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MÄNNYSTRIE O Lear

Department of Education - Teachers' Superannuation

ANNUAL SCHEME STATEMENTS

for the year ended 31 March 2011

Department of Education – Teachers' Superannuation
Annual Scheme Statements
For the year ended 31 March 2011

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

1 July 2011

This document/publication is also available on our website at www.deni.gov.uk.

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

DEPARTMENT OF EDUCATION—TEACHERS' SUPERANNUATION ANNUAL SCHEME STATEMENTS
for the year ended 31 March 2011

Contents **Page**

REPORT OF THE MANAGERS
for the year ended 31 March 2010

Introduction

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

Further information about the scheme is given in the explanatory booklet dated November 2007, which is issued to all members and which is available on the internet at www.deni.gov.uk within the “Pension Scheme” section.

The *Teachers’ Premature Retirement Compensation Scheme***,** which is administered by the Department of Education, provides a range of compensation benefits for teachers who leave service before their normal retirement age on grounds of redundancy or in the interests of the efficient discharge of the employer’s function. The regulations under which the scheme operated for the period between 1 April 2010 and 29 April 2010 are *The Teachers’ (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 1991 S.R. 1991 No 132*. For the remaining period up to year ended 31 March 2011 the scheme operated under *The Teachers’ (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010 S.R. 2010 No 136*.

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

Managers

Accounting Officer

Mr Paul Sweeney
Permanent Secretary
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Manager and Premature Retirement Compensation Scheme Manager

Mr Mark Mawhinney
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Administrator and Premature Retirement Compensation Scheme Administrator

Mr Rory O'Boyle
Department of Education
Teachers' Pensions Branch
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

Advisers

Pension Scheme Actuary

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

Bankers

Northern Bank Ltd
Donegal Square North
BELFAST
BT1 5GB

Legal Advisers

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

Auditors

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

Employers

The Teachers’ Superannuation Scheme and the Teachers’ Premature Retirement Compensation Scheme cover the majority of employers within the educational field. These include the Education and Library Boards, Voluntary and Maintained Schools, Further Education Colleges, Universities and a small number of other employers. A full list of employers currently within the scheme can be obtained from the Scheme Administrator.

Performance and Position

The Teachers’ Superannuation Scheme account is influenced by changes in membership numbers, salary levels, mortality rates and the age profile of the scheme.

Changes to the Scheme

Pension Scheme

There was no pension increase in the current year, and the employers’ and employees’ contribution rates remained unchanged at 13.6% and 6.4%, respectively.

Premature Retirement Compensation Scheme

From 1 April 2008, Employers have been liable for the additional cost of enhanced pension and lump sum. In the current year, the Teachers' Superannuation Scheme continued to bear the cost of compensation (excluding enhancement) for premature retirements taking place during the period 1 April 2010 to 29 April 2010. On 31 March 2010 the Department made *The Teachers’ (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010 S.R. 2010 No 136*, which revoked and replaced the 1991 regulations with effect from 30 April 2010. The new regulations have the effect of transferring the full cost of premature retirement compensation to employers (i.e. the lifetime cost of both enhancement and the payment of unreduced pension benefits before normal pension age). The new regulations also provide for employers to make an enhanced severance payment as an alternative to granting premature retirement.

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

Prudential plc has been selected by the Department of Education to provide AVCs to members of the Teachers' Superannuation Scheme. Scheme members are made aware of the AVC arrangements and there is a facility which allows contributions through payroll. No contributions are made by the Managers of the Teachers' Superannuation Scheme or by employers. The only role of the Managers of the Teachers' Superannuation Scheme is to advise Prudential plc of the date from which a member's pension is payable and of the maximum pension payable under Inland Revenue rules. Members of the Teachers' Superannuation Scheme may make their own arrangements for making payments to institutions which offer FSAVC or Stakeholder Pensions. Where a member has a FSAVC, the only role of the Managers of the Teachers' Superannuation Scheme is to carry out a check at retirement to ensure that pension benefits do not exceed Inland Revenue limits.

Post Reporting Period Events

As outlined in Note 26, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case. The financial implications consequent on the review finding against the government have not been assessed.

Membership Statistics

Details of the membership of the Department of Education Teachers' Superannuation Scheme are as follows:

A. Active members	
Active members at 1 January 2010	**25,363**
Add: New entrants	171
Re-entrants in the year	175
Transfers in	140
Less: Retirements in the year	(386)
Members leaving who have deferred pension rights	(23)
Deaths in Service	(4)
Refunds/opt out	(132)
Active members at 31 October 2010*	**25,304**

B. Deferred members	
Deferred members at 1 January 2010	**13,025**
Add: Members leaving who have deferred pension rights	23
New members now classed as deferred	100
Less: Members taking up deferred pension rights	(92)
Transfers out	(47)
Re-entrants	(175)
Refunds	(22)
Deaths	(3)
Deferred members at 31 October 2010*	**12,809**

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 January 2010	**17,516**	**1,502**	**19,018**
Add: Members retiring in year at normal retirement age	685	-	685
Restorations	8	6	14
New dependants	-	135	135
Less: Deaths in year	(320)	(49)	(369)
Dependants leaving	-	(18)	(18)
Suspensions/other leavers	(20)	(2)	(22)
Pensions in payment at 31 December 2010*	**17,869**	**1,574**	**19,443**

D. Compensation payments	
Members in receipt of compensation at 1 January 2010	**8,796**
Add: New members in receipt of compensation	55
Less: Deaths/other leavers	(123)
Members in receipt of compensation payments at 31 October 2010*	**8,728**

* In prior years, as the Department has needed to meet shortened financial reporting deadlines, membership statistics for the 12 months ending 31 December 2010, rather than the financial year have been disclosed. This change was made after consultation with both the Government Actuary's Department (GAD) and the Northern Ireland Audit Office (NIAO).

During the financial year, the Department transferred its pensions payroll / pensions administration system to a new provider, from 29 October 2010. The Department is currently working with the service provider to develop a report to produce the membership statistics in the required format. This report is in the latter stages of development. It is for this reason that the movements in membership data and the closing figures for categories A.

B. and D. are up to 31 October 2010, as extracted from the legacy system. The Department has reported pensions in payment (category C) at 31 December 2010, because this information is available from the new system in the required format.

The Department is content, after reviewing financial data for 1 November 2010 to 31 March 2011 and making enquiries with key personnel, that there is no evidence of substantial changes to the scheme membership.

Disclosure to the Auditors

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

Further Information

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

Mr Rory O'Boyle
The Scheme Administrator
Teachers' Superannuation Scheme
Department of Education
Waterside House
75 Duke Street
Gobnascale
LONDONDERRY
BT47 6FP

STATEMENT BY THE ACTUARY

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of Department of Education Northern Ireland ('the Department'). It summarises the pensions disclosures required for the 2010-11 Resource Accounts of the Northern Ireland Teachers' Pension Scheme (NITPS or 'the scheme').

2. The NITPS is a final salary defined benefit scheme, the rules of which are set out in The Teachers' Superannuation Regulations (Northern Ireland) 1998 (SI 1998/333) and subsequent amendments. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 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 2008, with an approximate updating to 31 March 2011 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2008 and 31 March 2011 used to prepare this statement.

Table A – Active members

31 March 2008		31 March 2011
Number	Total salaries (pa)[1] (£ million)	Total salaries (pa)[1,2] (£ million)
25,849	907	985

Table B – Deferred members

31 March 2008		31 March 2011
Number	Total deferred pension (pa) (£ million)	Total deferred pension (pa) [1] (£ million)
11,877	12.7	14.3

Table C – Pensions in payment

31 March 2008		31 March 2011
Number (thousands)	Total pension (pa) (£ million)	Total pension (pa)[2] (£ million)
17,719	228.1	273.1

[1] Full time equivalent
[2] Figures as at 31 March 2011 are estimated based on accounts data supplied.

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2010-11 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2011 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2009-10 Resource Accounts.

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 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. With effect from 31 March 2011, the assumed rate of return in excess of pension increases was increased from 1.8% a year to 2.9% a year, and the assumed rate of return in excess of earnings was increased from 0.3% a year to 0.7% a year. In addition, with effect from 31 March 2011, the assumed rate of future pension increases is 2.65% a year and the assumed nominal rate of salary growth is 4.9% a year (changed from 2.75% and 4.3% respectively as at 31 March 2010).

Table D – Principal financial assumptions

Assumption	31 March 2011	31 March 2010
Rate of return (discount rate)	5.6%	4.6%
Rate of return in excess of:		
Earnings increases	0.7%	0.3%
Pension increases	2.9%	1.8%*
Expected return on assets:	n/a	n/a

*Increased to 2.5% from 22 June 2010 following the Government's announcement that future pension increases would be based on CPI

8. The pension increase assumption as at 31 March 2011 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Prices Index (RPI). This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

Demographic assumptions

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

10. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2011 are those expected to be adopted for the 2008 funding valuation of the NITPS.

11. The standard mortality tables known as S1NXA are used but with adjustments derived from recent scheme experience. An age rating of -1 year applies to male pensioners, both current and future (that is they are assumed to experience the mortality rates given in the standard tables but at ages one year younger than their actual age). An age rating of -2 years applies to future female pensioners. For current female pensioners, an age rating of -2 years applies to the younger pensioners increasing to +1 year for the older pensioners. Mortality improvements are in accordance with those incorporated in the 2008-based principal population projections for the United Kingdom. These assumptions are the same as adopted for the 2009-10 Resource Accounts.

12. The contribution rate used to determine the accruing cost in 2010-11 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2009-10 Resource Accounts.

Liabilities

13. Table E summarises the assessed value as at 31 March 2011 of benefits accrued under the scheme prior to 31 March 2011 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ billion

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(8.44)	(9.93)	(7.38)	(7.90)	(7.88)
Surplus/(Deficit)	(8.44)	(9.93)	(7.38)	(7.90)	(7.88)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2011 (the Current Service Cost) is based on a standard contribution rate of 33.1% up to 22 June 2010 and 29.3% thereafter. Members contributed 6.4% of pensionable pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account contributions paid by members. The corresponding figures for 2009-10 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	**1 April 2010 to 21 June 2010**	**1 April 2009 to 31 March 2010**
Standard contribution rate	29.3%	33.1%	21.8%
Members' contribution rate	6.4%	6.4%	6.4%
Employers' estimated share of standard contribution rate	22.9%	26.7%	15.4%

15. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently 13.6%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.8% pa for the 2010-11 Current Service Cost up to 22 June 2010 and 2.5% thereafter (3.2% pa for 2009-10) compared with 3.5% pa for the existing scheme funding rate. (Note that the discount for scheme funding purposes has recently been reviewed and reduced to 3% but this does not affect the current rate of contributions.) A higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

16. The pensionable payroll for the financial year 2010-11 was £881 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2010-11 (at 33.1% of pay up to 22 June 2010 and 29.3% thereafter) is assessed to be £270 million.

17. The move to CPI (rather than RPI) indexation of pension from April 2011 results in a (negative) past service cost of -£980 million. The total pension cost (the current service cost plus the past service cost) for 2010-11 is therefore -£710 million

Sandra Bell

Sandra Bell
Government Actuary's Department
26 May 2011

Revenue Account disclosures

	Year ended 31 March 2011 (£ billion)	**Year ended 31 March 2010 (£ billion)**
Analysis of amount charged to pension cost		
Current service cost	0.27	0.19
Past service cost	(0.98)	0.01
Total operating charge	**(0.71)**	**0.20**
Analysis of the amount credited to other finance income		
Expected return on scheme assets	-	-
Interest on pension liabilities (at 6.0%)	(0.42)	(0.44)
Net return	**(0.42)**	**(0.44)**
Analysis of amount recognised in STRGL		
Actual return less expected return on scheme assets	-	-
Experience gains and losses arising on the pension liabilities	0.06	0.10
Changes in mortality assumptions	-	(0.09)
Changes in demographic assumptions (other than mortality)	-	0.01
Changes to financial assumptions from 31 March 2011	0.85	(2.22)
Actuarial gains / (losses) recognised in STRGL	**0.91**	**(2.20)**
Movement in liability during the year		
Liability at 31 March 2010	(9.93)	(7.38)
Current service cost	(0.27)	(0.19)
Benefits paid during the year	0.29	0.29
Past service costs	0.98	(0.01)
Net transfers in	-	-
Other finance income	(0.42)	(0.44)
Actuarial gains / (losses)	0.91	(2.20)
Liability at 31 March 2011	**(8.44)**	**(9.93)**

As required by FReM, all actuarial gains and losses are recognised in full in the period in which they occur.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

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

The Department of Finance and Personnel has appointed the Permanent Head of the Department as Accounting Officer for the Department of Education Teachers' Superannuation 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 the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Managing Public Money Northern Ireland.*

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Education's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Education for the year ended 31 March 2011 and up to the date of approval of the accounts, and accords with the Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high-level risks recorded in the Department's risk registers. The Board has procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

The Department's Risk Management Framework, which is available to Departmental staff on the DE intranet site, provides direction on the Department's underlying approach to risk management, including the roles and responsibilities of the Departmental Board, the Audit and Risk Management Committee, Heads of Directorates, Heads of Teams, Internal and External Audit.

4. The risk and control framework

The Department has set out its attitude to risk in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. We have carried out appropriate procedures to ensure that risks associated with the Department's key objectives have been assessed, and determined a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

Steps taken to manage and control risks to information include: regularly reviewing and restricting system access to specific staff; ensuring staff receive fraud awareness training; and spot checks performed by team management.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in the Department's risk registers. The Department's Risk Management Framework includes guidance which helps ensure consistent evaluation of risk.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The risk management arrangements currently in place have been assessed by Internal Audit against HM Treasury guidance. This review has confirmed a satisfactory level of compliance with the guidance and also indicated some areas for improvement including the provision of refresher training for staff.

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

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

6. Significant internal control problems

<u>Overpayments to re-employed teachers</u>

In March 2011, the Department identified overpayments to re-employed teachers who had exceeded their Annual Earnings Limit (AEL). The Teachers Superannuation Regulations provide for the abatement of pension to ensure that a teacher/lecturer who is in receipt of a pension cannot earn more, by way of a combination of pension and salary, than he/she would have earned had he/she continued in full-time employment. The AEL is a combination of pension and salary. The Department closely monitors re-employment of temporary teachers and checks if they exceed their AEL. However, the individuals who had exceeded their AEL were employed as part-time teachers on a permanent contract, as opposed to on a temporary basis. This separate classification was not captured in reports which the Department used to monitor the re-employment of retired teachers, resulting in the overpayments.

The Department informs all teachers who retire that if they become re-employed in any role within the education service, they must advise the Department immediately. There is a limit to the amount an individual may earn while leaving his/her pension unaffected. This applies even for some non-teaching employments. Therefore there is an onus on the individual scheme member to inform the Department if they become re-employed.

The Department will be initiating recovery procedures on the amounts that individuals have been overpaid. Further, the Department has investigated the circumstances which led to these overpayments and has implemented additional controls to help prevent any future overpayments.

Update on Excess Vote in 2009-10

In the 2009-10 financial year, the Department failed to operate adequate internal controls to manage effectively the alignment of the budgeting and estimates process. As a result, the TSS Request for Resource within the Spring Supplementary Estimates (SSE) for the Department was exceeded. The SSE for 2009-10 provided a Request for Resource of £467.774 million and the net outturn was £471.471 million, resulting in an excess Request for Resource of £3.697 million.

The Department immediately commenced a formal review of its processes for managing effectively the alignment of the budgeting and estimates process. Recommendations to enhance the internal controls have been substantially implemented with only one outstanding action. This remaining action, which required a number of processes to be documented, is under review following the introduction of a new pension system.

Signed: ______________________ **Date:** **24 June 2011**

Accounting Officer

Department of Education – Teachers' Superannuation Scheme Accounts

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

I certify that I have audited the financial statements of the Department of Education Teachers' Superannuation Scheme for the year ended 31 March 2011under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Combined Statement of Comprehensive Net Expenditure, the Combined Statement of Financial Position, the Combined Statement of Changes in Taxpayers' Equity, the Combined Statement of Cash Flows 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 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' Superannuation Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Teachers' Superannuation 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 and the Statement by the Actuary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported 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

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on the 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 2011, and the net cash requirement, net resource outturn, net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with Department of Finance and Personnel 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 Statement 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.

- the Statement on Internal Control does not reflect compliance with the Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

Kieran J Donnelly

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

28th June 2011

STATEMENT OF PARLIAMENTARY SUPPLY

SUMMARY OF RESOURCE OUTTURN 2010-11

		Estimate			Outturn			2010-11	2009-10
Request for Resource A	**Note**	**Gross expenditure**	**Accruing resources**	**Net Total**	**Gross expenditure**	**Accruing Resources**	**Net Total**	**Net Total Outturn compared to Estimate saving/ (excess)**	**Outturn Net Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Annually managed expenditure		767,341	182,596	584,745	(285,212)	180,361	(465,573)	1,050,318	473,270
Non-budget		-	1,791	(1,791)	-	1,791	(1,791)	-	(1,799)
Total resources	3	767,341	184,387	582,954	(285,212)	182,152	(467,364)	1,050,318	471,471

SUMMARY OF NET CASH REQUIREMENT 2010-11

		2010-11			2009-10
	Note	**Estimate**	**Outturn**	**Net Total Outturn compared to Estimate saving/ (excess)**	**Outturn**
		£000	**£000**	**£000**	**£000**
Net cash requirement	4	128,802	114,367	14,435	126,576

SUMMARY OF INCOME PAYABLE TO THE CONSOLIDATED FUND

In addition to Accruing Resources (AR) the following income relates to the Department and is payable to the Consolidated Fund (cash receipts are shown in *italics*):

	Note	Forecast 2010-11		Outturn 2010-11	
		Income	**Receipts**	**Income**	**Receipts**
		£000	**£000**	**£000**	**£000**
Total	5	-	-	1	*1*

Income Excess AR is £nil. Cash Excess AR is £nil. Actual CFER receipts were £605.14. This amount was surrendered to the Consolidated Fund during the year ended 31 March 2011.

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

Annually managed expenditure — Saving £1,050,318k

The variance is almost wholly attributable to the decision, effective 22 June 2010, to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the inflation measure for determining the minimum pension increase to be applied to the statutory index linked features of retirement benefits. This change in index rates has been accounted for as a change in benefits and thereby a "negative" past service cost, in accordance with accounting guidance set out in *UITF Abstract 48 Accounting for Implications of the Replacement of the Retail Prices Index with the Consume Prices Index for Retirement Benefits* (December 2010). The negative past service cost represents £980m of the variation between Estimate and outturn.

£60m of the variation is linked to the impact of the change in indexation on Current Service Cost and Interest on Scheme Liabilities. The Actuary has calculated Current Service Cost using two different standard contribution rates, whereas the TSS Spring Supplementary Estimates used one rate. That is, the Government Actuary's Department calculated Current Service Cost using one rate prevailing from 1 April 2010 up to 21 June 2010 (33.1% and based on RPI) and a revised rate from 22 June 2010 to 31 March 2011 (29.3%, and based on CPI). Details of this are provided in paragraph 15 of the Statement by the Actuary on page 10 of these Scheme Statements. The Current Service Cost included in the TSS Spring Supplementary Estimates (SSE) 2010-11 was based on the higher rate prevailing at 1 April 2010 (33.1%), thereby resulting in a higher Estimates figure (variation of £20m).

The TSS SSE 2010-11 did not allow for the combined effect of the decrease in the scheme liability resulting from the negative past service cost and the reduced current service cost. These two adjustments have reduced Interest in Scheme Liabilities by £40m.

The remaining £10m of the variance is attributable to the outturn for current service cost and transfers in being lower than expected at the time of preparing the TSS SSE 2010-11.

COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2011

Principal arrangements
Teachers' Superannuation Scheme

	Note	2010-11 £000	2009-10 £000
Income:			
Contributions receivable	7	(177,622)	(172,842)
Transfers in	8	(4,434)	(3,367)
Other pension income	9	(96)	(468)
		(182,152)	(176,677)
Expenditure:			
Pension cost	10 & 20.4	(710,000)	200,000
Enhancements	11	258	311
Transfers in	12	4,434	3,367
Interest on scheme liabilities	13 & 20.4	420,000	440,000
Capitalised cost of enhancement	14	96	468
		(285,212)	644,146
Net (income) / expenditure	3(a)	**(467,364)**	**467,469**

Other
Other Comprehensive Net Expenditure

Recognised Gains and Losses for the financial year	Note	2010-11 £000	2009-10 £000
Actuarial (gain) / loss	20.7	(909,948)	2,196,090
Total Comprehensive Net (Income) / Expenditure for the year		**(1,377,312)**	**2,663,559**

COMBINED STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	Note	2010-11 £000	2009-10 £000
Current assets			
Receivables	15	14,805	14,067
Cash and cash equivalents	16	2,007	7,385
		16,812	21,452
Payables (within 12 months)	17	(6,086)	(12,405)
Net current assets / (liabilities), excluding pension liability		**10,726**	**9,047**
Pension liability	20.4	(8,440,000)	(9,930,000)
Net liabilities, including pension liability		**(8,429,274)**	**(9,920,953)**
Taxpayers' equity			
General fund		(8,429,274)	(9,920,953)
		(8,429,274)	**(9,920,953)**

Signed: Paul Sweeney.

Date: 24 June 2011

COMBINED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2011

		General Fund	
		2010-11	2009-10
	Note	£000	£000
Balance at 1 April		**(9,920,953)**	**(7,379,968)**
Net Parliamentary Funding—drawn down		112,991	129,205
Supply (payable) / receivable adjustment—current year		(2,006)	(3,382)
Supply payable / (receivable) adjustment—prior year		3,382	753
Excess Accruing Resources		-	(4,002)
Combined Net Income / (Expenditure) for the Year	3(a)	467,364	(467,469)
Actuarial gain / (loss)	20.7	909,948	(2,196,090)
Net change in Taxpayers' Equity		**1,491,679**	**(2,540,985)**
Balance at 31 March		**(8,429,274)**	**(9,920,953)**

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Net income / (expenditure) for the year		467,364	(467,469)
(Increase)/decrease in receivables	15	(738)	(10,689)
Increase/(decrease) in payables	17	(6,319)	8,306
Increase/(decrease) in pension provision	20.4	(290,000)	640,000
Less movement in payables relating to items not passing through the combined statement of comprehensive net expenditure	17	5,378	(6,632)
Increase in pension provision – enhancements and transfers in	20.4	4,692	3,678
Increase in pension provision – capitalised cost of enhancement	20.4	96	468
Use of provisions – pension liability	20.5	(290,965)	(286,477)
Use of provisions – refunds and transfers	20.6	(2,196)	(2,638)
Use of provisions – death in service	20.5	(1,679)	(1,121)
Net cash outflow from operating activities		(114,367)	(122,574)
Cash flows from financing activities			
From the Consolidated Fund (supply): current year		112,991	129,205
Net Assembly financing		112,991	129,205
Net (decrease) / increase in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		(1,376)	6,631
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		1	1
Payments of amounts due to the Consolidated Fund		(4,003)	-
Net (decrease) / increase in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		(5,378)	6,632
Cash and cash equivalents at the beginning of the period		7,385	753
Cash and cash equivalents at the end of the period		**2,007**	**7,385**

NOTES TO THE SCHEME STATEMENTS

Accounts for the year ended 31 March 2011

1. Basis of preparation of the scheme statements

The combined scheme statements have been prepared in accordance with the relevant provisions of the *2010-11 International Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the recommendations of the Statement of Recommended Practice entitled *Financial Reports of Pension Schemes* to the extent that these are appropriate. The current regulations under which the Teachers' Superannuation Scheme operates are the Teachers' Superannuation Regulations (NI) 1998 (as amended). The regulations under which the Teachers' Premature Retirement Compensation Scheme operated for the period between 1 April 2010 and 29 April 2010 are *The Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 1991 S.R. 1991 No 132*. For the remaining period up to year ended 31 March 2011 the scheme operated under *The Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010 S.R. 2010 No 136.*

In addition to the primary statements prepared under International GAAP, the *FReM* also requires the scheme to prepare an additional statement – a *Statement of Parliamentary Supply*. This, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

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

The scheme statement summarises the transactions of the Department of Education - Teachers' Superannuation Scheme and the Teachers' Premature Retirement Compensation Scheme where the Department of Education acts as a principal. The statement of financial position shows the deficit on the scheme; the Combined Statement of Comprehensive Net Expenditure shows, amongst other things, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme statement should be read in conjunction with that Report.

2. Statement of accounting policies

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

Where the *FReM* permits a choice of accounting policy, the accounting policy, which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the accounts.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Functional currency

The functional currency is Sterling and all figures have been rounded to the nearest thousand pounds.

2.3 Pension contributions receivable

a. Contributions made by employers and employees in respect of pension and premature compensation are combined.

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

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

d. Employees' contributions and amounts received in respect of the purchase of added years service are accounted for on an accruals basis. Neither Additional Voluntary Contributions (AVCs) (note 18) 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 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.

2.5 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 employee service in the current period. The cost is based on the nominal discount rate applicable at 1 April 2010, based on the financial and demographic assumptions applying as at 31 March 2010. For this calculation pension increases are assumed to be in line with Retail Price Index (RPI) for benefits accrued in the period up to 22 June 2010, and pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued after 22 June 2010 and real discount rates are set accordingly. This is recognised in the Combined Statement of Net Expenditure.

2.7 Past service costs

Past service costs are changes in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure on a straight-line basis over the period in which the increase in benefits vests.

2.8 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 Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2010, being 1.8 per cent real rate (i.e. 4.6 per cent including RPI inflation) and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.9 Other payments

Other payments are accounted for on an accruals basis.

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 method and is discounted at the rate applicable at the close of 31 March 2011, being 2.9 per cent real rate (i.e. 5.6 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.

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 sum and the annual pension payments are accounted for on an accruals basis. Recognition is based on the pension liability accruing from the day following the date of retirement.

2.13 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 Statement of Changes in Taxpayers Equity.

2.16 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the Department of Education to the approved AVC providers.

2.17 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 has made new 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.

2.18 Cash and cash equivalents

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

3. Reconciliation of Estimates, accounts and budgets

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

	Note	Outturn £000	Supply Estimate £000	2010-11 Outturn compared with Estimate: saving / (excess) £000	2009-10 Outturn £000
Net resource outturn		(467,364)	582,954	1,050,318	471,471
Non-supply income	5	-	-	-	(4,002)
Net (income) / outgoings		**(467,364)**	**582,954**	**1,050,318**	**467,469**

3(b) Outturn against final administration budget

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

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving / (excess) £000
Net resource outturn	3(a)	582,954	(467,364)	1,050,318
Accruals adjustments:				
Changes in working capital other than cash		-	1,679	(1,679)
Increase in provision	20.4	(767,341)	285,212	(1,052,553)
Use of provision	20.4	313,189	294,840	18,349
Net cash requirement		**128,802**	**114,367**	**14,435**

Explanation of variance between Estimate and net cash requirement:

1. Changes in working capital other than cash — Excess £1,679k

   Changes in working capital are inherently difficult to forecast. As such, in the absence of any known significant changes to debtors or creditors, no accruals to cash adjustment was included in the TSS Spring Supplementary Estimate 2010-11.

2. Increase in provision — Excess £1,052,553k

   The variance is almost wholly attributable to the decision to use the Consumer Prices Index rather than the Retail Prices Index as the inflation measure for determining the minimum pension increase to be applied to the statutory index linked features of retirement benefits. Details of this variance are provided at page 19 of these scheme statements.

3. Use of provision — Saving £18,349k

   The variance is primarily attributable to the actual costs associated with pensions and lump sum payments being lower than the amounts included in the Estimate, which was based on the Department's technical estimation process.

5. Analysis of income payable to the Consolidated Fund

		Forecast 2010-11		Outturn 2010-11	
	Note	**Income £000**	**Receipts £000**	**Income £000**	**Receipts £000**
Other amounts collectable on behalf of the Consolidated Fund		-	-	1	*1*
Total income payable to the Consolidated Fund		**-**	**-**	**1**	***1***

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

	Note	2010-11 £000	2009-10 £000
Operating income		182,152	176,677
Income authorised to be Accruing Resource		(182,152)	(172,675)
Operating income payable to the Consolidated Fund	5	**-**	**(4,002)**

7. Pension contributions receivable

	2010-11 £000	2009-10 £000
Employers:		
Normal	119,615	117,055
Refund of overpaid contributions	-	(630)
Employees:		
Normal	55,958	54,499
Refund of overpaid contributions	-	(190)
Premature retirement compensation receipts from DEL	1,791	1,797
Purchase of added years	258	311
	177,622	**172,842**

8. Pension transfer in (*see also* Note 12)

	2010-11 £000	2009-10 £000
Individual transfers in from other schemes	**4,434**	**3,367**

9. Other pension income

	Note	2010-11 £000	2009-10 £000
Capitalised cost of enhancement	14	**96**	**468**

10. Pension cost (*see also* Note 20.4)

	2010-11 £000	2009-10 £000
Current service cost	270,000	190,000
Negative past service cost	(980,000)	-
Past service cost	-	10,000
	(710,000)	**200,000**

11. Enhancements *(see also* Note 20.4*)*

	2010-11 £000	2009-10 £000
Employees:		
Purchase of added years and additional pension	**258**	**311**

12. Transfer in (*see also* Notes 8 and 20.4)

	2010-11 £000	2009-10 £000
Individual transfers in from other schemes	**4,434**	**3,367**

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 expenditure as part of the movements in the provision during the year.

13. Interest on scheme liabilities (*see also* Note 20.4)

	2010-11 £000	2009-10 £000
Interest charge for the year	**420,000**	**440,000**

14. Capitalised cost of enhancement

	Note	2010-11 £000	2009-10 £000
Capitalised cost of enhancement	9	**96**	**468**

15. Receivables—contributions due in respect of pensions

15 (a) Analysis by type

Amounts falling due within one year:	Note	2010-11 £000	2009-10 £000
Contributions due:			
Employers		9,725	9,411
Employees		4,576	4,428
Overpaid pensions		468	230
DEL debtor		149	-
DE debtor		-	15
Provision for bad debt		(113)	(17)
		14,805	**14,067**

Included within these figures is £nil (2009-10 £nil) that will be due to the Consolidated Fund once the debts are collected.

15 (b) Intra-government balances

Amounts falling due within one year:	Note	2010-11 £000	2009-10 £000
Balances with other central government bodies		193	44
Balances with bodies external to government		14,612	14,023
		14,805	**14,067**

16. Cash and cash equivalents

	Note	2010-11 £000	2009-10 £000
Balance at 1 April		7,385	753
Net change in cash balances		(5,378)	6,632
Balance at 31 March		**2,007**	**7,385**

The following balances at 31 March are held at:

	Note	2010-11 £000	2009-10 £000
Commercial banks		**2,007**	**7,385**

The balance at 31 March comprises:

	Note	2010-11 £000	2009-10 £000
Amounts issued from the Consolidated Fund for supply but not spent at year end	17	2,006	3,382
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	17	1	4,003
		2,007	**7,385**

17. Payables—in respect of pensions

17 (a) Analysis by type

Amounts falling due within one year:	Note	2010-11 £000	2009-10 £000
Members		616	709
Inland Revenue and voluntary contributions		3,324	3,262
Interdepartmental balances owed in respect of refund of overpaid contributions		41	820
Other interdepartmental balances		-	6
Other creditors		98	223
Amounts issued from the Consolidated Fund for supply but not spent at year end		2,006	3,382
Consolidated Fund Extra Receipts		1	1
Excess Accruing Resources		-	4,002
		6,086	**12,405**

17 (b) Intra-government balances

Amounts falling due within one year:	Note	2010-11 £000	2009-10 £000
Balances with other central government bodies		5,372	11,472
Balances with bodies external to government		714	933
At 31 March		**6,086**	**12,405**

18. Additional Voluntary Contributions

The Department of Education Teachers' Superannuation Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, namely Prudential plc. The Managers of the Department of Education Teachers' Superannuation Scheme have responsibility only for the onward payment by employers of members' contributions to the scheme's approved provider. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

Prudential Teachers' AVC Facility (Northern Ireland)

	2010-11 £000	2009-10 £000
Movements in the year		
Balance at 1 April	43,932	43,261
New investments	4,218	3,962
Sales of investments to provide pension benefits	(3,818)	(3,293)
Changes in market value of investments	-	2
Balance at 31 March	**44,332**	**43,932**

19. Contingent liabilities disclosed under IAS 37

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

20. Provision for pension liability

20.1 Assumptions underpinning the provision for pension liability

20.1.1 The Department of Education Teachers' Superannuation Scheme is an unfunded defined benefit scheme. The previous assessment was carried out as at 31 March 2010 and the relevant Resource Accounting disclosures were set out in the statement dated 22 June 2010. The most recent completed full actuarial review of the scheme was carried out as at 31 March 2004 (see report dated 7 March 2007). An interim review of the scheme was carried out as at 31 March 2006 (see report dated 12 June 2007). A full actuarial review as at 31 March 2008 is currently ongoing. The analysis of recent scheme experience conducted for this review has been used to inform the Department's choice of assumptions for the 2010-11 Resource Accounts. The Statement by the Actuary on pages 7 to 11 sets out the scope, methodology and results of the work the Government Actuary's Department has carried out.

20.1.2 The scheme managers 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 the best estimate of future experience.

20.1.3 The major assumptions used by the Actuary were:

	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007
Rate of increase in salaries	0.0%	2.3%	2.3%	2.45%	2.5%
Rate of increase in pensions in payment and deferred pensions	0.0%	5.0%	3.9%	3.6%	2.7%
Rate of return (discount rate)	5.6%	4.6%	6.0%	5.3%	4.6%
Inflation assumption					
Rate of return in excess of:					
Pension increases (RPI)	n/a	1.8%	3.2%	2.5%	1.8%
Pension increases (CPI)	2.9%	2.5%	n/a	n/a	n/a
Earnings increases	0.7%	0.3%	1.7%	1.0%	0.3%

20.1.4 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 managers acknowledge that the valuation reported in these accounts 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.

20.1.5 The assumption that has the biggest 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. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long-term assumption for the RPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

20.1.6 In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The scheme managers do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the scheme managers, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge.

20.1.7 Analysis of the provision for pension liability

Categories	At 31 March 2011 £ billion	At 31 March 2010 £ billion	At 31 March 2009 £ billion	At 31 March 2008 £ billion	At 31 March 2007 £ billion
Pensions in payment	4.53	4.95	4.06	4.00	3.67
Deferred members	0.26	0.32	0.30	0.34	0.37
Active members (past service)	3.65	4.66	3.02	3.56	3.84
Total	**8.44**	**9.93**	**7.38**	**7.90**	**7.88**

20.2 Pension scheme liabilities accrue over employee's 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.

20.3 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 managers of the scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Notes 20.8 and 20.9. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

20.4 Analysis of movement in the scheme liability

	Note	2010-11 £000	2009-10 £000
Scheme liability at 1 April		**(9,930,000)**	**(7,380,000)**
Current service cost	10	(270,000)	(190,000)
Past service cost	10	980,000	(10,000)
Interest on pension scheme liability	13	(420,000)	(440,000)
		290,000	(640,000)
Enhancements	11	(258)	(311)
Pension transfers in	12	(4,434)	(3,367)
Capitalised cost of enhancement	14	(96)	(468)
		(4,788)	(4,146)
Benefits paid	20.5	292,644	287,598
Pension payments to and on account of leavers	20.6	2,196	2,638
		294,840	290,236
Actuarial gain/(loss)	20.7	909,948	(2,196,090)
Scheme liability at 31 March		**(8,440,000)**	**(9,930,000)**

During the year ended 31 March 2011, contributions were 20% of pensionable pay.

20.5 Analysis of benefits paid

	Note	2010-11 £000	2009-10 £000
Pensions or annuities to retired employees and dependants		259,687	254,173
Commutations and lump sum benefits on retirement		31,278	32,304
Lump sum benefits on death in service		1,679	1,121
Per combined cash flow statement	20.4	**292,644**	**287,598**

20.6 Analysis of payments to and on account of leavers

	Note	2010-11 £000	2009-10 £000
Refunds to members leaving service		99	315
Individual transfers to other schemes		2,097	2,323
Per combined cash flow statement	20.4	**2,196**	**2,638**

20.7 Analysis of actuarial gain / (loss)

	Note	2010-11 £000	2009-10 £000
Experience gains/(losses) arising on the scheme liabilities		59,948	103,910
Changes in mortality assumptions		-	(90,000)
Changes in demographic assumptions underlying the present value of the scheme liabilities		-	10,000
Changes in assumptions underlying the present value of the scheme liabilities (adjustment to discount rate % at 31 March)		850,000	(2,220,000)
Per combined statement of changes in taxpayers' equity	20.4	**909,948**	**(2,196,090)**

20.8 History of experience gains and losses

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	59,948	103,910	35,015	(190,000)	(300,000)
Percentage of the present value of the scheme liabilities	0.7%	1.0%	0.5%	(2.4%)	(3.8%)
Total amount recognized in the statement of changes in taxpayers' equity:					
Amount (£000)	909,948	(2,196,090)	945,015	370,000	(1,590,000)
Percentage of the present value of the scheme liabilities	10.8%	(22.1%)	12.8%	4.7%	(20.2%)

20.9 Sensitivity analysis

20.9.1 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2011 of changes to the main actuarial assumptions.

20.9.2 The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. (The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).) A key demographic assumption is pensioner mortality (see note 20.10).

20.9.3 Table 1 shows the indicative effects on the total liability as at 31 March 2011 of changes to these assumptions.

Table 1: Sensitivity to main assumptions

Change in assumption*		**Approximate effect on total liability**	
Rate of return			
(i) nominal	-0.5% a year	+ 1.00 %	+ £80 million
(ii) in excess of earnings	-0.5% a year	+ 1.75 %	+ £150 million
(iii) in excess of pensions	-0.5% a year	+ 6.50 %	+ £550 million
Pensioner mortality:			
(iv) pensioners living (on average) 2 years longer		+ 3.75 %	+ £320 million

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

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

20.9.5 Variant (i) shows little change from the central assumptions because the assumed real rates of return (in excess of pensions and earnings) are unchanged. The total actuarial liability would change by about 1.00%. Some of this change is because GMP benefits are not fully inflation-linked after they come into payment, and so the change in the nominal rate of return (of 0.5% a year) affects the value of GMP benefits.

20.9.6 Variant (ii) shows a more significant effect because the real rate of return in excess of earnings (or, equivalently, real earnings growth) differs from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 1.75%.

20.9.7 Similarly, variant (iii) shows a substantial effect because the real rate of return in excess of pension increases differs from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 6.50%.

20.9.8 Variant (iv) shows the significance of pensioner mortality: if longevity at retirement were assumed to be 2 years greater, then this would increase the total actuarial liability by about 3.75%.

20.10 Life expectancies

Tables 2 and 3 show the life expectancy at age 60 and at age 65 respectively of pensioners retiring in normal health, under the mortality assumptions used for the Resource Accounts as at 31 March 2011 and as at 31 March 2010.

Table 2: Life expectancy of normal health pensioners at age 60

	As at 31 March 2011		As at 31 March 2010		As at 31 March 2009		As at 31 March 2008		As at 31 March 2007	
	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	29.2	32.7	29.1	32.6	28.6	31.8	28.5	31.7	25.6	28.6
Future pensioners*	30.6	34.1	30.5	34.0	30.2	33.3	30.1	33.2	27.4	30.4

***** 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 45.

Table 3: Life expectancy of normal health pensioners at age 65

	As at 31 March 2011		As at 31 March 2010		As at 31 March 2009		As at 31 March 2008		As at 31 March 2007	
	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	24.3	27.7	24.2	27.6	23.5	26.7	23.4	26.6	20.6	23.7
Future pensioners*	26.2	29.6	26.1	29.5	25.6	28.6	25.5	28.6	22.6	25.6

***** 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.

20.11 Expected contributions receivable during 2011-12

The Department of Education estimates total contributions receivable during 2011-12 to be approximately £178,844,000 as set out in the TSS Main Estimate 2011-12.

21. Transfers in and out

Transfers in amounting to £288,471.02 had been agreed in January, February and March 2011 and are expected to be received after 31 March 2011. Small differences between some individual amounts agreed and received may arise due to fluctuations in the underlying investment between the date on which a transfer in is agreed and the date on which it is received.

Transfers out amounting to £306,359.36, which were agreed in January, February and March 2011, were paid in April 2011.

In the current year, HM Treasury announced a review of the discount rate applying to Cash Equivalent Transfer Value (CETV) calculations. The results of this review could impact the value of CETV's calculated.

22. Financial instruments

As the cash requirements for the Department of Education Teachers' Superannuation 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 little credit, liquidity or market risk.

23. Related party transactions

The Teachers' Superannuation Scheme and the Teachers' Premature Retirement Scheme fall within the ambit of the Department of Education, which is regarded as a related party. During the year, the schemes have had material transactions with the Department, Non-Departmental Public Bodies and other bodies whose employees are members of the schemes. None of the Managers of the schemes, key managerial staff or other related parties have undertaken any material transactions with the schemes during the year.

24. Losses and special payments

24 (a) Losses statement: During the years of 2010-11 and 2009-10 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.

24 (b) Special payments: During the years of 2010-11 and 2009-10 expenditure on behalf of TSS relating to special payments was below the reporting threshold of £250,000 (Annex 4.13 MPMNI)

25. Premature retirement compensation

The Teachers' Premature Retirement Compensation Scheme recovers compensation costs via increased employer contributions. The number of compensation cases for the current year and in total broken down by employer group, are:

Number of teachers retiring on grounds of premature retirement in the year to 31 March 2011

	Efficient Discharge	Redundancy
Belfast Education and Library Board	-	-
North Eastern Education and Library Board	-	-
Southern Education and Library Board	1	-
South Eastern Education and Library Board	-	1
Western Education and Library Board	-	-
Voluntary Grammar Schools	-	-
Further Education Colleges	-	3
Other Grant-Maintained Schools	-	-
Other Bodies	-	-
TOTAL	**1**	**4**

Total number of teachers retired on grounds of premature retirement as at 31 March 2011

	Efficient Discharge	Redundancy
Belfast Education and Library Board	212	1,158
North Eastern Education and Library Board	266	1,244
Southern Education and Library Board	416	945
South Eastern Education and Library Board	325	911
Western Education and Library Board	265	1,023
Voluntary Grammar Schools	156	640
Further Education Colleges	179	901
Other Grant-Maintained Schools	6	18
Other Bodies	27	81
TOTAL	**1,852**	**6,921**

26. Move from Retail Prices Index to Consumer Prices Index

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of the uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government’s case is proven, there would be no change to the accounting treatment adopted in these accounts.

27. Authorisation of Resource Accounts

The Resource Accounts were authorised for issue on 28 June 2011 and by the Accounting Officer.

INVESTORS IN PEOPLE

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