Teachers' Pension Scheme (England and Wales)

Annual Report and Accounts

For the year ended 31 March 2015

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

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1. Report of the manager

Background to the scheme

1.1 This report covers the financial year 2014-15.

1.2 The Teachers' Pension Scheme (TPS or Scheme) is a statutory, unfunded, defined benefit occupational pension scheme with benefits based on final average salary and length of service. The Scheme is managed by the Department for Education (Department) and administered under contract by Capita Business Services Ltd (Capita).

1.3 The Scheme is governed by statutory regulations (currently statutory instruments), these being: *The Teachers' Pensions Regulations 2010 (as amended)* (SI2010/990) and *The Teachers' Pensions Regulations 2014*. Membership of the Scheme is voluntary and is open to members of the teaching profession in England and Wales who satisfy the membership criteria set out below:

- teacher or lecturer (between the ages of 16 and 75) in pensionable service employed by:
  - a local authority or an academy trust;
  - an independent school;
  - a further or higher education establishment that has been accepted into the Scheme, or
  - a function provider (a company awarded a contract to perform functions on behalf of a local authority).

1.4 Contributions to the Scheme by employees are set at rates determined by the Secretary of State, taking advice from the Scheme's Actuary. The balance of funding is provided by Parliament. The Scheme's administrative expenses are borne by the Department and reported in the Department's consolidated accounts.

1.5 Pensions are increased in accordance with the *Social Security Pensions Act 1975*, with annual increases being determined by the prevailing *Pensions (Increase) Order*. Retirement and other pension benefits are set out in regulations made under the *Superannuation Act (1972)* and are paid by public funds provided by Parliament. Members contribute on a "pay as you go" basis, with these contributions (along with those made by employers) being credited to the Exchequer under arrangements governed by the above Act.

1.6 The Annual Report and Accounts of the Scheme show the financial position of the TPS at the year end and the income and expenditure during the year, as follows:

- the Statement of Financial Position shows the unfunded net liabilities of the Scheme; and
- the Statement of Comprehensive Net Expenditure shows, amongst other things, the change in the net liability analysed between the pension cost, enhancements and transfers in, and interest on the Scheme liabilities.

1.7 Further information about the actuarial position of the Scheme is set out in the Report of the Actuary. Outside the Scheme, there 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 also managed by the Department and administered under contract by Capita.

Corporate governance

1.8 The TPS administration is governed at two levels, comprising strategy and service delivery. Where appropriate, issues are escalated to the Department for further consideration.

1.9 In addition, the Pension Reform Board brings together those Departmental and Capita senior managers responsible for the implementation of the post 2015 TPS reforms.

1.10 Details of the Boards and their membership, together with attendance details, can be found in the Governance Statement on page 22.

Changes to the teachers' pension scheme

1.11 Tiered employee contributions (and an increase in the average contribution rate) were introduced to the TPS in April 2012 following recommendations by Lord Hutton, chair of the Independent Public Service Pensions Commission, in his interim report reviewing the sustainability and affordability of public sector pension schemes.

1.12 Following consultations, each year's tiered employee contribution rates have taken effect from the following 1 April. The following table shows the rates applied for each salary band in **2014-15** and the revised salary bands and rates for **2015-16**.

2014-2015		2015-2016	
Actual Salary band	Actual Contribution rate	Forecast Salary band	Forecast Contribution rate
£1 - £14,999	6.4%	£1 - £25,999	7.4%
£15,000 - £25,999	7.2%	£26,000 - £34,999	8.6%
£26,000 - £31,999	8.3%	£35,000 - £41,999	9.6%
£32,000 - £39,999	9.5%	£41,500 - £54,999	10.2%
£40,000 - £44,999	9.9%	£55,000 - £74,999	11.3%
£45,000 - £74,999	11.0%	£75,000 or more	11.7%
£75,000 - £99,999	11.6%		
£100,000 or more	12.4%		

1.13 Pensions payable have also been increased by 2.7% from 7 April 2014. This is as a consequence of the cost of living increasing, based on the Consumer Price Index. Pension payments were increased by 1.2% from 6 April 2015 for 2015-16.

1.14 The arrangements for a reformed TPS, in line with the remainder of the recommendations made by Lord Hutton, have now been determined and apply from financial year 2015-16 onwards.

Changes to the Premature Retirement Compensation (PRC) scheme

1.15 During the year, compensation payments were increased by 2.7% with effect from 7 April 2014 in line with pensions. Compensation payments were increased by 1.2% on 6 April 2015 for 2015-16.

Membership statistics

1.16 These statistics are provided by employers via a statutory return to the Scheme administrator. The figures for active and deferred members relate to the financial year ended 31 March 2014; this is the latest data available.

1.17 The figures for pensions in payment are for the year ended 31 March 2015.

1.18 Details of the membership of the TPS in England and Wales are as follows:

Active members

		2013-14 Number
	Active members brought forward from 31 March 2013	667,744
	Uncertified movement in pre-retirement membership[1]	(26,817)
	Total active members at 1 April 2013	**640,927**
Add:	New entrants in the year	53,100
	Re-entrants from deferred status in the year	32,198
	Other re-entrants in the year[2]	14,922
	Transfers in	152
	Opted in	3,450
Less:	Premature retirements	(578)
	Age and infirmity retirements	(10,256)
	Actuarially reduced benefits	(7,455)
	Opted out	(12)
	Other exits (including transfers out)	(55,626)
	Deaths	(279)
	Active members at 31 March 2014	**670,543**

Deferred members

		2013-14 Number
	Deferred members brought forward from 31 March 2013	452,201
	Uncertified movement in pre-retirement membership[1]	30,545
	Total deferred members at 1 April 2013	**482,746**
Add:	Previously active members no longer in service	52,916
Less:	Deaths	(129)
	Return of contributions	(1,076)
	Re-entry to service	(32,198)
	Re-entry to service other[3]	(499)
	Transfers out	(1,052)
	Awards out of service	(8,025)
	Deferred members at 31 March 2014	**492,683**

[1] Data captured within the tables for pre-retirement active and deferred Members is reliant upon Annual Service Returns to determine the Member position at the end of the reporting period. This adjustment relates to members whose position cannot be classified because an Annual Service Return has not been received containing that Member's data.

[2] Other re-entrants in year are those members who would not be considered deferred and is composed of the following; those with short breaks in service, re-employed pensioners, those with no withdrawal indicator on their previous line of service (meaning the member would continue to be recognised as active) and those who were not in service on 31 March 14.

[3] Other re-entry to service from the deferred population covers those members who would not be classed as an active member. This includes those with insufficient reckonable service, members who are prohibited from teaching, who have transferred their previous service out of the scheme and / or have taken a refund of contributions.

Pensions in payment

		2014-15 Number
	Pensions brought forward from 31 March 2014	
	- members	592,715
	- dependants	63,114
		655,829
	Adjustments made to data received post 31 March 2014	
	- members	2,999
	- dependants	443
		3,442
	Total pensioners in payment as 1 April 2014	
	- members	595,714
	- dependants	63,557
		659,271
Add:	Members retiring in the year	
	- Age\premature pensions	17,547
	- Infirmity pensions	524
	- Actuarially reduced benefits	10,418
		28,489
	New dependants	4,018
	Total members retiring in year and dependants	**32,507**
Less:	Cessations in year – Members	
	Age/Premature pensions	(12,143)
	Infirmity pensions	(1,703)
	Actuarially reduced benefits	(1,573)
		(15,419)
	Cessations in year – Dependants	(3,129)
	Total cessations in year	**(18,548)**
	Pension in payment at 31 March 2015	
	- members	608,784
	- dependants	64,446
	Total	**673,230**

Please note:

1.19 Due to the way in which annual service is reported by employers of Scheme members, the data contained within the Annual Accounts for active and deferred members is for the year prior to the reporting year. This is due to the annual service returns data for the Scheme membership not being fully processed until after the Annual Accounts are completed. For example, the information for active and deferred members in the 2014-15 Annual Report and Accounts are actually for the period 1 April 2013 – 31 March 2014 as this is the most complete dataset available.

1.20 Pensioner data is a true reflection at the date of the Annual Report and Accounts and this reporting method is in line with the way in which the Scheme supplies yearly data files to the Government Actuary's Department (GAD).

Administration

1.21 Following a competitive tendering exercise, Capita were awarded a new contract to administer the TPS for seven years from 1 October 2011. In November 2014 the contract was extended by three years bringing the contract end date to September 2021.

Performance and position

Net cash requirement

1.22 In 2014-15, the net cash requirement was £3,591.9 million (2013-14: £3,360.6 million), £60.2 million (2013-14: £84.4 million) less than the amount authorised via the Supplementary Estimate. This is 1.7% within the net cash requirement limit in the Supply Estimate forecast of £3,652.1 million (2013-14: £3,445.0 million).

1.23 The Department continues to work closely with the administrator, with input from the GAD, to refine the forecasts to take into account new emerging trends and anticipated changes in behaviour as a result of perceived and actual future changes to the Scheme.

Resource Outturn to Supply Estimate

1.24 The Statement of Parliamentary Supply provides information on how the Scheme has performed against the Parliamentary control totals on resources and cash expenditure.

Financial position

1.25 The Scheme had net liabilities of £275.5 billion (2013-14: £250.3 billion).

Scheme valuation

1.26 The primary purpose of formal actuarial valuations is to set employer and employee contribution rates.

1.27 The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with *The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014* (the Directions). The valuation determines the rate of employer contribution payable and the initial employer cost cap (both of which are set out in the TPS regulations). The Directions also require results relating to scheme liabilities, notional assets and contribution rates to be reported

1.28 The funding valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay, including 0.08% to cover the costs of scheme administration, in line with current regulations;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion; and
- an employer cost cap of 10.9% of pensionable pay.

1.29 The funding valuation uses a different set of assumptions than those used to inform the IFRS 19 valuation. Therefore the scheme liability is reported as two different values.

1.30 The new employer contribution rate for the TPS will be implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website[1].

1.31 Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data for financial reporting purposes. The amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2012.

Influences on performance in 2014-15

1.32 These Annual Report and Accounts are influenced by changes in the Scheme's membership numbers, their salary levels, mortality rates, and the age profile of the members and their pension increases.

[1] The full address of the website is:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Events after the reporting period

1.33 There have been no events after the reporting period that would have a material impact on the Annual Report and Accounts (see Note 20).

Free-standing additional voluntary contributions and stakeholder pensions

1.34 The Department provides for employees to make additional voluntary contributions (AVCs) to an approved provider (the Prudential) 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 Prudential, with employers being responsible only for ensuring the payment is made, not for the pension pot ultimately provided by Prudential. Members participating in this arrangement receive an annual statement from the Prudential made up to 31 March each year, confirming the amounts held in their account and the movements in the year.

1.35 Although the Secretary of State will guarantee pension payments in the unlikely event of a default by Prudential, the transactions and related assets and liabilities connected with the AVC scheme are private arrangements between the Prudential and the employees. Teachers can take a pension or lump sum from their AVC fund independently of any TPS benefits. HMRC also regards the two schemes as being separate schemes for tax purposes.

1.36 This being the case, the AVC data does not form part of these Annual Report and Accounts; it is included here for completeness only.

1.37 In 2014-15, the aggregate amounts of AVC investments are as follows:

The Prudential

	2014-15 £000	2013-14 £000
Movements in the year:		
Balance at 1 April	1,520,937	1,604,621
New investments	123,458	154,270
Sales of investments to provide pension benefits	(117,605)	(238,029)
Changes in market value of investments	554	75
Balance at 31 March	**1,527,344**	**1,520,937**
Contributions received to provide life cover	765	919
Benefits paid on death	2,655	3,204

Note: The 2014-15 figures are taken from the AVC interim accounts.

Employers

1.38 Any qualifying organisation in England and Wales that employs teachers can join the TPS – further details on qualification requirements can be found in the *Teachers' Pensions Regulations 2010*. There were 7,141 (2013-14: 6,101) contributing employers participating in 2014-15 split into the following categories:

	2014-15 Number	2013-14 Number
Local authorities	174	174
Further education institutions	381	380
Higher education institutions	65	65
Independent establishments	1,523	1,532
Academies	4,613	3,682
City Technology Colleges	-	225
Free Schools	282	-
Others	103	43
	7,141	**6,101**

The managers, administrators and actuary are listed below

Managers

Accounting officer

Chris Wormald
Department for Education
Sanctuary Buildings
Great Smith Street
LONDON
SW1P 3BT

Scheme manager and premature retirement scheme manager (contact)

Sue Crane
Department for Education
Bishopsgate House,
Feethams
DARLINGTON
DL1 5QE

Actuary

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

Bankers

Citibank N.A.
Citigroup Centre
Canada Square
Canary Wharf
LONDON
E14 5LB

Royal Bank of Scotland plc
City of London Office
Ground Floor
PO Box 12258
1 Princes Street
London
EC2R 8PA

HSBC plc
110 Grey Street
Newcastle Upon Tyne
NE1 6JG

Legal advisers

Legal Advisor's Office
Department for Education
Sanctuary Buildings
Great Smith Street
LONDON
SW1P 3BT

Auditor

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
Staindrop Road
DARLINGTON
DL3 9EE

Further information

1.39 Any enquiries about either the Scheme or the Premature Retirement Compensation Scheme in England and Wales should be addressed to:

Capita Business Services Ltd
Teachers' Pensions
Mowden Hall
Staindrop Road
DARLINGTON
DL3 9EE

Audit

1.40 As Accounting Officer, as far as I am aware there is no relevant audit information of which the Scheme’s auditor is unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scheme’s auditor is aware of that information.

Chris Wormald 5 October 2015
Accounting Officer

2. Report of the actuary

Introduction

2.1 This statement has been prepared by the Government Actuary's Department at the request of the Department for Education ('the Department'). It summarises the pensions disclosures required for the 2014-15 Annual Accounts of the Teachers' Pension Scheme ('the scheme', or 'TPS').

2.2 The TPS is a defined benefit scheme. It has a final salary section which applies to benefits accrued before 1 April 2015 and to future accrual for older members who have fully protected status or tapered protection. There is also a new career average section applying to future accrual after 1 April 2015 for members without protected status. The rules of the final salary section are set out in The Teachers' Pensions Regulations 2010 (SI 2010/990) and the rules of the career average section are set out in The Teachers' Pension Scheme Regulations 2014 (SI 2014/512). The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation. (Under IAS19 constructive obligations should be included in the measurement of the actuarial liability).

2.3 The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2015 to reflect known changes

Membership data

2.4 Tables A to C summarise the principal membership data as at 31 March 2012 used to prepare this statement.

Table A – Active members

	Number (000s)	Total pensionable pay* (pa) (£ million)
Males	201	8,186
Females	490	18,316
Total	**691**	**26,502**

* Full time equivalent as at 31st March 2012.

Table B – Deferred members*

	Number (000s)	Total deferred pension† (pa) (£ million)
Males	108	324
Females	246	621
Total	**354**	**945**

† Pension amounts as at the assessment date and so excludes pension increase due in April 2012.

*These figures exclude around 105,000 members over Normal Pension Age (NPA) considered unlikely to claim their pensions.

Table C – Pensions in payment

	Number (000s)	Annual pension† (pa) (£ million)
Males	209	2,862
Females	347	3,311
Spouses & Dependants	62	235
Total	**618**	**6,408**

† Pension amounts at the assessment date and so excludes pension increase due in April 2012

Methodology

2.5 The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal assumptions applying to the 2014-15 Annual Accounts. The contribution rate for accruing costs in the year ending 31 March 2015 was determined using the PUCM and the principal assumptions applying to the 2013-14 Annual Accounts.

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

Principal financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2015	31 March 2014
Rate of return (discount rate)	3.55%	4.35%
Rate of earnings increases*	4.20%	4.50%
Rate of future pension increases	2.20%	2.50%
Rate of return in excess of:		
Pension increases (CPI)	1.30%	1.80%
Earnings increases*	-0.65%	-0.15%
Expected return on assets:	n/a	n/a

*short term adjustments have been made to this assumption.

2.8 The pension increase assumption as at 31 March 2015 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

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

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

2.11 Reforms to the TPS which were implemented in April 2015 may affect the behaviour of members, i.e. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. The Department has assumed age retirement rates are based on recent experience but make allowance for later retirements for members who transfer to the new scheme on or after 1 April 2015. The assumptions are the same as for the 2013-14 Annual Accounts.

2.12 The contribution rate used to determine the accruing cost in 2014-15 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2013-14 Annual Accounts.

Liabilities

2.13 Table E summarises the assessed value of the liabilities as at 31 March 2015 of benefits accrued under the scheme prior to 31 March 2015 based on the data, methodology and assumptions described in paragraphs 2.4 to 2.12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ billion

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(275.5)	(250.2)	(224.9)	(200.6)	(192.4)
Surplus/(Deficit)	(275.5)	(250.2)	(224.9)	(200.6)	(192.4)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Pension cost

2.14 The cost of benefits accruing in the year ending 31 March 2015 (the current service cost) is based on a standard contribution rate of 33.8%. Members contributed about 9.6% of pensionable pay on average, with different rates for different tiers of pensionable salary. 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 2013-14 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	1 April 2014 to 31 March 2015	1 April 2013 to 31 March 2014
Standard contribution rate	33.8%	29.3%
Members' estimated average contribution rate	(9.6%)	(9.0%)
Employers' estimated share of standard contribution rate	24.2%	20.3%

2.15 For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Annual Accounts is not the same as the actual rate of contributions payable by employers* which is 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 Annual Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.8% a year for the 2014-15 current service cost compared with 3.5% a year for the scheme funding rate, calculated at the 2004 formal valuation, which was in payment over that period. (Note that the discount rate for scheme funding purposes has been reviewed and reduced to 3% a year. Contributions in payment from 1 September 2015, calculated at the 2012 formal valuation, are based on the reduced discount rate.) 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 Annual Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

*This was 14.1% for the period covered by the table but increases to 16.48% from 1 September 2015.

2.16 The estimated pensionable payroll for the financial year 2014-15 was £23.8 billion (derived from the contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2014-15 (at 33.8% of pay) is assessed to be £8.0 billion. There are no material past service costs and so this is the total pension cost for 2014-15.

Sensitivity analysis

2.17 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have indicated the approximate effects on the actuarial liability as at 31 March 2015 of changes to the significant actuarial assumptions.

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

2.19 As a result of the scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the new scheme. Assumed age retirement rates can have a significant impact on the scheme liabilities and so I have included an indication of the approximate effect (on the total past service liability) of all members who move to the new scheme retiring one year later than assumed in the main liability calculations.

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

2.21 Table G shows the indicative effects on the total liability as at 31 March 2015 of changes to these assumptions (rounded to the nearest ½%).

Table G: Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*	+½% a year	- 9½%	- £26 billion
(ii) earnings increases*	+½% a year	+ 1.5%	+ £4 billion
(iii) pension increases*	+½% a year	+ 8%	+ £22 billion
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement*		+ 3%	+ £8 billion
(vi) all active members who move to the new scheme retire (on average) 1 year later		+ 0%	+ £0 billion
(vii) withdrawal rates a third higher		- 1%	- £3 billion

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

Matt Wood
Government Actuary's Department
8 September 2015

Revenue Account disclosures for year ended 31 March 2015 (GAD appendix E)

	£ billion
	Year ended 31 March 2015
Analysis of amount charged to pension cost	
Current service cost	8.0
Past service cost	-
Total operating charge	**8.0**
Analysis of the amount recognised in Statement of Financial Position	
Expected return on scheme assets	-
Interest on pension liability	(10.9)
Net return	**(10.9)**
Analysis of amount recognised in Statement of Change in Taxpayers' Equity (SCITE)	
Actual return less expected return on scheme assets	-
Experience gains and losses arising on pension liabilities	1.8
Changes in mortality assumptions	0.0
Changes in demographic assumptions (other than mortality)	0.0
Changes to financial assumptions from 31 March 2014	(28.4)
Net actuarial losses recognised in SCITE	**(26.6)**
Movement in surplus during the year	
Deficit at 31 March 2014	(250.2)
Current service cost	(8.0)
Benefits paid during the year	9.2
Past service costs	-
Net transfers in	0.1
Interest on pension liability	(10.9)
Actuarial losses	(15.7)
Deficit at 31 March 2015	**(275.5)**

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

3. Statement of accounting officer's responsibilities

3.1 Under Section 5 of the *Government Resources and Accounts Act 2000*, HM Treasury has directed the Scheme to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statement also satisfies the requirements of the *Teachers' Pensions Regulations* (as amended) 2010 (SI 2010/990) and *The Teachers' Pensions Regulations 2014*.

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

3.3 In preparing the accounts 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 HM Treasury, 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.

3.4 HM Treasury has appointed Chris Wormald, the Permanent Secretary of the Department for Education, as Accounting Officer for the Teachers' Pension Scheme (England and Wales). 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 assets of the Scheme, are set out in *Managing Public Money* published by HM Treasury.

4. Governance statement

Scope of responsibility

4.1 As Accounting Officer of the Department for Education I have responsibility for maintaining a sound system of internal control and risk management that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding public funds and Departmental assets for which I am personally responsible. This includes the management of budgets and assets associated with the Teachers' Pension Scheme (TPS).

4.2 The administration of the TPS is contracted out to Capita. The contract is managed by the Department and operated in accordance with the Department's internal control framework. As Accounting Officer, I have responsibility for ensuring that the administrator is managing the risks effectively, and for reviewing the effectiveness of the administrator's systems of internal control.

Governance structure: TPS boards

4.3 Strategy Board (SB): meets quarterly, chaired by Richard Symms, the Department's Head of Pensions, for the purpose of determining the strategic direction of the administration services, and reviewing delivery progress. The focus is on:

- Departmental/government pension priorities;
- achievement of contractual outcomes;
- innovations and improvements that deliver improved customer service and/or service efficiencies, and
- discussion of any escalations from Service Delivery Board.

Board Member	Meetings attended	Out of a possible
Department		
Richard Symms	4	4
Sue Crane	4	4
Karen Peacock	3	4
Capita		
Susan Ring (from January 2014)	4	4
Andrea Waller	4	4
John Bailey (until November 2014)	2	2
Ian Butcher	4	4
David Heslop (from November 2014)	2	2
Neil Brady (from November 2014)	2	2
Paul Sturgess (until November 2014)	2	2

4.4 Service Delivery Board (SDB): meets monthly, chaired by Sue Crane, the Department's Senior Contract Manager. The SDB is responsible for:

- managing and monitoring delivery of the strategic direction on a "day-to-day" basis,
- monitoring core pension administration delivery (see below),
- reviewing performance against service levels and addressing delivery risks and issues, and
- discussing any escalation from Finance and Audit meetings.

Board Member	Meetings attended	Out of a possible
DfE		
Sue Crane	12	12
Richard Lees	11	12
Karen Peacock	10	12
Karen Cammack (from November 2014)	4	5
Capita		
John Bailey (until August 2014)	-	5
David Heslop (from January 2015)	3	3
Paul Sturgess (until December 2014)	9	9
Mark Richardson	12	12
Claire Boston-Smithson	10	12
Keith Barker	12	12
Pete Henderson	12	12
Ian Hodgson (from April 2014 until September 2014)	5	5

4.5 The TPS Risk Committee: meets monthly, chaired by Pete Henderson, TPS (Capita) Governance Manager, for the purpose of reviewing current Strategic and Service Delivery risks, identifying emerging risks in period, and assigning ownership and management of mitigating actions.

4.6 Executive Reviews: Stephen Baker, the Deputy Director for Teachers' Pensions and Deregulation Division has six-monthly meetings with a Capita Executive Director, which provides a vehicle for escalating and resolving issues.

4.7 Where appropriate, issues are escalated to the Department's boards.

The Department's boards and committees

4.8 The Departmental Board (DB) provides strategic and operational leadership of the Department, by bringing together Ministerial and official leaders with Non-executive Board Members from outside government. The Board is chaired by the Secretary of State and its membership includes the Ministers, the Permanent Secretary, all

Directors General, the Director of Finance and Commercial Group, the Director of Strategy, the Director of HR, Chief Executive of the Education Funding Agency and the Non-Executive Board Members.

4.9 The DB meets several times a year and advises on strategic issues and the deliverability of policies, as well as scrutinising and challenging the Department on its performance and on how well it is achieving its objectives.

4.10 The DB is supported in the delivery of its functions by three sub-committees – the Performance Committee, the Audit and Risk Committee and the Management Committee.

4.11 Further details on the DB can be found in the Department's Governance Statement published in the Department's Consolidated Annual Report and Accounts, which are due for publication in late 2015.

4.12 Sub-committees report or escalate relevant issues to the Board. This may take the form of routine reports to board members, but may, if considered necessary or appropriate by the sub-committee Chair, form the subject of a full agenda item for discussion at the Board. Although TPS issues were discussed a number of times at Audit and Risk Committee meetings, no issues were escalated to the DB in 2014-15.

4.13 Management Committee (MC): meets monthly and focuses on the Department's capacity and capability to achieve its strategic aims and objectives. It is chaired by the Permanent Secretary and includes Non-Executive Board Members.

4.14 Performance Committee (PC): meets monthly and scrutinises progress against the performance and delivery of Departmental objectives. It is chaired by one of the Non-Executive Board Members.

4.15 Audit and Risk Committee (ARC): meets quarterly and provides assurance to the Board and Accounting Officer on audit, risk and control issues. It is chaired by the lead Non-Executive Board Member and its membership includes two independent financial specialists and the Chair of the Education Funding Agency Audit Committee.

Joint Department and Capita Reform Project Board

4.16 The Pension Reform Project Board is responsible for the delivery of the implementation of the TPS reforms in 2015. The Board, chaired by the relevant Deputy Director from the Department as Senior Responsible Officer (SRO) and made up of Departmental and Capita senior managers, meets monthly to ensure that the various work streams are fully monitored and mitigating action is in place for any risks that could threaten the successful completion of the overall project. The

Board successfully delivered the reformed scheme on 1 April 2015. Responsibility for ongoing governance will fall under the existing governance structure now that the reform project is complete.

4.17 The key provisions of a reformed TPS are:

- a pension based on career average earnings;
- an accrual rate of 1/57th with a revaluation rate of CPI +1.6% whilst the member is in pensionable service;
- Normal Pension Age (NPA) equal to State Pension Age (SPA);
- additional flexibilities, including beneficial early retirement factors for those with an NPA above 65 (of 3% per year for a maximum of 3 years in respect of the period from age 65 to their NPA) to provide more options to help members plan and save for their retirement; and
- accrued rights fully protected, with additional protection for those closest to retirement.

Teachers' Pension Scheme Pensions Board (TPSPB)

4.18 A new TPS Pension Board was established on 1 April 2015 in accordance with the Public Services Pensions Act 2013. The TPSPB is responsible for assisting the scheme manager in ensuring compliance with the Teachers' Pension Scheme Regulations, any other legislation relating to the governance and administration of this scheme and any requirements imposed by the Pensions Regulator. The role of the Board is to assist the scheme manager by delivering challenge and oversight to the Department and the administrators, and thereby provide additional assurance that the scheme is being administered effectively.

Risk management and controls

4.19 The Department's approach is to assign risks to those best placed to manage them. While I am the risk owner for the TPS, individual managers are responsible to Directors General and Directors for managing risks associated with scheme management and accounting, given their knowledge of the issues and being best placed to mitigate any potential impacts. The Director of Teachers' Group is responsible for the delivery of scheme policy objectives, governance and administration of the scheme; responsibility for the financial reporting and scheme accounting lies with the Director of Finance and Commercial Group.

4.20 Risk management is built into the TPS business planning and reporting processes, evident in the governance and audit mechanisms that monitor compliance with risks associated with policy, administration and financial requirements. There is clear accountability and ownership of risk to ensure that it is managed at the appropriate level. Risks relating to the TPS are discussed on an exceptions basis by the ARC and MC and, if necessary, escalated to the Departmental Board. No issues were escalated in 2014-15.

4.21 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk, whilst still enabling the achievement of the relevant 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 on-going process designed to:

- identify and prioritise the risks to the achievement of those policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage the risks efficiently, effectively and economically.

4.22 The specific controls used to provide assurance over the management of risks/issues associated with the TPS are described below:

- Risk registers: one risk register is in operation that covers all sections: contract, policy, finance, reform and administration (strategic and service delivery). Each area has appropriate ownership for managing their relevant risks, and therefore each business aspect is required to take account of the impact on the other. The structure of the register is reviewed to ensure compliance with risk management good practice. The Risk Committee, incorporating membership from both the Department and the scheme administrator, is responsible for the management of this register.
- Contractual audit requirement: Capita's contract requires them to produce and implement an audit strategy, which complies with the Public Sector Internal Audit Standards (PSIAS) and provides requisite assurance over TPS governance, risk management and controls. The requirement is delivered by Capita's internal audit division, Group Internal Audit (GIA).
- Annual audit plan: a risk-based annual audit plan is delivered by GIA which is approved by the Department. The Department continually reviews plan delivery, as well as approving the scope of individual audit activity, and reviewing/challenging audit findings.

  The 2014-15 audit plan included 12 separate reviews:

  - Quality framework – Improvement required;
  - Transfers/pensions liberation – Significant improvement required;
  - Customer Experience – Improvement required;

- Payroll – Effective;
- Retirements – Improvement required;
- Data management (MDC Project) – Effective;
- Fraud data mining (2013 & 2014) – Effective;
- Scheme reform: project governance – Effective;
- Scheme reform: website – Improvement required;
- Scheme reform: IT development – Effective;
- Project sage: end of project – Improvement required; and
- Hartlink calculations – Effective.

There were 34 findings made within the GIA reports released during the period April 2014 to March 2015. There remains a single (low risk) action outstanding as at 31 March 2015.

For the areas reviewed during the period, GIA confirmed that the overall effectiveness of governance, risk management and internal control arrangements are generally effective with only minor area for improvement noted. This is supported by the fact there have been no 'critical' issues identified during the course of the year.

The review of transfers identified one 'high' graded finding relating to a misinterpretation of the contract measurement of the required SLA standard (SLA 5b). The subsequent agreed actions are now complete.

Where GIA identified weaknesses, they have confirmed that Capita management has taken appropriate measures to agree and remediate the identified weaknesses in the control environment.

- Monitoring: risks and audit finding resolutions are monitored and discussed at the SDB and SB meetings, with strategic/service delivery risk registers and audit updates incorporated into contract reports. Additionally, Capita ensures that the TPS is given prominence within their business-wide Risk Management and Audit Committee, which meets monthly.

- Independent audit assurance: the Department's internal audit function engages regularly with contract managers and GIA to review and challenge contract, risk and audit management.

4.23 The key financial controls are as described below:

- Income and expenditure forecasts: are calculated by Capita, with input from the Department. Expert advice is sought from GAD in respect of financial and demographic assumptions. A monthly finance meeting enables the Department's finance managers to review and challenge the forecasts, with input from the Department's teacher workforce and pay colleagues. The forecasts are subject to further challenge by HM Treasury and the Office for Budget Responsibility (OBR). This process ensures procedures and controls are sufficiently robust to provide forecasts that are as accurate as possible.
- Fraud identification: Capita is required to develop and maintain effective controls to prevent, detect and deter fraud and its internal systems are subject to regular audit reviews. In line with public sector best practice, Capita participate in the National Fraud Initiative (NFI) to identify potential fraudulent benefit claims. The screening exercises take place every two years. Capita supplements the NFI activity by undertaking mortality screening using Capita Tracing Services, with tracing activity taking place yearly, alternating between the two. Screening using data available through the Disclosure of Death Register Information was implemented on1 May 2015.
- Debt Management: scheme debt is reviewed as part of the monthly finance meetings between the Department and Capita to identify and improve existing processes for debt identification to reduce the overall debt position. Casework is managed through Capita's secure Hartlink system, with the Department receiving monthly reports on the status of all debt cases, and profile and trend analysis data outlining the wider debt position.

4.24 Pension policy changes that impact on the Scheme are determined by the Department and Capita following appropriate consultation. The Department proactively participates in the occupational pension network, which is chaired by HM Treasury and provides a vehicle for identifying and discussing impacts and solutions at public sector scheme level. Capita proactively monitor and progress general changes to overarching pension policy to ensure the scheme and administration complies with regulatory positions. Monitoring the delivery of policy changes/issues and managing risks is provided through the above mentioned governance structure.

4.25 In August 2015, whilst the audit of the 2014-15 accounts was in progress, Capita's internal auditors identified a loss and that this was potentially a case of theft. This was immediately reported to the police and is now being investigated. Whilst the investigation is continuing, it would be inappropriate to comment further. We can however confirm that there has been no impact on individual members of the Teachers' Pension Scheme, nor will the value of the Scheme be impacted.

4.26 The accounts were delayed whilst additional work was carried out to provide sufficient evidence to demonstrate that certain key balances and disclosures were complete and accurately stated. This work has now concluded to the satisfaction of the Auditor.

Pension scheme reform

4.27 Introducing a reformed TPS from April 2015 will bring significant operational and logistical challenges, given the size and scale of the necessary changes. Throughout this period the Teachers' Policy and Reform teams have been taking forward key elements of the Government's response to Lord Hutton's recommendations on the reform of public service pension schemes.

4.28 Associated risks and issues have been managed through a project structure, which has included regular review and reporting of key risks and issues. The project was overseen jointly by senior officials and staff from the Department and Capita and will also come into scope for the existing gateway review process.

4.29 The Department has worked closely with HM Treasury, GAD and officials within other departments to ensure that changes to the TPS are consistent with Government policy on the wider issue of public sector pensions.

Financial management

4.30 The Pensions Finance Team and Capita, with input from the GAD and challenge from HM Treasury and the OBR, have refined budget forecasts to take into account new and emerging trends, central assumptions and anticipated changes in behaviour as a result of perceived and actual changes to the Scheme. Additional monthly monitoring of the accounts has also been introduced to reduce the risk of overspends.

People management

4.31 There is a requirement in the administrator's contract which determines that Capita must ensure that it employs appropriately skilled and qualified practitioners, preferably with a sound pension background, to specialist posts within the organisation.

4.32 Capita has confirmed that there is a robust recruitment programme in place, which uses internal and external recruitment consultants to identify the necessary skills and experience (including professional qualifications) expected of the candidates and then matches people against them.

4.33 All employees are subject to a probationary period (which can vary in length according to grade) and an appraisal system, to ensure that they maintain performance against objectives and undertake internal Learning & Development training to maintain and further develop their skills and professional qualifications. The Learning and Development Team within Capita maintain a record of all individuals' skills and professional qualifications.

Corporate governance code

4.34 The Department complied with the Corporate Governance Code throughout this period as evidenced by the production of this Governance Statement, attendance at meetings through the year and internal audit reviews.

Independent assurance

4.35 GIA is required to assess the governance arrangements in place between Capita and the Department on an annual basis, to ensure that it provides an effective governance framework and adequate processes to proactively manage risks. Their Annual Statement of Assurance for the year ending 31 March 2015 confirms that it did provide a satisfactory framework to enable effective risk management during that period.

4.36 They conclude that they have not identified any errors, breaches or fraud, actual or impending, which may cause material financial or reputational loss to either Capita or the Department.

4.37 During the course of 2014-15, Teachers' Pensions recorded 30 minor breaches of data security where member service information was accidentally included in correspondence addressed to another person/address. All breaches have been investigated and resolved.

Overall assessment

4.38 As Accounting Officer I am satisfied that there are no material threats to the operational effectiveness of the TPS, and that the systems in place comply with HM Treasury requirements on risk management, internal control and governance.

Chris Wormald 5 October 2015
Accounting Officer

The certificate and report of the Comptroller and Auditor General to The House of Commons

I certify that I have audited the financial statements of the Teachers' Pension Scheme (England and Wales) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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 Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 Report of the Actuary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually

Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse **13 October 2015**
Comptroller and Auditor General

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

Statement of Parliamentary Supply

for the year ended 31 March 2015

Summary of Resource and Capital Outturn 2014-15

								2014-15	2013-14
		Estimate			Outturn				Outturn
	SoPS Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted Outturn compared with Estimate: saving/ (excess) £000	Total £000
Departmental Expenditure Limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
- Resource	S2.1	13,360,200	-	13,360,200	13,286,501	-	13,286,501	73,699	10,648,822
- Capital		-	-	-	-	-	-	-	-
Total Budget		13,360,200	-	13,360,200	13,286,501	-	13,286,501	73,699	10,648,822
Non-Budget									
-Resource		-	-	-	-	-	-	-	-
Total		**13,360,200**	**-**	**13,360,200**	**13,286,501**	**-**	**13,286,501**	73,699	**10,648,822**
Total Resources		**13,360,200**	**-**	**13,360,200**	13,286,501	-	13,286,501	73,699	10,648,822
Total Capital		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**13,360,200**	**-**	**13,360,200**	**13,286,501**	**-**	**13,286,501**	**73,699**	**10,648,822**

Net cash requirement

SoPS Note	2014-15		2014-15	2013-14
	Estimate £000	Outturn £000	Outturn compared with Estimate: saving/ (excess) £000	Outturn £000
S4	3,652,128	3,591,880	60,248	3,360,642

Administration costs

Note		2014-15	2013-14
	Estimate £000	Outturn £000	Outturn £000
	-	-	-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

Statement of Parliamentary Supply (continued)

Explanations of variances between Estimate and Outturn are given in SoPS Note 2 and in the Report of the Manager.

During 2014-15 the administration costs for the Scheme were met from within the administration costs of the Department for Education. From 1 April 2015 the Scheme will reimburse the Department for any administration-related costs.

The notes on pages 36 to 40 form part of these accounts.

Notes to the Accounts (Statement of Parliamentary Supply)

S1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury (HMT). The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 *Consolidated Budgeting Guidance and Supply Estimates Guidance Manual*.

S1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with HMT budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework *European System of Accounts* (ESA95). ESA95 is in turn consistent with the *System of National Accounts* (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

S1. Statement of accounting policies (continued)

S1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the Scheme's outturn as recorded in SoPS compared to the IFRS-based accounts is provided in SoPS note S3.

S1.2.1 Receipts in excess of HM Treasury agreement

This applies where HMT has agreed a limit to income retainable by the Department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas:

- profit on disposal of assets;
- income generation above department Spending Review settlements; and
- income received above netting-off agreements.

S2. Net outturn

S2.1 Analysis of net resource outturn by section

	Outturn							2014-15 Estimate			2013-14 Outturn
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Total £000	Net Total £000	Net total compared to Estimate £000	Net Total Compared to Estimate, Adjusted for Virements £000	Total £000
Spending in Departmental Expenditure Limits (DEL)											
Voted expenditure											
Section A	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Non -voted expenditure											
Section A	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total spending in DEL	-	-	-	-	-	-	-	-	-	-	-
Spending in Annually Managed Expenditure (AME)											
Voted expenditure											
Section A	-	-	-	19,026,293	(5,739,792)	13,286,501	13,286,501	13,360,200	73,699	73,699	10,648,822
				19,026,293	(5,739,792)	13,286,501	13,286,501	13,360,200	73,699	73,699	10,648,822
Non -voted expenditure											
Section A	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total spending in AME	**-**	**-**	**-**	**19,026,293**	**(5,739,792)**	**13,286,501**	**13,286,501**	**13,360,200**	**73,699**	**73,699**	**10,648,822**
Total Spending	**-**	**-**	**-**	**19,026,293**	**(5,739,792)**	**13,286,501**	**13,286,501**	**13,360,200**	**73,699**	**73,699**	**10,648,822**

S2. Net outturn (continued)

S2.1 Analysis of net resource outturn by section (continued)

S2.1.1 Explanation of the variation between Estimate and Outturn (net total resources)

The net resource outturn is £73.7 million (2013-14: £398 million overspend) lower than the net resource limit in the Supply Estimate. The underspend is the result of Scheme income being £33.5 million and other income being £2.6 million above forecast. Resource expenditure was £37.6 million lower than forecast. The outturn was 1% under the estimate. This reflects the work of the Department and Scheme administrator in order to ensure that the budget is taut and realistic and that there was not a breach of the Estimate.

S2.2 Analysis of net capital outturn by section

The Scheme does not have any capital expenditure.

S3. Reconciliation of net resource outturn to net expenditure

	Note	2014-15 Outturn £000	2013-14 Outturn £000
Total resource outturn in Statement of Parliamentary Supply	S2.1	13,286,501	10,648,822
Less: Income payable to the Consolidated Fund	S5	68	123
Combined net expenditure in Combined Statement of Comprehensive Net Expenditure		**13,286,433**	**10,648,699**

S4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2014-15 Net total outturn compared with Estimate savings/ (excess) £000	2013-14 Outturn £000
Resource Outturn	S2.1	**13,360,200**	**13,286,501**	**73,699**	**10,648,822**
Capital Outturn		**-**	**-**	**-**	**-**
Accruals to cash adjustments:					
Adjustments to remove non-cash items:					
New provisions and adjustments to previous provisions		(19,059,495)	(19,024,057)	(35,438)	(16,155,598)
Adjustments to reflect working balances:					
Increase/(decrease) in receivables		34,413	7,592	26,821	48,381
(Increase)/decrease in payables		(28,919)	(22,142)	(6,777)	(39,704)
Use of provisions		9,345,929	9,343,986	1,943	8,858,741
Net cash requirement		**3,652,128**	**3,591,880**	**60,248**	**3,360,642**

S5. Analysis of income payable to the consolidated fund

The following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2014-15 Income £000	Outturn 2014-15 *Receipts £000*	Outturn 2013-14 Income £000	Outturn 2013-14 *Receipts £000*
Operating income outside the ambit of the Estimate	68	*76*	123	*160*
Non-operating income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	**68**	***76***	**123**	***160***

Combined Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Principal arrangements			
Income			
Contributions income	3	(5,699,697)	(5,463,876)
Transfers in	4	(30,615)	(37,905)
Other pension income	5	(9,548)	(8,234)
		(5,739,860)	**(5,510,015)**
Expenditure			
Service cost	6	8,105,823	6,908,261
Enhancements	7	10,656	13,022
Transfers in	8	30,615	37,905
Pension financing cost	9	10,858,336	9,182,567
		19,005,430	**16,141,755**
Net expenditure		**13,265,570**	**10,631,740**
Compensation arrangements			
Benefits payable	10	20,863	16,959
Net expenditure		**20,863**	**16,959**
Combined net expenditure		**13,286,433**	**10,648,699**

Other comprehensive net expenditure

	Note	2014-15 £000	2013-14 £000
Recognised losses for the year			
Actuarial loss	14.8	15,629,202	18,008,156
Total comprehensive net expenditure		**28,915,635**	**28,656,855**

The notes on pages 45 to 61 form part of these accounts.

Combined Statement of Financial Position

as at 31 March 2015

	Note	2015 £000	2014 £000
Principal arrangements			
Current assets			
Receivables	11	450,238	442,646
Cash and cash equivalents	12	62,136	55,540
Total current assets		**512,374**	**498,186**
Current liabilities			
Overdraft	12	(1,811)	(6,165)
Payables	13.1	(455,508)	(422,105)
Total current liabilities		**(457,319)**	**(428,270)**
Net current assets, excluding pension liability		**55,055**	**69,916**
Pension liability	14.5	(275,500,000)	(250,200,000)
Net liabilities, including pension liability		**(275,444,945)**	**(250,130,084)**
Compensation arrangements			
Payables	13.2	8	(304)
Provision for compensation payments	15	(170,949)	(161,675)
Net liabilities		**(170,941)**	**(161,979)**
Combined Schemes -Total net liability		**(275,615,886)**	**(250,292,063)**
Taxpayers' equity			
General Fund		(275,615,886)	(250,292,063)
Total equity		**(275,615,886)**	**(250,292,063)**

Chris Wormald 5 October 2015

Accounting Officer

The notes on pages 45 to 61 form part of these accounts.

Combined Statement of Changes in Taxpayers' Equity

for year ended 31 March 2015

	Note	2014-15 General Fund £000	2013-14 General Fund £000
Balance at 1 April		(250,292,063)	(224,995,727)
Net Parliamentary Funding			
– drawn down		3,602,913	3,338,500
– deemed		49,215	71,357
Consolidated Fund Standing Services		-	-
Supply (payable)/receivable adjustments		(60,248)	(49,215)
CFERs payable to the Consolidated Fund	S5	(68)	(123)
Comprehensive net expenditure for the year		(13,286,433)	(10,648,699)
Actuarial loss	14.8	(15,629,202)	(18,008,156)
Net Change in Taxpayer's equity		(25,323,823)	(25,296,336)
Balance at 31 March		**(275,615,886)**	**(250,292,063)**

The notes on pages 45 to 61 form part of these accounts.

Combined Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net expenditure		(13,286,433)	(10,648,699)
Adjustments for non-cash transactions	9 & 15	10,861,893	9,186,014
Increase in receivables – principal arrangements	11.1	(7,592)	(48,388)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Decrease in payables – agency arrangements	13.2	(312)	(1,502)
Increase in payables: pensions	13.1	33,403	19,121
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	13.1	(10,941)	22,129
Increase in pension provision	6 & 15	8,120,894	6,918,657
Increase in pension provision – enhancements and transfers in	7 & 8	41,271	50,927
Use of provisions – pension liability	14.5	(9,212,238)	(8,751,906)
Use of provisions – early retirement	15	(9,354)	(8,830)
Use of provisions – refunds and transfers	14.7	(122,394)	(98,005)
Net cash outflow from operating activities		**(3,591,803)**	**(3,360,482)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,602,913	3,338,500
Net Parliamentary financing		**3,602,913**	**3,338,500**
Net financing		**11,110**	**(21,982)**
Net increase/ (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**11,110**	**(21,982)**
Payments of amounts due to the Consolidated Fund	13.1	(160)	(111)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		10,950	(22,093)
Cash and cash equivalents at the beginning of the year	12	49,375	71,468
Cash and cash equivalents at the end of the year	12	**60,325**	**49,375**

The notes on pages 45 to 61 form part of these accounts.

Notes to the Accounts

1. Basis of preparation

The accounts of the Teachers' Pension Scheme (England and Wales) have been prepared in accordance with the relevant provisions of the 2014-15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector. *IAS 19 Employee Benefits* (IAS 19) and *IAS 26 Accounting and Reporting by Retirement Benefit Plans* (IAS 26) are of particular relevance to these accounts.

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

1.1 Teachers' Pension Scheme - principal arrangements

The Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department for Education on behalf of members of the teaching profession in England and Wales who satisfy the membership criteria.

Contributions to the Scheme by employers and employees are set at rates determined by the Secretary of State after consultation with the Scheme's Actuary. The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Department and reported in the Department's consolidated accounts.

The accounts of the Scheme show the financial position of the Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme accounts should be read in conjunction with that report.

1. Basis of preparation (continued)

1.2 Teachers' Pension Scheme - agency arrangements

The Scheme acts as an agent for employers in the payment of compensation benefits arising under the Scheme. Compensation payments are generally recovered from the employer in advance, on a quarterly basis. The financial flows associated with these transactions are not brought into account in the financial statements. However, the accounts recognise the liabilities arising from the central funding of compensation payments which amount to some £171 million (2013-14: £162 million) (see Note 15).

2. Accounting policies

The accounting policies contained in the FReM follow IFRSs to the extent that they are meaningful and appropriate to the public sector context and to an unfunded Scheme, with a separate vote. The accounts therefore include contributions receivable as income, as a pension scheme would. The position showing its liabilities and expenditure represents the employer position showing increase in liabilities suffered in year and 'net service cost', rather than pensions payable as in pension scheme accounts.

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

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Pension 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 2.2d below) and Additional Voluntary Contributions (dealt with in 2.16 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. Accounting policies (continued)

2.3 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis. Transfers out reduce the liability and are shown on a cash basis.

2.4 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.

2.5 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.

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. It is calculated by factoring up the actual contribution rates charged (employers 14.1%, employees 9.6%) to the projected unit credit rate (33.8%) adopted by the Actuary.

2.7 Past service cost

Past service costs are increases/decreases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, change to, or improvement to, retirement benefits. Past service costs are recognised in the Statement of Comprehensive Net Expenditure in the year in which the increase in benefits vests. The use of CPI for uprating index-linked features was adopted by all central Government reporting entities from FY2010-11 onwards, replacing Retail Price Index which has been used previously for inflation indexing.

2. Accounting policies (continued)

2.8 Interest on scheme liabilities

The interest cost is the increase during the year in the present value of the Scheme liabilities because the benefits are one period closer to settlement. The cost is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on a discount of 1.30% (2013-14: 1.80%), real rate (i.e. 3.55% (2013-14: 4.35%) including inflation.

2.9 Other expenditure

All other expenditure in the Statement of Comprehensive Net Expenditure is related to the compensation scheme and accounted for on an accruals basis. The other payments category excludes administration costs and audit fees which were met by the Department.

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at 1.3% real (3.55% gross). The actuary reviews the most recent actuarial valuation at the date of the Statement of Financial Position and updates it to reflect current conditions. Differences between the Actuary's figures shown on page 20 and the Annual Accounts are due to rounding.

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

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. Accounting policies (continued)

2.13 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.

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on a cash basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains and losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the reporting period end date are recognised in the Statement of Comprehensive Net Expenditure, Other Comprehensive Net Expenditure for the year.

2.16 Additional voluntary contributions

Additional Voluntary Contributions (AVCs) are deducted from members' salaries and are paid over directly by the employers to the approved AVC provider.

2.17 Premature retirement compensation

On-going 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 year and recovered from employers on a quarterly basis, in advance. These transactions are not recorded in the Statement of Comprehensive Net Expenditure.

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. 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 Statement of Comprehensive Net Expenditure, with offsetting income reflecting the reimbursements due from employers.

2. Accounting policies (continued)

2.18 Administration expenses

The budget for all the administration expenses related to the Scheme is included in the Supply Estimate of the Department for Education. Administration expenses include all staff costs, overheads and general administration costs and more specifically for the Scheme, the cost of fees paid for medical examinations.

2.19 Changes to International Financial Reporting Standards

No changes to International Financial Reporting Standards have impacted on the Scheme Accounts.

2.20 Changes to the Financial Reporting Manual

No changes to the Financial Reporting Manual have impacted on the Scheme Accounts.

3. Contributions receivable

	2014-15 £000	2013-14 £000
Employers	3,350,342	3,313,104
Employees:		
Normal	2,339,720	2,137,750
Purchase of added years	9,635	13,022
	5,699,697	**5,463,876**

£6,099 million contributions are expected to be payable to the Scheme in 2015-16.

4. Transfers in

	Note	2014-15 £000	2013-14 £000
Transfers in from other schemes		30,615	37,905
		30,615	**37,905**

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

5. Other pension income

	2014-15 £000	2013-14 £000
Contributions equivalent premiums	673	495
Recoveries of payments in lieu	5	4
Reinstatement of contributions	1,021	-
Other income	68	123
Premature retirement compensation	7,781	7,612
	9,548	**8,234**

6. Service cost

	Note	2014-15 £000	2013-14 £000
Current service cost	14.5	8,084,424	6,887,424
Past service cost	14.5	21,399	20,837
		8,105,823	**6,908,261**

7. Enhancements

	Note	2014-15 £000	2013-14 £000
Employees:			
Purchase of added years		9,635	13,022
Reinstatements		1,021	-
	14.5	**10,656**	**13,022**

8. Transfers in - additional liability

	Note	2014-15 £000	2013-14 £000
Transfers in from other schemes		30,615	37,905
	14.5	**30,615**	**37,905**

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

9. Pension financing cost

	Note	2014-15 £000	2013-14 £000
Net interest charge for the year		10,858,336	9,182,567
	14.5	**10,858,336**	**9,182,567**

10. Compensation benefits

The following amounts represent annual compensation payments and compensation lump sums payable to former employees, but which are not recoverable from employers. These sums are brought to account in the Statement of Comprehensive Net Expenditure.

	Note	2014-15 £000	2013-14 £000
On retirement			
Contributions equivalent premiums		543	1,195
Premature retirement compensation		15,964	11,752
Other		799	566
Unwinding of discount	15	3,557	3,446
		20,863	**16,959**

11. Receivables

11.1 Analysis by type

	2015 £000	2014 £000
Amounts falling due within one year:		
Pension contributions due from employers	254,494	256,888
Employees' normal contributions	177,441	166,166
Other receivables	15,718	17,946
	447,653	441,000
Recoverable compensation from employers (principal)	2,585	1,646
Total amounts falling due within one year	**450,238**	**442,646**

Included within the 2014-15 figures is £nil (2013-14: £8,000) that will be due to the Consolidated Fund once the debts are collected.

There are no receivables falling due after more than one year (2013-14: £nil).

11. Receivables (continued)

11.2 Intra-government balances

	Amounts falling due within one year	
	2015 £000	2014 £000
Balances with other central government bodies	108,015	176,562
Balances with local authorities	222,290	147,871
Intra-government balances	**330,305**	**324,433**
Balances with bodies external to government	119,933	118,213
Total receivable at 31 March	**450,238**	**442,646**

12. Cash and cash equivalents

	2015 £000	2014 £000
Balance at 1 April	49,375	71,468
Net change in cash balances	10,950	(22,093)
Balance at 31 March	**60,325**	**49,375**
The following balances at 31 March were held at:		
Cash at bank and in hand:		
Government Banking Service	59,630	55,396
Commercial banks and cash in hand	2,506	144
	62,136	**55,540**
Overdrafts:		
Commercial banks and cash in hand overdraft	(1,811)	(6,165)
	(1,811)	**(6,165)**
Balance at 31 March	**60,325**	**49,375**

13. Payables

13.1 Analysis by type

	2015 £000	2014 £000
Pensions	315,118	298,676
HMRC and voluntary contributions	77,599	71,573
Other payables	2,467	2,473
	395,184	**372,722**
Amounts issued from the Consolidated Fund for supply but not spent at year end	60,248	49,215
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	76	160
Receivable	-	8
	60,324	**49,383**
Total payable at 31 March	**455,508**	**422,105**

13.2 Contributions due - compensation payments agency

	2015 £000	2014 £000
Balance at 1 April	304	1,806
Receipts from employers	26,831	25,848
Payments to employees	(27,143)	(27,350)
Balance at 31 March	**(8)**	**304**

13.3 Intra-government balances

	Amounts falling due within one year	
	2015 £000	2014 £000
Balances with other central government bodies	137,998	121,169
Balances with local authorities	450	925
Balances with public corporations and trading funds	-	-
Intra-government balances	**138,448**	**122,094**
Balances with bodies external to government	317,052	300,315
	455,500	**422,409**

14. Provisions for pension liabilities

14.1 Assumptions underpinning the pension liability

The Teachers' Pension Scheme (England and Wales) is an unfunded defined benefits scheme. The Government Actuary's Department carried out an assessment of the scheme liabilities as at 31 March 2015. The Report of the Actuary on pages 14 to 20 sets out the scope, methodology and results of the work the actuary has carried out.

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 managers should make available to the actuary in order to meet the expected requirements of the Scheme auditor. This information includes but is not limited to details of:

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

14.2 Assumptions used

The key assumptions used by the actuary were:

	2015 %	2014 %	2013 %	2012 %	2011 %
Rate of increase in salaries	4.2	4.5	3.95	4.3	4.9
Rate of increase in pensions in payment and deferred pensions	2.2	2.5	1.70	2.0	2.7
Nominal discount rate	3.55	4.35	4.10	4.8	5.6
Discount rate net of price inflation	1.3	1.8	2.35	2.8	2.9
Inflation assumption	2.2[1*]	2.5*	1.70*	2.0*	2.7

14. Provisions for pension liabilities (continued)

14.2 Assumptions used (continued)

	2015 Years	2014 Years	2013 Years	2012 Years	2011 Years
Life expectancy for those retiring at 31 March aged 60					
Males	29.5	29.4	29.2	29.1	29.2
Females	32.2	32.1	32.8	32.7	32.7
	Years	Years	Years	Years	Years
Retirements in 20 years' time					
Males	31.6	31.5	31.6	31.5	31.1
Females	34.2	34.1	35.1	35.0	34.6
	Years	Years	Years	Years	Years
Life expectancy for those retiring at 31 March aged 65					
Males	24.5	24.4	24.4	24.3	24.3
Females	27.1	27.0	27.8	27.7	27.7
	Years	Years	Years	Years	Years
Retirements in 20 years' time					
Males	26.5	26.4	26.6	26.5	26.2
Females	29.1	29.0	30.0	26.9	29.6

[1] Short term adjustments have been made to this assumption.

* Inflation rates marked * are based on CPI, earlier rates are based on the RPI. The rates of increase in the financial assumptions table in the Statement by the Actuary are based on the difference between the rate of return (discount rate) and the nominal increase.

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.

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. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

14. Provisions for pension liabilities (continued)

14.2 Assumptions used (continued)

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

14.3 Analysis of the provision for pension liability

	2015 £bn	2014 £bn	2013 £bn	2012 £bn	2011 £bn
Value of liability in respect of:					
Pensions in payment	143.3	128.5	119.5	104.7	94.0
Deferred members	27.7	24.3	19.6	16.9	15.7
Active members	104.5	97.4	85.8	79.0	82.7
Total liabilities	**275.5**	**250.2**	**224.9**	**200.6**	**192.4**

Pension scheme liabilities accrue over an 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 below, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rate of inflation or increase 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 14.5 and 14.8. 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.

14. Provisions for pension liabilities (continued)

14.4 Sensitivity analysis

Table showing the indicative effects on the total liability as at 31 March 2015 of changes to assumptions (rounded to the nearest ½%).

Change in Assumption		Approximate effect on total liability	
Financial Assumptions			
i. Discount rate*	+ ½% a year	(9.5%)	(£26 billion)
ii. Earnings increases*	+ ½% a year	1.5%	£4 billion
iii. Pension increases*	+ ½% a year	8%	£22 billion
Demographic assumptions			
iv. Additional one year increase to life expectancy at retirement*		3%	£8 billion
v. All active members who move to new scheme retire (on average) 1 year later		-%	£- billion
vi. Withdrawal rates a third higher		(1%)	(£3 billion)

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

14.5 Analysis of movements in the Scheme liability

	Note	2014-15 £000	2013-14 £000
Scheme liability at 1 April		250,200,000	224,900,000
Current service cost	6	8,084,424	6,887,424
Past service cost	6	21,399	20,837
Pension financing cost	9	10,858,336	9,182,567
Enhancements	7	10,656	13,022
Pension transfers in	8	30,615	37,905
Benefits payable	14.6	(9,212,238)	(8,751,906)
Pension payments to and on account of leavers	14.7	(122,394)	(98,005)
Actuarial loss	14.8	15,629,202	18,008,156
Scheme liability at 31 March		**275,500,000**	**250,200,000**

During the year ended 31 March 2015, members' contributions represented an average 9.6% of pensionable pay (2013-14: 9.0%). Employers currently contribute 14.1% of pensionable pay (2013-14: 14.1%).

14. Provisions for pension liabilities (continued)

14.6 Analysis of benefits paid

	2014-15 £000	2013-14 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	7,729,216	7,303,513
Commutations and lump sum benefits on retirement	1,483,022	1,448,393
Total benefits paid	**9,212,238**	**8,751,906**

14.7 Analysis of payments to and on account of leavers

	2014-15 £000	2013-14 £000
Refunds to members leaving service	3,749	2,690
Individual Transfers to other schemes	118,645	95,315
Total payments to and on account of leavers	**122,394**	**98,005**

14.8 Analysis of actuarial (gains)/losses

	2014-15 £000	2013-14 £000
Experience gain arising on the Scheme liabilities	(12,770,798)	(1,091,844)
Changes in assumptions underlying the present value of scheme liabilities	28,400,000	19,100,000
Total actuarial loss	**15,629,202**	**18,008,156**

14.9 History of experience (gains)/losses

	2014-15	2013-14	2012-13	2011-12	2010-11
Experience (gains)/losses arising on the scheme liabilities					
Amount (£000)	(12,770,798)	(1,091,844)	1,269,624	(2,051,840)	(242,743)
Percentage of the present value of the Scheme liabilities	(4.64%)	(0.44%)	0.56%	(1.0%)	(0.1%)
Total amount recognised in Statement of Changes in Taxpayers' Equity					
Amount (£000)	15,629,202	18,008,156	17,069,624	(451,840)	(18,542,743)
Percentage of the present value of the Scheme liabilities	5.67%	7.20%	7.59%	(0.2%)	(9.6%)

15. Provision for early retirement benefits

		2014-15 £000	2013-14 £000
Balance at 1 April		161,675	156,663
Additional provisions		15,071	10,396
Use of provision in year		(9,354)	(8,830)
Unwinding of discount	10	3,557	3,446
		170,949	**161,675**

16. Financial instruments

As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The Scheme's purchase and usage requirements do not expose the Scheme to financial risks as defined under IFRS 7.

17. IAS 37 contingent liabilities

In the unlikely event of a default by the approved Additional Voluntary Contributions provider, the Scheme will guarantee pension payments. The liability for 2014-15 is £73.1 million (2013-14: £70.4 million). This guarantee does not apply to members who make payments to other institutions offering Free Standing AVCs.

18. Losses and special payments

18.1 Losses statement

	2014-15	2013-14
Total number of losses	**2,465**	**2,434**
Total value of losses £000	**64**	**491**

18.2 Special payments

	2014-15	2013-14
Total number of special payments	**-**	**60**
Total value of special payments £000	**-**	**15**

19. Related party transactions

The Teachers' Pension Scheme falls within the ambit of the Department for Education. The Department is regarded as a related party with which the Scheme has various material transactions during the year.

In addition, the Scheme has had material transactions with other government departments, and other central government bodies whose employees are members of the scheme.

None of the managers of the Scheme, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year.

20. Events after the reporting period.

There have been no events after the reporting period end date requiring an adjustment to these accounts.

These financial accounts were authorised for issue by Chris Wormald (Accounting officer) on the same day as the audit certificate was signed by the Comptroller and Auditor General.

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