Presented pursuant to the Government Resource and Account Act 2000 c.20. s.6(4)

Teachers' Pension Scheme (England and Wales)

Resource Accounts 2008-09

LONDON: The Stationery Office
HC 489

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£9.50

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Introduction

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

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

The scheme is managed by the Department for Children, Schools and Families and administered under contract by Capita Business Services Ltd.

Outside the scheme are provisions for premature retirement compensation payments made on behalf of employers and for the recovery of the costs of those payments from employers. Those provisions are also managed by the Department for Children, Schools and Families and administered under contract by Capita Business Services Ltd.

The managers, administrators, advisers and employers for both are as listed below.

MANAGERS, ADMINISTRATORS, ADVISERS AND EMPLOYERS

MANAGERS

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ADMINISTRATOR OF THE SCHEME

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

EMPLOYERS

Any organisation in England and Wales that employs teachers can join the TPS. There were 2,359 employers participating in 2008-09 split into the following categories:

172	Local Authorities (LAs)
413	Further Education institutions
90	Higher Education institutions
1,684	Independent establishments (including 137 Academies, 3 City Technology Colleges and 1,544 others)

PERFORMANCE AND POSITION

The TPS account is influenced by changes in membership numbers, salary levels, mortality rates, the age profile of the scheme and pensions increases. Of these elements, membership numbers increased due to the introduction of automatic scheme membership for part-time teachers either on first appointment or when they receive a new contract, which took effect on 1 January 2007. Such teachers still retain the right to opt out of the scheme as is the case with full-time teachers.

The Government Actuary is provided with estimated interim figures for members and pension levels on which the figures in the Statement by the Actuary are based. The figures appearing in the accounts are based on actual, final year-end figures. Hence the two sets of figures do not reconcile exactly.

CHANGES TO THE TEACHERS' PENSION SCHEME

Pensions were increased by 3.9% with effect from 7 April 2008 in line with increases in the cost of living based on the Retail Price Index (RPI).

CHANGES TO THE PREMATURE RETIREMENT COMPENSATION (PRC) SCHEME

During the year, compensation payments to certain individuals were increased by 3.9% in line with the increases in pensions.

FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS AND STAKEHOLDER PENSIONS

TPS does not have any arrangements to offer members free-standing additional voluntary contributions or stakeholder pensions. However the Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, the Prudential. The individual's employer is responsible only for the onward payment of members' contributions to the scheme's approved provider. Members participating in this arrangement receive an annual statement from the approved provider made up to 31 March each year confirming the amounts held in their account and the movements in the year.

All transactions and related assets and liabilities connected with the AVC scheme are private arrangements between the Prudential and the employees, therefore they do not form part of these accounts.

In 2008-09 the aggregate amounts of AVC investments are as follows:

The Prudential

	2008-09 £000	2007-08 £000
Movements in the year:		
Balance at 1 April	1,892,471	1,893,001
New investments	227,777	237,673
Sales of investments to provide pension benefits	(274,424)	(238,188)
Changes in market value of investments	233	(15)
Balance at 31 March	**1,846,057**	**1,892,471**
Contributions received to provide life cover	1,635	1,734
Benefits paid on death	2,721	2,565

Guaranteed Minimum Pension (GMP)

During 2008-09 the scheme became aware that incomplete GMP data from Her Majesty's Revenue and Customs (HMRC) resulted in around 20,300 overpayment cases amounting to £33.8 million. In order to correct this situation individual pensioners were given three months notice of the overpayment and of the Department's intention to correct future pension payments from 1 April 2009. In line with the decision made across all public sector schemes, it has been deemed as not cost effective to attempt to recover past pension overpayments from those individuals affected, although ensuring that future pension payments are made on the correct basis as soon as possible.

In January 2009 HMRC informed Capita Business Services Limited that there were additional GMP overpayments that had not been discovered during the original exercise. It is estimated that there are 11,700 additional GMP overpayments with an estimated total value of £11.9 million as at 31 March 2009. In order to treat this new group of overpaid pensioners on an equitable basis with those in the original group, the Department wrote to the affected pensioners in May 2009 and will make the necessary corrections to future pension payments in August 2009; thereby providing three months notice with recovery of past overpayments not being sought.

POST-BALANCE SHEET EVENTS

There have been no post-balance sheet events that would have a material impact on the accounts.

MEMBERSHIP STATISTICS

These statistics rely on data provided by employers via a statutory return to the scheme administrator. Please note that the figures for active and deferred members relate to the financial year ending March 2008, the latest data available. As at 19 June 2009, 7,328 teachers' records had not yet been completely verified by employers. Of these records the majority relate to active members; deferred members are not included in the figures provided below.

The figures for pensions in payment are for year ended March 2009. This is the latest data available.

Detail of the current membership of the TPS in England and Wales is as follows:

Active members

	Active members brought forward from 31 March 2007	628,370
	Adjustments due to data received post 31 March 2007	(52,104)
	Total active members at 1 April 2007	**576,266**
Add:	New entrants in the year	54,699
	Re-entrants in the year	43,658
	Transfers in	300
	Opted in	423
Less:	Premature retirements	(1,714)
	Age and infirmity retirements	(10,131)
	Actuarially reduced benefits	(6,645)
	Opted out	(3,985)
	Other exits (including transfers out)	(42,889)
	Deaths	(448)
	Active members at 31 March 2008	**609,534**

Deferred members

	Deferred members brought forward from 31 March 2007	416,748
	Adjustments due to data received post 31 March 2007	(2,063)
	Total deferred members at 1 April 2007	**414,685**
Add:	Exits with no benefits payable (including opt outs with service remaining in scheme and transfers in)	43,626
Less:	Deaths	(168)
	Return of contributions	(1,229)
	Re-entry to service	(29,775)
	Transfers out	(1,630)
	Awards out of service	(8,492)
	Deferred members at 31 March 2008	**417,017**

Pensions in payment

Pensions at the start of the year – brought forward from 31 March 2008		
	- members	490,959
	- dependants	53,096
	Total	**544,055**
Adjustments made to data received post 31 March 2008		
	- members	(16,467)
	- dependants	(345)
	Total	**(16,812)**
Total pensioners in payment as 1 April 2008		
	- members	474,492
	- dependants	52,751
	Total	**527,243**

Add:	Members retiring in the year	
	- Age\Premature pensions	18,981
	- Infirmity pensions	763
	- Actuarially reduced benefits	8,771
	- New dependants	3,493
	Total members and dependants retiring in year	**32,008**
Less:	Cessations in year – Members	
	Age/Premature pensions	(9,433)
	Infirmity pensions	(1,636)
	Actuarially reduced benefits	(269)
		(11,338)
	Cessations in year – Dependants	(1,755)
	Total cessations in year	**(13,093)**
	Pension in payment at 31 March 2009	
	- members	491,669
	- dependants	54,489
	Total	**546,158**

Further information

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

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

David Bell 2 July 2009
Accounting Officer

Teachers' Pension Scheme (England and Wales)

Accounting Year Ended 31 March 2009

Statement by the Actuary

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Department for Children, Schools and Families ("the Department"). It summarises the pensions disclosures required for the 2008-09 Resource Accounts of the Teachers' Pension Scheme ("the scheme").

2. The statement is based on the results of an interim valuation carried out as at 31 March 2006, with an approximate updating to 31 March 2009 to reflect known changes.

Membership data

3. Tables A1 to A3 (in Appendix) summarise the principal membership data as at 31 March 2006 and 31 March 2009 used to prepare this statement.

Methodology

4. The value of the liabilities has been determined using the projected accrued benefit method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2008-09 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2009 was determined using the projected unit method and the principal financial assumptions applying to the 2007-08 Resource Accounts.

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

6. The actuarial liability as at 31 March 2009 is based on the new provisions which came into force on 1 January 2007.

Financial assumptions

7. Table A4 (in Appendix) shows the principal financial assumptions adopted to prepare this statement. With effect from 31 March 2009, the assumed rate of return in excess of prices was increased from 2.5% a year to 3.2% a year, and the assumed rate of return in excess of earnings was increased from 1.0% a year to 1.7% a year. In addition, with effect from 31 March 2009, the assumed rate of future price inflation is 2.75% a year and the assumed nominal rate of salary growth is 4.3% a year (both the same as at 31 March 2008).

8. At the request of the Department, this assessment allows for the annual pay awards of 2.3% on 1 September 2009 and 2.3% on 1 September 2010, rather than increases in line with the assumed long term rate of salary growth of 4.3% a year.

Demographic assumptions

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

10. The demographic assumptions (other than the mortality assumptions) adopted for the assessment of the liabilities as at 31 March 2009 are those adopted for the 2006 interim valuation of the TPS (which were the same as those adopted for the valuation as at 31 March 2004).

11. The mortality assumptions adopted for the purpose of the 2008-09 Resource Accounts are the same as those adopted for the 2007-08 Resource Accounts. These include greater allowance for future mortality improvement in accordance with the UK 2006 based principal population projections (greater than at the 2006 interim valuation) but the assumed current level of mortality remains in accordance with the Scheme's own experience, as reviewed at the 2004 valuation.

12. The contribution rate used to determine the accruing cost in 2008-09 was based on the demographic assumptions applicable at the start of the year: that is, those adopted for the 2007-08 Resource Accounts.

Liabilities

13. Table 1 summarises the capital value as at 31 March 2009 of benefits accrued under the scheme prior to 31 March 2009 based on the data, methodology and assumptions described in paragraphs 3 to 12.

Table 1

Past service liabilities as at 31 March 2009

Value of liability in respect of	£ billion
Pensions in payment	79.8
Deferred pensions	15.2
Active members (past service)	73.6
Total	**168.6**

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2009 (the 'current service cost') is based on a standard contribution rate of 26.2%, as determined at the start of the year. The actual contribution rate payable during the year was 20.5% of pensionable pay, of which members paid 6.4% and employers paid 14.1%. Table 2 shows the contribution rate used to determine the current service assuming a members' contribution rate of 6.4%, with employers meeting the balance of the cost.

Table 2

Contribution rate 2008-09

Contribution rate	**Percentage of pensionable pay**
Standard contribution rate	26.2%
Members' contribution rate	6.4%
Employers' share of standard rate	19.8%
Actual rate charged to employers	14.1%

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

16. In relation to the pensionable payroll for the financial year 2008-09, the contributions actually paid by members and employers were £4,560 million (from data provided by the Department). Based on this information, the accruing cost of pensions in 2008-09 (at 26.2% of pay, including member contributions) is estimated to be £5,820 million.

Disclosures

17. Tables A5 and A6 (in Appendix) show the Balance Sheet and the Revenue Account disclosures as at 31 March 2009.

E I Battersby, FIA

15 June 2009

Appendix

Table A1 – Active members

	31 March 2006		31 March 2008	31 March 2009
	Number (thousands)	Total salaries * (£ million)	Total salaries * (£ million)	Total salaries * (£ million)
Males	191	7,140	7,760	8,050
Females	424	14,290	15,530	16,120
Total	615	21,430	23,290	24,170

* Full-time equivalent

Table A2 – Deferred members

	31 March 2006		31 March 2008	31 March 2009
	Number (thousands)	Total deferred pension (pa)* (£ million)	Total deferred pension (pa)† (£ million)	Total deferred pension (pa)# (£ million)
Males	102	300	330	360
Females	249	550	610	650
Total	351	850	940	1,010

* Including increases applying from April 2006
† Including increases applying from April 2008
# Including increases applying from April 2009

Table A3 – Pensions in payment

	31 March 2006		31 March 2008	31 March 2009
	Number (thousands)	Annual pension * (£ million)	Annual pension † (£ million)	Annual pension # (£ million)
Males	175	2,000	2,330	2,540
Females	264	2,110	2,450	2,680
Spouses & dependants	44	150	170	190
Total	483	4,260	4,950	5,410

* Including pension increase awarded in April 2006
† Including pension increase awarded in April 2008
# Including pension increase awarded in April 2009

Appendix (continued)

Table A4 – Financial assumptions

Assumption	31 March 2009	31 March 2008
Rate of return (discount rate)	6.0%	5.3%
Rate of return in excess of:		
Earnings increases	1.7%	1.0%
Pension increases	3.2%	2.5%
Expected return on assets:	n/a	n/a

Table A5 – Balance Sheet disclosures

	£billion	
	31 March 2009	**31 March 2008**
Total market value of assets	Nil	nil
Value of liabilities	(168.6)	(176.5)
(Deficit)	(168.6)	(176.5)
Of which recoverable by employers	n/a	n/a

Appendix (continued)

Table A6 – Revenue Account disclosures

	£ billion
	Year ended 31 March 2009
Analysis of amount charged to Pension cost	
Current service cost	5.8
Past service cost	-
Total operating charge	**5.8**
Analysis of the amount debited to other finance income	
Expected return on scheme assets	-
Interest on pension liabilities (@5.3%)	-9.4
Net return	**-9.4**
Analysis of amount recognised in STRGL	
Actual return less expected return on scheme assets	-
Experience gains and losses arising on pension liabilities	-4.0
Changes in mortality assumptions	-
Changes in demographic assumptions (other than mortality)	-
Changes to financial assumptions from 31 March 2009	20.7
Actuarial gain recognised in STRGL	**16.7**
Movement in surplus during the year	
Surplus at 31 March 2008	**-176.5**
Current service cost	-5.8
Benefits paid during the year	6.4
Past service costs	-
Other finance income	-9.4
Actuarial gain	16.7
Surplus at 31 March 2009	**-168.6**

Government Actuary's Department
15 June 2009

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Teachers' Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statement also satisfies the requirements of the Teachers' Pensions Regulations 1997 (SI 1997 No.3001).

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

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.

HM Treasury has appointed David Bell, the Permanent Secretary of the Department for Children, Schools and Families, as Accounting Officer for the Teachers' Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable and for keeping proper records and safeguarding the assets of the pension scheme, are set out in *Managing Public Money* published by HM Treasury.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

The Departmental Board includes two non-executive members and regularly meets to discuss all strategic policy management issues. This includes providing direction on major policy, delivery and operational issues, reviewing performance and ensuring that the Department is working economically, efficiently and effectively.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of the TPS policies aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the TPS for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity and capability to manage risk

The Board recognises the importance of leadership to create an environment where risk management is effective and a Departmental Risk Improvement Manager is in place. A Risk Workshop was held during the year, facilitated by the contractor's internal auditors, to review and identify countermeasures and contingencies to risks associated with administration of the TPS. Appropriate Risk owners were identified and the shared Department/Contractor Scheme Risk Register is regularly reviewed to ensure that the countermeasures/contingencies remain appropriate.

Guidance on the identification, assessment and active management of risk in the Department is available to all staff. The Department's Risk Improvement Manager has continued to work with corporate policy colleagues to ensure that risk management is further embedded into the Department's corporate governance, financial management, business planning and assurance, and performance management arrangements and improvement activities.

The TPS won the best administrators award at the Pensions and Investment UK Scheme Awards 2008.

The risk and control framework

The Department's approach is to assign risks to those best placed to manage them. Therefore, individual managers are responsible to the risk owners (Directors General and Directors) for managing risk as they have knowledge of the issues involved and can best mitigate the potential impact. The risk owner for the TPS is the Director General for Schools.

The key risks facing the Department have been identified and agreed by the Risk Committee, which is separate from the Board and chaired by the Director General of the Corporate Services Directorate. The Board regularly reviews key high level risks and ensures they are managed. Every quarter I discuss the key Departmental risks with the Secretary of State.

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

The Department has a number of mechanisms through which it engages with employers' representatives and unions on the administration and management of the TPS, and thereby minimises the risks involved. These include the Teachers' Pension Administration Forum (TPAF) through which all parties can raise issues or concerns about administration of the Scheme. This, in turn, is supported by communications from the Scheme's administrators to employers and members, including presentations and visits to employers. The Department has implemented a communications strategy in collaboration with all stakeholders to further improve the quality and breadth of TPS' communications.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the Director General for Schools in the Department; the Department's managers who have responsibility for the development and maintenance of the internal control framework; Internal Audit; and comments made by the external auditors of the Scheme in their management letter and other reports. Additionally, specific to the TPS, my review is informed by the internal auditors of the contractor and by the contractor's staff. I have also been advised by the Board, the Audit and Risk Assurance Committee (ARAC), the Risk Committee and Departmental Risk Improvement Manager.

The Department's internal auditors undertake a work programme approved by me to review risk management, internal control and governance. The Head of Internal Audit (HIA) produces periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risk and delivery areas. I meet with the HIA monthly to discuss progress in addressing major concerns. The HIA prepares biannual reports which include a professional opinion on the effectiveness of the overall systems of internal control, risk management and governance within the Department.

For 2008-09 ARAC supported me as the Accounting Officer by offering objective advice on issues concerning the control and governance of the Department. ARAC was chaired by a non-executive Board member and its role and composition was in line with Treasury's best practice guidance as confirmed by a formal review of its effectiveness carried out by Internal Audit.

The Department takes seriously the potential impact that fraud can have on financial control and achievement of objectives and the Fraud Sub Committee meets on a regular basis. Their role is to give assurance to ARAC that the risks to the Department's business from fraud and financial irregularity are being managed and monitored effectively.

Internal Control issues

During 2008-09 the scheme became aware that incomplete Guaranteed Minimum Pension (GMP) data from HMRC had resulted in around 20,300 overpayments. This systematic error affected all public sector schemes and Accounting Officers decided, based on Treasury guidance, to write-off overpayments to 31 March 2009, with corrected pension payments from 1 April 2009.

In January 2009 HMRC informed the Scheme Administrators that there were additional GMP liabilities that had not been discovered during the original exercise. These additional overpayments are as a result of HMRC initially advising that GMP liabilities were not appropriate for a batch of pensioners and subsequently discovering that this was not the case. It is estimated that there are 11,700 additional GMP overpayments.

The Department and the Scheme Administrators are continuing to work closely with HMRC to develop robust systems and to proactively seek missing GMP notifications. NAO is undertaking a review of the GMP information exchange process, which will identify whether any further measures are required to be undertaken by individual schemes.

The contractor's own internal auditors, the Group Risk Business Assurance (GRBA), reviewed the operation of the TPS during the year. Their review of the Teachers' Pensions budget and estimating models concluded that a sound system of risk management was in place. This built on the Department's Internal Audit review of the Spring Supplementary Supply Estimate exercise in 2007-08, which concluded that "arrangements for estimating and profiling the TPS Supplementary Budget bid for 2007-08 were sound". The GRBA review of data protection resulted in recommendations, which the Capita Business Services Limited Management Team is implementing to strengthen the processes in place.

Following the 2007 review of Information Security (Data Exchanges) GRBA identified that the main and regular exchanges took place within an appropriate secure environment. A further review of this area is scheduled for 2009.

Both the Capita Business Services Limited Management Team and DCSF have continued to be proactive in implementing changes which have enhanced the overall control framework for information security and a dedicated information security officer is in place to ensure TPS compliance with information security standards. No breaches have been reported.

To ensure TPS information security complies with the Department's and Cabinet Office's requirements on information assurance, Capita Business Services Limited will implement a formal information security strategy, approved by their Board, to identify, assess and appropriately mitigate any risks that may adversely impact on the security of any critical or sensitive information asset used within the service. This strategy, based on the international security management standard ISO/IEC 27001, together with the Treating Customers Fairly (TCF) initiative, will produce an Information Security Management System (ISMS) that will minimise the risk of security incidents, and their associated impacts, from significantly affecting core business operations.

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 the Treasury requirements on risk management, internal control and governance.

David Bell 2 July 2009
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 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Report of the Managers and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Scheme has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Scheme's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Scheme's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual report, which comprises the Report of the Managers and the Statement by the Actuary, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the scheme's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

Opinion on Regularity

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

Report

I have the following observations to make on these financial statements.

Guaranteed Minimum Pensions

As set out in the Report of the Manager at page 5, in the Statement on Internal Control on page 18, and in the notes to the account at page 41, during 2007-08 the scheme became aware of an inconsistency in the calculation of a number of individual pensions relating to an element known as the Guaranteed Minimum Pension or GMP. This resulted in significant, but immaterial, overpayments of pensions over a number of years which has continued into 2008-09. I have undertaken a separate examination, under section 6 of the National Audit Act 1983, of the end to end process to identify the causes of the error, and I expect to present the results of this review to Parliament later this month under section 9 of that Act. My opinion on these financial statements is not qualified in this respect.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

10 July 2009

Statement of Parliamentary Supply
Summary of Resource Outturn 2008-09

		2008-09							2007-08
		£000							£000
		Estimate			Outturn				Outturn
Request for resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total
Teachers' pensions		15,838,071	(4,700,286)	11,137,785	15,326,449	(4,673,355)	10,653,094	484,691	10,697,745
Total resources	3	**15,838,071**	**(4,700,286)**	**11,137,785**	**15,326,449**	**(4,673,355)**	**10,653,094**	**484,691**	**10,697,745**

Summary of net cash requirement 2008-09

		2008-09			2007-08
		£000			£000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	**1,815,278**	**1,776,237**	**39,041**	**1,484,787**

Summary of income payable to the Consolidated Fund

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

		Forecast 2008-09 £000		Outturn 2008-09 £000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts not classified as Appropriations in Aid		169	*169*	84	*85*
Other Consolidated Fund Extra Receipts		-	-	-	-
Excess receipts to be surrendered to the Consolidated Fund		-	-	-	-
Total	5	169	*169*	**84**	***85***

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

The net resource outturn on the Scheme is £485 million (4.35%) lower than the net resource limit in the Supply Estimate. The underspend is primarily the result of the standard contribution rate actually used to calculate the scheme liability being less than that used to produce the forecast figures.

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

The net cash requirement limit was increased to £1,815million in the last Supplementary Estimate as forecasts indicated that the Scheme would run out of cash. However income was greater than forecast in the last quarter which meant that the increased cash limit was not actually required. The resultant variance is 2.15% of the planned cash requirement.

The notes on pages 27 to 42 form part of these accounts.

Revenue Account
for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Income			
Contributions receivable	7	(4,612,863)	(4,446,244)
Transfers in	8	(54,458)	(66,910)
Other income	9	(6,118)	(8,108)
		(4,673,439)	(4,521,262)
Outgoings			
Pension cost	10	5,854,980	6,732,944
Enhancements	11	28,493	33,087
Transfers in	12	54,458	66,910
Interest on scheme liabilities	13	9,374,030	8,359,224
Other expenditure	14	14,488	26,743
		15,326,449	15,218,908
Net outgoings for the year	3	**10,653,010**	**10,697,646**
Net resource outturn	3	**10,653,094**	**10,697,745**

Statement of Recognised Gains and Losses
for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Actuarial gain	18.8	(16,763,977)	(14,043,281)
Recognised (gains) and losses for the financial year		**(16,763,977)**	**(14,043,281)**

The notes on pages 27 to 42 form part of these accounts.

Balance Sheet
as at 31 March 2009

	Note	2008-09 £000	2007-08 £000
Current assets:			
Debtors	15a	374,247	362,749
Cash at bank	16	22,419	17,709
		396,666	**380,458**
Creditors – amounts falling due within one year			
Pensions and other creditors	17a + b	(297,467)	(276,268)
Consolidated Fund creditor	17a	(22,423)	(17,713)
		(319,890)	**(293,981)**
Net current assets, excluding pension liabilities		**76,776**	**86,477**
Pension liability	18.5	(168,600,000)	(176,500,000)
Provision for compensation payments where the scheme acts as a principal	19	(113,792)	(110,612)
Net Liabilities		**(168,637,016)**	**(176,524,135)**
Taxpayers' equity:			
General fund	20	(168,637,016)	(176,524,135)
Balance carried forward		**(168,637,016)**	**(176,524,135)**

David Bell
Accounting Officer

2 July 2009

The notes on pages 27 to 42 form part of these accounts.

Cash Flow Statement
for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	21a	(1,776,151)	(1,425,587)
Receipts due to Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(185)	(59,242)
Financing	21b	1,781,046	1,477,000
Increase/(decrease) in cash in the period	21c	**4,710**	**(7,829)**

The notes on pages 27 to 42 form part of these accounts.

NOTES TO THE SCHEME STATEMENT

1. Basis of preparation

The scheme statement has been prepared in accordance with the relevant provisions of the 2008-09 *Government Financial Reporting Manual (FReM*) issued by HM Treasury, which reflect the requirements of Financial Reporting Standard (FRS 17) *Retirement Benefits.* These accounts show the unfunded pension liability and movements in that liability during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes.*

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

1.1 Teachers' Pension Scheme - principal arrangements

The scheme statement summarises the transactions of the Teachers' Pension Scheme where the Department for Children, Schools and Families acts as principal. The balance sheet shows the deficit on the scheme; the Revenue Account shows, inter alia, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Statement by the Actuary and the scheme statement should be read in conjunction with that Statement.

1.2 Teachers' Pension Scheme - agency arrangements

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

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2. Statement of accounting policies

The accounting policies contained in the *FReM* follow UK GAAP to the extent that it is meaningful and appropriate to the public sector.

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

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Pension contributions receivable

a 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 2.2.d 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.

2.3 Transfers in and out

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

2.4 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 revenue account. It is calculated by factoring up the actual contribution rates charged (employer's 14.1%, employee's 6.4%) to the projected unit rate (26.2%) adopted by the Actuary.

2.7 Past service cost

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

2.8 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement. The cost is recognised in the revenue account. The interest cost is based on a discount of 2.5% real rate (i.e. 5.3% including inflation).

2.9 Other payments

All other payments in the revenue statement are related to the compensation scheme are accounted for on an accruals basis. The other payments category excludes administration costs and audit fees which are met by the Department for Children, Schools and Families.

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at 3.2% real rate (i.e. 6.0% including inflation).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect the current conditions. The valuation disclosures for this account are based on an update of the 2006 interim review.

The Government Actuary's Department are currently undertaking a full valuation of the scheme as at 31 March 2008 based on the final membership statistics which have recently been confirmed.

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.

2.13 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 an accruals 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 balance sheet date are recognised in the Statement of Recognised Gains and Losses 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 providers.

2.17 Premature Retirement Compensation

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 revenue account.

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

2.18 Administration expenses

The budget for all the administration expenses related to the pension scheme are included in the Supply Estimate of the Department for Children, Schools and Families. This includes all staff costs, overheads and general administration costs and more specifically for the pension scheme, the cost of fees paid for medical examinations.

3. Reconciliation of Estimates, accounts and budgets

Reconciliation of net resource outturn to net outgoings

		2008-09 £000			2007-08 £000
	Note	Outturn	Supply Estimate	Outturn Compared with Estimate	Outturn
Net resource outturn		10,653,094	11,137,785	484,691	10,697,745
Non-supply income (CFERs)	5	(84)	(169)	(85)	(99)
Net outgoings		**10,653,010**	**11,137,616**	**484,606**	**10,697,646**

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Net resource outturn	3	11,137,785	10,653,094	484,691
Accruals adjustments:				
Non-cash items	22	(15,832,062)	(15,320,985)	(511,077)
Changes in working capital other than cash	23	23,634	(9,700)	33,334
Changes in creditors falling due after more than one year		-	-	-
Use of provision	18.6, 18.7, 19	6,485,921	6,453,828	32,093
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-
Net cash requirement		**1,815,278**	**1,776,237**	**39,041**

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid (A in A), the following income relates to the scheme and is payable to the Consolidated Fund (*cash receipts being shown in italics*)

		Forecast 2008-09 £000		Outturn 2008-09 £000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts-excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		169	*169*	84	*85*
	3	169	*169*	84	*85*
Non-operating income and receipts-excess A in A		-	-	-	-
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		169	*169*	84	*85*

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

	2008-09 £000	2007-08 £000
Operating Income	4,673,439	4,521,262
Income authorised to be appropriated-in-aid	4,673,355	4,521,163
Operating income payable to the Consolidated Fund	84	99

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

7. Pension contributions receivable

	2008-09 £000	2007-08 £000
Employers	(3,145,021)	(3,029,744)
Employees:		
Normal	(1,439,372)	(1,383,449)
Purchase of added years	(28,470)	(33,051)
	(4,612,863)	**(4,446,244)**

8. Pension income – transfers in

	Note	2008-09 £000	2007-08 £000
Group transfers in from other schemes	12	(1,378)	(528)
Individual transfers in from other schemes	12	(53,080)	(66,382)
		(54,458)	**(66,910)**

9. Other pension income

	2008-09 £000	2007-08 £000
Contributions equivalent premiums	(1,547)	(2,092)
Recoveries of payments in lieu	(11)	(11)
Reinstatement of contributions	(22)	(36)
Other income	(85)	(99)
Premature retirement compensation	(4,453)	(5,870)
	(6,118)	**(8,108)**

10. Pension cost

	Note	2008-09 £000	2007-08 £000
Current service cost	18.5	5,840,244	6,722,982
Past service costs	18.5	14,736	9,962
		5,854,980	**6,732,944**

11. Enhancements

	Note	2008-09 £000	2007-08 £000
Employees:			
Purchase of added years		28,470	33,051
Reinstatements		23	36
	18.5	**28,493**	**33,087**

12. Pension cost - transfers in

	Note	2008-09 £000	2007-08 £000
Group transfers in from other schemes	8	1,378	528
Individual transfers in from other schemes	8	53,080	66,382
	18.5	**54,458**	**66,910**

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

13. Interest on scheme liabilities

	Note	2008-09 £000	2007-08 £000
Interest charge for the year	18.5	**9,374,030**	**8,359,224**

14. Other expenditure

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

	Note	2008-09 £000	2007-08 £000
On retirement			
Contributions equivalent premiums		4,177	3,955
Premature retirement compensation		7,291	20,218
Other		587	494
Unwinding of discount	19	2,433	2,076
		14,488	**26,743**

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

15. Debtors - contributions due in respect of pensions

15 (a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Pension contributions due from employers	249,605	242,603
Employees' normal contributions	115,565	112,609
Bringing forward the payment of accrued superannuation lump sums	-	-
Capitalised cost of enhancement to pension payable on departure	-	-
Group transfers	-	-
Overpaid pensions *	-	-
Pension contribution debtor – sub total	365,170	355,212
Other debtors	6,232	5,208
Recoverable compensation funding from employers (principal)	2,845	2,329
	374,247	**362,749**

Included within the 2008-09 figures is £4,000 (2007-08: £5,000) that will be due to the Consolidated Fund once the debts are collected.
***** See Note 26 for details of the Guaranteed Minimum Pension (GMP) overpayments.

15 (b) Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	837	873	-	-
Balances with local authorities	270,709	273,862	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	102,701	88,014	-	-
At 31 March	**374,247**	**362,749**	**-**	**-**

16. Cash at bank and in hand

	2008-09 £000	2007-08 £000
Balance at 1 April	17,709	25,538
Net change in cash balances	4,710	(7,829)
Balance at 31 March	**22,419**	**17,709**
The following balances at 31 March were held at:		
Office of HM Paymaster General	21,857	16,463
Commercial banks and cash in hand	562	1,246
Balance at 31 March	**22,419**	**17,709**

17. Creditors – in respect of pensions

17 (a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year		
Pensions	(236,905)	(219,779)
Group transfer pre-payment	-	-
HMRC and voluntary contributions	(52,265)	(50,590)
Overpaid contributions: employers	-	-
Overpaid contributions: employees	-	-
Overpaid contributions: employees added years	-	-
Other creditors	(6,549)	(4,887)
Pension and other creditor sub-total	**(295,719)**	**(275,256)**
Amounts issued from the Consolidated Fund for supply but not spent at year end	(22,414)	(17,604)
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	(5)	(104)
Receivable	(4)	(5)
Consolidated Fund creditor sub-total	**(22,423)**	**(17,713)**
Balance at 31 March	**(318,142)**	**(292,969)**

17 (b) Contributions due - compensation payments agency

	2008-09 £000	2007-08 £000
Balance at 1 April	(1,012)	(243)
Receipts from employers	(25,927)	(23,958)
Payments to employees	25,191	23,189
Balance at 31 March	**(1,748)**	**(1,012)**

17 (c) Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	(74,946)	(68,517)	-	-
Balances with local authorities	(880)	(357)	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	(244,064)	(225,108)	-	-
At 31 March	**(319,890)**	**(293,982)**	**-**	**-**

18. Provisions for pension liabilities

18.1 The Teachers' Pension Scheme is an unfunded defined benefits scheme. A full valuation by a professionally qualified actuary is required at intervals not exceeding four years. The Government Actuary's Department carried its last full review as at 31 March 2004, an interim review as at 31 March 2006 and is currently undertaking a full revaluation of the scheme as at 31 March 2008. The Statement by the Actuary at pages 9 to 14, therefore includes updates since 2006 for known data movements. In addition to the assumptions outlined in the Statement, the actuary has applied the following rates in calculating the scheme liabilities:

	At 31 March 2009 %	At 31 March 2008 %	At 31 March 2007 %
Rate of increase in salaries [1]	4.3	4.3	4.3
Rate of increase in pensions in payment and deferred pensions [1]	2.8	2.8	2.8
Discount rate	3.2	2.5	1.8
Inflation assumption	2.8	2.8	2.8

[1]The rates of increase shown above are the nominal increases in salaries and pensions. 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. The rate of salary increase assumed for 2009 and 2010 is 2.3%.

18.2 The scheme managers are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the scheme.

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.

18.3 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 above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

18.4 The value of the liability on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed 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 18.5 and 18.8. 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.

18.5 Analysis of movements in the scheme liability

	Note	2008-09 £000	2007-08 £000
Scheme liability at 1 April		(176,500,000)	(181,300,000)
Current service cost	10	(5,840,244)	(6,722,982)
Past service cost	10	(14,736)	(9,962)
Interest on scheme liability	13	(9,374,030)	(8,359,224)
Enhancements	11	(28,493)	(33,087)
Pension transfers in	12	(54,458)	(66,910)
Benefits payable	18.6	6,364,393	5,833,320
Pension payments to and on account of leavers	18.7	83,591	115,564
Actuarial gain/(loss)	18.8	16,763,977	14,043,281
Scheme liability at 31 March		**(168,600,000)**	**(176,500,000)**

During the year ended 31 March 2009, contributions represented an average of 20.5%, unchanged from 2007-08.

18.6 Analysis of benefits paid

	Note	2008-09 £000	2007-08 £000
Pensions or annuities to retired employees and dependants (net recoveries or overpayments)		5,110,840	4,730,841
Commutations and lump sum benefits on retirement		1,253,553	1,102,479
	18.5	**6,364,393**	**5,833,320**

18.7 Analysis of payments to and on account of leavers

	Note	2008-09 £000	2007-08 £000
Refunds to members leaving service		2,931	2,502
Transfers to other schemes		80,660	113,062
Per cash flow statement	21a	**83,591**	**115,564**

18.8 Analysis of actuarial gain/(loss)

	2008-09 £000	2007-08 £000
Experience (losses)/gains arising on the scheme liabilities	(3,936,023)	2,343,281
Changes in assumptions underlying the present value of scheme liabilities	20,700,000	11,700,000
Per Statement of Recognised Gains and Losses	**16,763,977**	**14,043,281**

18.9 History of experience (gains)/losses

	2008-09	2007-08	2006-07	2005-06	2004-05
Experience (gains)/losses arising on the scheme liabilities Amount (£000)	3,936,023	(2,343,281)	4,344,105	1,180,346	(66,330)
Percentage of the present value of the scheme liabilities	2.3%	(1.3%)	2.4%	0.8%	(0.1%)
Total amount recognised in statement of total recognised (gains) and losses Amount (£000)	(16,763,977)	(14,043,281)	30,944,105	16,380,346	1,233,670
Percentage of the present value of the scheme liabilities	(9.9%)	(8.0%)	17.1%	11.5%	1%

19. Provision for annual compensation payments

	Note	2008-09 £000	2007-08 £000
Balance at 1 April		110,612	94,289
Additional provisions	22	6,591	19,624
Use of provision in year		(5,844)	(5,377)
Unwinding of discount	14	2,433	2,076
Balance at 31 March		**113,792**	**110,612**

20. General Fund

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

	Note	2008-09 £000	2007-08 £000
Balance at 1 April		(176,524,135)	(181,354,458)
Net parliamentary funding:			
Drawn down	21b	1,781,046	1,477,000
Deemed		17,604	25,391
Year end adjustment:			
Supply creditor – current year		(22,414)	(17,604)
Net transfers from operating activities:			
Net outgoings	3	(10,653,010)	(10,697,646)
CFERS repayable to Consolidated Fund	3	(84)	(99)
Actuarial gains and losses (STRGL)	18.8	16,763,977	14,043,281
Balance at 31 March		**(168,637,016)**	**(176,524,135)**

21. Notes to the Cash Flow Statement

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

	Note	2008-09 £000	2007-08 £000
Net outgoings for the year	3	10,653,010	10,697,646
Adjustments for non-cash transactions		(9,376,463)	(8,361,300)
Decrease in debtors		11,498	12,103
less movements in debtors relating to items not passing through the revenue account		-	-
(Decrease)/increase in creditors: pensions		(25,909)	42,372
less movements in creditors relating to items not passing through the revenue account		4,709	(66,930)
Increase in pension provision		(5,861,571)	(6,752,568)
Increase in pension provision – enhancements and transfers in		(82,951)	(99,997)
Use of provisions		6,370,237	5,838,697
Use of provisions – refunds and transfers	18.7	83,591	115,564
Net cash outflow from operating activities		**1,776,151**	**1,425,587**

21 (b) Analysis of financing and reconciliation to the net cash requirement

	Note	2008-09 £000	2007-08 £000
From the Consolidated Fund (supply) – current year	20	1,781,046	1,477,000
From the Consolidated Fund (supply) – prior year		-	-
From the Consolidated Fund (non-supply)		-	-
Net financing		**1,781,046**	**1,477,000**

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

	Note	2008-09 £000	2007-08 £000
Net cash requirement	4	(1,776,237)	(1,484,787)
From the Consolidated Fund (Supply) – current year	21b	1,781,046	1,477,000
From the Consolidated Fund – prior year	21b	-	-
Amounts due to the Consolidated Fund received and not paid over		(99)	(42)
Increase/(decrease) in cash		**4,710**	**(7,829)**

22. Non-cash items

	Note	2008-09 £000	2007-08 £000
Increase in pension provision	10	5,854,980	6,732,944
Increase in pension provision – enhancements and inward transfers	11,12	82,951	99,997
Increase in annual compensation payment provision	19	6,591	19,624
Unwinding of discount	14	2,433	2,076
Interest on scheme liability	13	9,374,030	8,359,224
		15,320,985	**15,213,865**

23. Movements in working capital, other than cash

	Note	2008-09 £000	2007-08 £000
Increase in debtors	15a	11,498	12,103
Increase in creditors (ex. Consolidated Fund balances)	17a+b	(21,199)	(24,558)
Per cash flow statement		**(9,701)**	**(12,455)**
Adjustment for non appropriations in aid debtor received	17a	5	59,105
Adjustment for non appropriations in aid debtor not yet received	17a	(4)	(5)
		(9,700)	**46,645**

24. Financial instruments

Financial Reporting Standard FRS 29, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the largely non-trading nature of its activities and the way in which government departments are financed, the Teachers' Pension Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies to which FRS 29 mainly applies. The scheme has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the scheme in undertaking its activities.

24.1 Liquidity risk

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

24.2 Interest rate risk

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

24.3 Foreign currency risk

All the scheme's assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

24.4 Credit risk

The scheme's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the scheme and arises principally from cash and outstanding debt. The TPS has a credit (debtor) policy that ensures consistent processes are in place throughout the scheme to measure and control credit risk.

25. Contingent liabilities disclosed under FRS 12

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

26. Losses and special payments

During the year, losses arose in 1,739 cases (2007-08: 1,702 cases). The total loss was £46,453 (2007-08: £48,849).

In addition to these amounts further losses arose due to the late notification of Guaranteed Minimum Pension (GMP) data. The final position in respect of these overpayments at the balance sheet date amounted to £45.7m (2007-08: £26.7m) on some 32,000 cases (2007-08: 20,300 cases). This includes an additional £11.9m on 11,700 cases which were identified in 2008-09 as part of ongoing collaborative work between the Department, Capita Business Services Ltd. and Her Majesty's Revenue and Customs (HMRC). These overpayments are deemed to be irrecoverable and therefore do not feature as debtors in Note 15.

27. Related-party transactions

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

28. End of Year Certification

The contributions received from employers have been certified through End of Year Certificates. At the date the 2008-09 accounts were signed, the End of Year Certificates had been received from all 172 Local Authorities (LAs), and from 2,186 non-LA employers of which 43.41% have been fully and independently audited.

29. Post balance sheet events

There have been no events after the balance sheet date requiring an adjustment to the financial statements. The financial statements were authorised for issue on 10 July 2009 by David Bell (Accounting Officer).

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