	10,210,245	3,866,528	6,343,717	533,008	6,612,031
Non-budget	–	–	–	–	–	–	–	10,788,005
Total Resources	10,766,362	3,889,637	6,876,725	10,210,245	3,866,528	6,343,717	533,008	17,400,036
Net Cash Requirement			986,246			921,662	64,584	921,613

Summary of income payable to the Consolidated Fund (£000s)

In addition to appropriations in aid the following income relates to the Pension Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Forecast 2004-05		Outturn 2004-05	
	Income	**Receipts**	**Income**	**Receipts**
Operating income and receipts – excess A in A	–	–	0	*37,324*
Other CFERs	–	–	154	*136*
Total	–	–	154	*37,460*

Reconciliation of resource to cash requirements (£000s)

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)	Prior–year outturn
Net Total Resources		**6,876,725**	**6,343,717**	**533,008**	**17,400,036**
Capital		–	–	–	–
Investments		–	–	–	–
Non-operating A in A		–	–	–	–
Accruals Adjustments					
Non-cash items	24	(10,760,809)	(10,204,574)	(556,235)	(10,330,457)
Changes in working capital other than cash	25	91,396	50,735	40,661	225,521
Use of provisions	22.6 & 22.7	4,778,934	4,732,057	46,877	4,414,518
Debtor adjustment		–	(273)	273	–
Prior year adjustment		–	–	–	(10,788,005)
Net Cash Requirement (Schedule 4)		**986,246**	**921,662**	**64,584**	**921,613**

Explanation the variation between estimate and outturn (net total resources)

The outturn is £533,008,000 (7.8%) lower than the Estimate provision.

Explanation of the variation between estimate net cash requirement and outturn net cash requirement

The actual net cash requirement is £64,584,000 (6.5%) lower than the estimated net cash requirement.

Schedule 2 Revenue Account

for the year ended 31 March 2005 (£000s)

	Note	2004-05	2003-04
Income			
Contributions receivable	4	(3,767,793)	(3,669,991)
Transfers in	5	(89,290)	(82,396)
Other income	6	(9,599)	(8,075)
		(3,866,682)	(3,760,462)
Outgoings			
Pension cost	7	3,831,062	3,749,675
Enhancements	8	32,504	14,058
Transfers in	9	89,290	82,396
Interest on scheme liabilities	10	6,741,738	6,463,047
Other expenditure	11	15,651	25,845
		10,710,245	10,335,021
Adjustment to pension liability	32	(500,000)	
Net outgoings for the year		**6,343,563**	**6,574,559**
Net resource outturn	12	**6,343,717**	**17,400,036**
Statement of Recognised Gains and Losses			
Actuarial (gain)/loss	22.8	1,233,670	(897,929)
Total recognised (gains) and losses for the financial year		1,233,670	(897,929)
Prior year adjustment			103,000,000
Total (gains) and losses recognised since last annual report		1,233,670	102,102,071

Schedule 3 Balance Sheet

as at 31 March 2005 (£000s)

	Note		2004-05		2003-04
Debtors					
Contributions due in respect of pensions	16.1		310,519		288,319
Other debtors	16.2		7,091		5,033
Consolidated Fund debtor	17		–		37,144
Cash at bank	18		21,248		23,580
			338,858		**354,076**
Creditors – amounts falling due within one year					
Pensions and other creditors	19		(192,697)		(181,868)
Consolidated Fund creditor	20 & 21		(21,272)		(165,651)
			(213,969)		(347,519)
Net current assets			**124,889**		**6,557**
Provision for compensation payments where the scheme acts as a principal	23		(64,678)		(58,491)
Pension liability	22.5		(119,700,000)		(113,000,000)
Net liabilities			**(119,639,789)**		**(113,051,934)**
Financed by:					
Revenue account					
Balance brought forward			(113,051,934)		(108,197,268)
Financing from the Consolidated Fund (Schedule 4)			942,887		816,872
Net outgoings during the year (Schedule 2)			(6,343,563)		(6,574,559)
Actuarial gain/(loss) (SRGL)	22.8		(1,233,670)		897,929
Prior year cash excess – funded 2004-05			67,597		
Excess appropriations in aid for current year		–		(37,472)	
Income not appropriated in aid payable to the Consolidated Fund		(154)		–	
Consolidated Fund debtor/creditor	17 & 21	(21,225)		37,144	
Debtor adjustment		273		–	
Consolidated Fund adjustment		–		5,420	
			(21,106)		5,092
Balance carried forward			**(119,639,789)**		**(113,051,934)**

Sir David Normington
Accounting Officer

Date: 19 October 2005

The notes on pages 20 to 31 form part of these accounts.

Schedule 4

Cash Flow Statement
for the year ended 31 March 2005 (£000s)

	Note	2004-05	2003-04
Net cash outflow from operating activities (Note a)		(884,202)	(793,292)
Receipts due to Consolidated Fund			
Payments of amounts due to the Consolidated Fund		(165,758)	(96,704)
Financing (Note b)	21	1,047,628	906,898
Increase/(decrease) in cash in the period		**(2,332)**	**16,902**

Notes
a See the table below giving a reconciliation of net outgoings to operating cash flows.
b See the table below giving an analysis of financing, and reconciliation to net cash requirement.

A. Reconciliation of net outgoings to operating cash flows			
Net outgoings for the year (Schedule 2)		6,343,563	6,574,559
Non cash items	24	(10,204,574)	(10,330,457)
Debtor adjustment		(273)	–
Adjustment for movements in working capital other than cash	25	13,429	134,672
Use of provision – benefits paid	22.6	4,551,451	4,235,451
Use of provision – transfers	22.7	180,606	179,067
Net cash outflow from operating activities		**884,202**	**793,292**

B. Analysis of financing, and reconciliation to the net cash requirement			
From the Consolidated Fund (Supply) – current year[1]		942,887	816,872
From the Consolidated Fund (Supply) – prior year[2]		37,144	90,026
Prior year cash excess – funded 2004-05		67,597	–
Net financing	21	**1,047,628**	**906,898**
(Increase)/decrease in cash		2,332	(16,902)
Net cash flows other than financing		**1,049,960**	**889,996**
Adjustment for payments and receipts not related to supply:			
Amounts due to the Consolidated Fund, received in a prior year and paid over – excess appropriations in aid relating to prior year		(128,321)	(96,704)
Amounts due to the Consolidated Fund, received but not paid over – excess appropriations in aid relating to current year		23	128,321
Net cash requirement (Schedule 1)		**921,662**	**921,613**

[1] Amount of grant actually issued to the Department to support the net cash requirement = £942,887,000.00 (2003-04 £816,872,119.00)

[2] Amount of grant actually issued to the Department to support the prior year net cash requirement = £104,741,075.64 (2003-04 £90,025,376.03)

NOTES TO THE SCHEME STATEMENT

1. Basis of preparation

The scheme statement has been prepared in accordance with the relevant provisions of the *Resource Accounting Manual* for 2004-05 issued by the Treasury, 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. The accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

1.1 Teachers' Pension Scheme – principal arrangements

The scheme statement summarises the transactions of the Teachers' Pension Scheme where the Department for Education and Skills acts as 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.

1.2 Teachers' Pension Scheme – agency arrangements

The scheme acts as an agent for employers in the payment of compensation benefits arising under the Teachers' Pension Compensation Scheme. Compensation benefits paid out in the course of the month are generally recovered from the employer in advance, on a quarterly basis. These financial flows are not brought to account in the financial statements.

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

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2. Accounting policies for the Teachers' Pension Scheme – principal arrangements

2.1 Contributions receivable

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

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

c Employees' pension contributions which exclude amounts paid in respect of the purchase of added years (dealt with in 2.1.d below) and Additional Voluntary Contributions (dealt with in 2.15 below) are accounted for on an accruals basis.

d Employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

2.2 Transfers in and out

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

2.3 Income received in respect of enhancements

Amounts received in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the cost of pension enhancement capitalised either at the time of an early departure or at normal retirement age are accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

2.4 Other income

Other income, including refunds of gratuities, 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 members' service in the current period and is recognised in the Revenue Account. The cost is based on a discount of 3.5% real rate (i.e. 6% including inflation).

2.6 Past service costs

Past service costs are increases in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Revenue Account on a straight line basis over the period in which increase in benefit vest.

2.7 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue Account. The interest cost is based on a discount of 3.5% real rate (i.e. 6% 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 3.5% real rate (i.e. 6% 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 the 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

Where a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a retiring member of the pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

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

Where a member of the pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a member of the pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

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 empoyers to the approved AVC providers.

3. Accounting arrangements for the Teachers' Pension Scheme – agency arrangements

3.1 Accounting policies for Premature Retirement Compensation

3.1.1 Compensation payments for staff leaving before their normal retirement age are met by employers. For administrative convenience and value-for-money considerations, compensation payments are paid initially by the scheme throughout the month and recovered from employers on a quarterly basis, in advance. These transactions are not recorded in the revenue account (Schedule 2).

3.1.2 Some employers choose to extinguish their liability by providing the scheme administrators with an actuarial lump sum to meet the liabilities that have yet to be discharged, in which case the scheme accepts responsibility as a principal. Where the scheme acts as a principal, the cost of the future liability in setting up and revising the provision is recorded as expenditure in the revenue account, with offsetting income reflecting the reimbursements due from employers.

Revenue Account: Principal arrangements via the Teachers' Pension Scheme, and principal and agency arrangements via the Teachers' Pension Compensation Scheme

4. Pension contributions receivable

	2004-05	2003-04
	£000	£000
Employers	(2,578,001)	(2,506,296)
Employees:		
Normal	(1,175,142)	(1,147,603)
Purchase of added years	(14,650)	(16,092)
	(3,767,793)	(3,669,991)

5. Pension transfers in (see also note 9)

	2004-05	2003-04
	£000	£000
Individual transfers in from other schemes	(89,290)	(82,396)
	(89,290)	(82,396)

6. Other income

	2004-05	2003-04
	£000	£000
Contributions equivalent premiums	(1,009)	(2,330)
Recoveries of payments in lieu	(7)	(8)
Other income	(154)	(148)
Premature retirement compensation	(8,429)	(5,589)
	(9,599)	(8,075)

7. Pension cost

	Note	2004-05 £000	2003-04 £000
Current service cost		3,830,913	3,749,675
Past service costs		149	–
		3,831,062	3,749,675

8. Enhancements

	Note	2004-05 £000	2003-04 £000
Employees:			
Purchase of added years		32,413	13,969
Reinstatements		91	89
		32,504	14,058

9. Pension transfers in (see also note 5)

	Note	2004-05 £000	2003-04 £000
Individual transfers in from other schemes		89,290	82,396
		89,290	82,396

10. Interest charge

	Note	2004-05 £000	2003-04 £000
Interest charge for the year	24	6,741,738	6,463,047
		6,741,738	6,463,047

11. Other expenditure

The following amounts represent annual compensation payments and compensation lump sums payable.

	Note	2004-05 £000	2003-04 £000
On retirement			
Contributions equivalent premiums		4,601	3,580
Premature retirement compensation		8,542	19,939
Other		461	431
Unwinding of discount	23	2,047	1,895
		15,651	25,845

12. Reconciliation of net outgoings for the year and net resource outturn

	Note	2004-05 £000	2003-04 £000
Net outgoings (Schedule 2)		6,343,563	6,574,559
Add: Income not appropriated in aid, payable to the Consolidated Fund (Schedule 1)		154	37,472
Prior year adjustment (Schedule 1)		–	10,788,005
Net resource outturn (Schedule 1)		**6,343,717**	**17,400,036**

13. Administrative fees and expenses

All costs of administering the Teachers' Pension Scheme and the Teachers' Pension Compensation Scheme are borne by the Department for Education and Skills (DfES).

14. Additional Voluntary Contributions

14.1 The Teachers' Pensions 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, the Prudential, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contribution Schemes (FSAVCs). The individual's employer is responsible only for the onward payment 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 made up to 31 March each year confirming the amounts held in their account and the movements in the year.

14.2 The aggregate amounts of AVC investments are as follows:

The Prudential

	2004-05 £000	2003-04 £000
Movements in the year:		
Balance at 1 April	1,626,465	1,470,557
New investments	220,815	231,115
Sales of investments to provide pension benefits	(100,677)	(75,446)
Changes in market value of investments	(693)	239
Balance at 31 March	**1,745,910**	**1,626,465**
Contributions received to provide life cover	1,990	2,082
Benefits paid on death	1,968	1,658

15. Contingent liabilities

In the unlikely event of a default by the approved AVC provider, DfES will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering FSAVCs.

Balance Sheet: Principal arrangements via the Teachers' Pension Scheme, and principal and agency arrangements via the Teachers' Pension Compensation Scheme

16. Debtors

16.1 Contributions due in respect of pensions

	2004-05	2003-04
	£000	£000
Pension contributions from employers	213,586	198,161
Employees' normal contributions	96,933	90,158
	310,519	**288,319**

Included within these figures is £24,000 (2003-04: £37,330,000) that will be due to the Consolidated Fund once the debts are collected.

16.2 Other debtors

	2004-05	2003-04
	£000	£000
Other debtors	4,960	4,022
Recoverable compensation funding from employers (principal)	2,131	1,011
Recoverable compensation payments (agency)	–	–
	7,091	**5,033**

17. Debtors – Undrawn Supply:

	2004-05	2003-04
	£000	£000
Net Cash Requirement (Schedule 1)	–	854,016
Parliamentary Funding		
Drawn down (Schedule 4)	–	(906,898)
Deemed Supply	–	90,026
Amounts due from the Consolidated Fund for Supply, but undrawn	**–**	**37,144**

For 2003-04 the Net Cash Requirement figure used is that of the Estimate, due to an Excess Vote which breached the cash limits.

An undrawn supply debtor has not been calculated for 2004-05 as Supply drawn down exceeded the net cash requirement (see note 21).

18. Cash at bank and in hand

	Note	2004-05 £000	2003-04 £000
The balance at 31st March comprises: Cash due to be paid to the Consolidated Fund			
Amounts issued from the Consolidated Fund for Supply but not spent at year end	21	21,225	–
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund		23	146
Excess appropriations in aid received due to be paid to the Consolidated Fund		–	23,434
		21,248	**23,580**

19. Creditors

19.1 Creditors: amounts falling due within one year

	2004-05 £000	2003-04 (Restated) £000
Pensions payable	(153,129)	(144,301)
Inland Revenue	(38,901)	(36,188)
Other creditors	(547)	(817)
Creditors included in movement in working capital (Schedule 3)	**(192,577)**	**(181,306)**

19.2 Contributions due: Compensation payments – agent

	2004-05 £000	2003-04 (Restated) £000
Balance at 1 April	(562)	3
Receipts from employers	(18,911)	(17,331)
Payments to employees	19,353	16,766
Balance at 31 March	**(120)**	**(562)**

20. Creditors – amounts falling due within one year for Consolidated Fund extra receipts and excess appropriations in aid

	2004-05 £000	2003-04 £000
Appropriations in aid realised (Schedule 2)	–	(3,760,462)
Less: appropriations in aid authorised (Schedule 1)	–	3,722,990
Income not appropriated in aid, payable to the Consolidated Fund	(47)	(37,472)
Receipt of prior year income not yet paid to Consolidated Fund		(128,179)
	(47)	**(165,651)**

Income not appropriated in aid payable to the Consolidated Fund has not been calculated for 2004-05 as appropriations in aid realised were within the Estimate provision (see Schedule 1)

21 Creditors – amounts falling due within one year: Unspent Supply (Schedule 1)

	2004-05	2003-04
	£000	£000
Net Cash Requirement (Schedule 1)	921,662	–
Parliamentary Funding		
Drawn down (Schedule 4)	(1,047,628)	–
Deemed Supply	104,741	–
Amounts issued from the Consolidated Fund for Supply, but not spent	**(21,225)**	**–**

22. Provision for pension liability

22.1 The Teachers' Pension Scheme is an unfunded defined benefits scheme. A full actuarial valuation by a professionally qualified actuary is required at intervals not exceeding four years. The Government Actuary's Department carried out its last full review, as at 31 March 2001. The actuarial report at pages 7 and 8, therefore includes an update since 2001 for known data movements. The main assumptions used by the actuary to the scheme were:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of increase in salaries	4.9%	4.9%	4.9%
Rate of increase in pensions in payment and deferred pensions	3.4%	3.4%	3.4%
Inflation assumptions	3.4%	3.4%	3.4%
Discount rate	3.5%	3.5%	3.5%

22.2 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 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.

22.3 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 the pension becomes payable.

22.4 The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 22.5 and 22.8. The note also discloses "experience" gains and 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.

22.5 Analysis of movement in scheme liability

	Note	2004-05 £000	2003-04 £000
Scheme liability at 1 April		(113,000,000)	(108,000,000)
Current service cost	7	(3,830,913)	(3,749,675)
Past service costs	7	(149)	–
Interest on pension scheme liability	10	(6,741,738)	(6,463,047)
		(10,572,800)	(10,212,722)
Enhancements	8	(32,504)	(14,058)
Pension transfers in	9	(89,290)	(82,396)
		(121,794)	(96,454)
Benefits paid		4,547,658	4,232,180
Pension payments to and on account of leavers	22.7	180,606	179,067
		4,728,264	4,411,247
Adjustment to pension liability	32	500,000	
Actuarial gain/(loss)	22.8	(1,233,670)	897,929
Scheme liability at 31 March		**(119,700,000)**	**(113,000,000)**

During the year ended 31 March 2005, contributions represented an average of 19.5% of pensionable pay.

22.6 Analysis of benefits paid

	Note	2004-05 £000	2003-04 £000
Pensions or annuities to retired employees and dependants		4,501,543	4,190,227
Lump sum benefits payable on death		46,115	41,952
Premature retirement compensation benefits in year	23	3,793	3,272
Per cash flow statement (Schedule 4)		**4,551,451**	**4,235,451**

22.7 Analysis of payments to and on account of leavers

	2004-05 £000	2003-04 £000
Repayment of contributions	2,411	2,242
Transfers to other schemes	178,195	176,825
Per cash flow statement (Schedule 4)	**180,606**	**179,067**

22.8 Analysis of actuarial gain/(loss)

	2004-05 £000	2003-04 £000
Experience gains and losses arising on the scheme liabilities	66,330	897,929
Changes in assumptions underlying the present value of scheme liabilities	(1,300,000)	
Per Statement of Recognised Gains and Losses	**(1,233,670)**	**897,929**

22.9 History of experience gains and losses

	2004-05	2003-04	2002-03
Experience gains and losses arising on the scheme liabilities:			
amount (£000)	(66,330)	(897,929)	(579,016)
percentage of the present value of the scheme liabilities	(0.1%)	(0.8%)	(0.5%)
Total actuarial loss/(gain):			
amount (£000)	1,233,670	(897,929)	(579,016)
percentage of the present value of the scheme liabilities	1%	(0.8%)	(0.5%)

23. Provision for annual compensation payments

	Note	2004-05 £000	2003-04 £000
Balance at 1 April		58,491	40,482
Additional provisions[1]	24	7,933	19,386
Use of provision in year	22.6	(3,793)	(3,272)
Unwinding of discount	11	2,047	1,895
Balance at 31 March		**64,678**	**58,491**

[1]Included in the 2003-04 additional provisions is £13,646,716 relating to the increase in the provision required as a result of the change in the HM Treasury interest rate from 6% to 3.5%.

24. Non-cash items

	Note	2004-05 £000	2003-04 £000
Increase in pension provision	7	3,831,062	3,749,675
Increase in pension provision – enhancements and inward transfers	8 & 9	121,794	96,454
Increase in annual compensation payment provision	23	7,933	19,386
Unwinding of discount	11	2,047	1,895
Adjustment to pension liability	32	(500,000)	–
Interest on scheme liability	10	6,741,738	6,463,047
Non-cash items per Schedule 1		**10,204,574**	**10,330,457**

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

	2004-05 £000	2003-04 £000
Increase/(decrease) in debtors	24,258	143,085
(Increase)/decrease in creditors	(10,829)	(8,413)
Per cash flow statement (Schedule 4)	**13,429**	**134,672**
Adjustment for non appropriations in aid debtor received	37,330	128,179
Adjustment for non appropriations in aid debtor not yet received	(24)	(37,330)
Per Schedule 1	**50,735**	**225,521**

26. Intra-government balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances within other central government bodies			(60,173)	
Balances with local authorities	239,320		(279)	
Balances with NHS Trusts				
Balances with public corporations and trading funds				
Balances with bodies external to government	78,290		(153,517)	
At 31 March 2005	**317,610**		**(213,969)**	
Balances within other central government bodies	38,082		(201,839)	
Balances with local authorities	220,438		(285)	
Balances with NHS Trusts				
Balances with public corporations and trading funds				
Balances with bodies external to government	71,976		(145,395)	
At 31 March 2004	**330,496**		**(347,519)**	

27. Related Party Transactions

The Teachers' Pension Scheme falls within the ambit of the Department for Education and Skills, which is regarded as a related party. Membership of the scheme is open to members of the teaching profession in England and Wales. There are no material transactions with the Department. None of the managers of the scheme, key managerial staff or other related parties has undertaken any material transactions with the scheme during the year.

28. 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 largely non-trading nature of it activities and the way in which government departments are financed, the Teachers' Pension Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The scheme has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the scheme in undertaking its activities.

28.1 Liquidity risk

The Scheme's net revenue resource requirements are financed by resources voted annually by Parliament. The Scheme is therefore not exposed to significant liquidity risks.

28.2 Interest rate risk

The Scheme's assets and liabilities carry either nil or fixed rates of interest and the Scheme is not therefore exposed to significant interest-rate risk.

29. Losses

During the year, losses arose in 1,286 cases (2003-04:1,531 cases). The total loss was £59,814 (2003-04: £81,539).

Included in these figures are Guaranteed Minimum Pension (GMP) overpayments or Contributions Equivalent Premiums (CEP) payments, for which we received the late notification from Inland Revenue. There have been 471 cases (2003-04: 341 cases) totalling £13,193.41 (2003-04 £35,172.79).

30. Independent audit certification

The contributions received from employers are validated by independent auditors. At the date the 2004-05 accounts were signed there were 3 LEA TR17 audit certificates outstanding accounting for £36.0 million of contributions received and there were 72 Non-LEA TR17A audit certificates outstanding, covering £44.0 million of contributions received. This represents 2.14% of total contributions received. The Department is continuing to actively chase up all outstanding returns and by the end of October expects to have received all LEA TR17s and a significant proportion of the remaining Non-LEA returns.

31. Post balance sheet events

Following a decision by the Financial Reporting Advisory Board that the discount rate for pensions should, in accordance with FRS 17, be based on the AA corporate bond rate, the discount rate has been changed with effect from 1 April 2005 from a real rate of 3.5% to a real rate of 2.8%. As a result, the pension liability at 1 April 2005 is estimated to have increased by £11.8 billion. It is also estimated that the current service cost will increase by some £880 million, although the interest charge should reduce by some £90 million.

32. Adjustment to pension liability

An adjustment of £500 million was required to the scheme liability as a result of an internal review of controls over membership data reporting. The value of the adjustment is an estimate provided by the Government Actuary's Department and the correction only affects the data reported to the Actuary, with no effect on the entitlement of individual members.

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