

Presented to Parliament pursuant to Schedule 1, paragraph 3(3) of the Science and Technology Act 1965

Research Councils' Pension Scheme Account 2010-11

Presented to Parliament pursuant to Schedule 1, paragraph 3(3) of the Science and Technology Act 1965

Research Councils' Pension Scheme Account 2010-11

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 12 JULY 2012

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,
is an Officer of the House of Commons.
He is the head of the NAO, which employs some 880 staff.
He and the NAO are totally independent of government.

He certifies the accounts of all government departments
and a wide range of other public sector bodies;
and he has statutory authority to report to Parliament
on the economy, efficiency and effectiveness with which departments
and other bodies have used their resources.

Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

© Crown copyright 2012

You may reuse this information (excluding logos)
free of charge in any format or medium,
under the terms of the Open Government Licence.

To view this licence, visit
<http://www.nationalarchives.gov.uk/doc/open-government-licence/>
or email psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission
from the copyright holders concerned.

This publication is available for download at www.official-documents.gov.uk.

ISBN: 9780102970630

Contents

	Page
Report of the Manager	2
Actuarial Statement	9
Statement of Accounting Officer's responsibilities	11
Statement on Internal Control	12
The Certificate and Report of the Comptroller and Auditor General	14
Combined Statement of Comprehensive Income	16
Combined Statement of Financial Position	17
Combined Statement of Changes in Taxpayers' Equity	18
Combined Statement of Cash Flows	19
Notes to the Schemes' Statement	20

Report of the Manager

Statutory background

The schemes' statements have been prepared in accordance with the relevant provisions of the 2010-11 Government Financial Reporting Manual (FReM) www.financial-reporting.gov.uk/ issued by the Treasury and with regard to the Science and Technology Act 1965.

Description of pension schemes

The Nuvos scheme commenced on 30 July 2007. This is a career average pension scheme, which together with the Partnership Pension Account, forms the pension options open to 'new starters' since 30 July 2007. However, members who have a past history of membership of the Classic, Classic Plus or Premium schemes may be allowed to rejoin their former arrangement depending on the time that has lapsed since they left their former employment and the terms that they left under.

The Nuvos scheme has a normal retirement age of 65 and a member contribution rate of 3.5 percent. The accrual rate is 2.3 percent of pensionable earnings for each year in the scheme. The total pension accrued at the end of March is then increased by the Retail Price Index for the year to the previous September.

A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the Research Councils Pension Scheme (RCPS) 0.8 percent of pensionable pay to cover death in service and ill health benefits. The employers pay the balance to the employee's private pension provider.

The other schemes provide retirement and related benefits based on individual final emoluments by analogy to the Principal Civil Service Pension Scheme (PCSPS). New starters were eligible to join the Premium scheme from 1 October 2002 until 29 July 2007. It has a member contribution rate of 3.5 percent and provides a pension based on 1/60th of salary but without an automatic lump sum. Members joining from 1 April 1994 until 30 September 2002 entered what is now known as the Classic scheme. This provides a pension based on 1/80th of salary and an automatic lump sum. The Classic member contribution rate is only 1.5 percent as there are fewer benefits than the Premium Scheme. Some members are in an amalgam of the two schemes known as Classic Plus.

The final emolument and career average schemes are operated on a pay-as-you-go basis, and are principally funded by employers' contributions from member Research Councils. The employers' contribution rate has been 26.0 percent since 1 April 2010. The previous rate of 21.3 percent was payable from 1 April 2008 until 31 March 2010. Any annual shortfall forecast between cash outgoings and cash contribution received is met by grant-in-aid from a Request for Resources 2 (RfR2) and received through the Research Councils' sponsoring body, the Department for Business, Innovation and Skills (BIS).

Eligible staff

All employees of the Research Councils are eligible to join the Nuvos scheme or pay into a Partnership Pension Account.

Information for members

The Research Councils' Joint Superannuation Service (JSS) website <http://jsspensions.org.uk> gives more information.

Accounting officer

Professor Douglas Kell, the Chief Executive of the Biotechnology and Biological Sciences Research Council (BBSRC) is Accounting Officer for BBSRC and the Research Councils' Pension Schemes.

Administrators

The schemes are administered by the Research Councils' Joint Superannuation Service (JSS), a unit within BBSRC. The RCUK Shared Services Centre Ltd (SSC) has provided support services to JSS from the 1 April 2010.

Actuaries

The Government Actuary's Department (GAD) are the appointed actuaries for the Research Councils' Pension Schemes.

Bankers

Banking services for the Pension Schemes in 2010-11 were provided by Paymaster, HM Paymaster General's Office and Lloyds Bank plc. In September 2011, the Pension Schemes' banking services provided by Lloyds Bank plc were transferred to the Government Banking Service.

Auditors

The accounts of the Research Councils' Pension Schemes are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965. The audit fee payable is £42,000 (2009-10: £39,500).

In so far as the Accounting Officer is aware, there is no relevant audit information of which the Research Councils' Pension Schemes' auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Research Councils' Pension Schemes' auditors are aware of that information.

No non-audit work, other than that due as part of the final audit, was performed by the auditors on behalf of the Research Councils' Pension Schemes during the year. No audit work has been required during 2010-11 with regard to converting the Research Councils' Pension Schemes to International Financial Reporting Standards (IFRS); as such no audit costs for this have been incurred.

Employers

During 2010-11 the following employers have had members in the Research Councils' Pension Schemes:

- Arts & Humanities Research Council.
- Biotechnology and Biological Sciences Research Council and its sponsored institutes.
- Diamond Light Source.
- Economic and Social Research Council.
- Engineering and Physical Sciences Research Council.
- Macaulay Institute.
- Moredun Research Institute.
- Natural Environment Research Council.
- RCUK Shared Service Centre.
- Science and Technology Facilities Council.
- Scottish Agricultural College.
- Scottish Crops Research Institute.
- Technology Strategy Board.

Changes during 2010-11

On 1 April 2009, the Arts and Humanities Research Council (AHRC) joined the Research Councils' Pension Schemes. Staff of the AHRC were offered the opportunity to Bulk Transfer their former accrued Principal Civil Service Pension Scheme benefits into the Research Councils Pension Schemes. The results from the Bulk Transfers were not known at 31 March 2011 and will be a feature of the 2011-12 Research Councils Pension Scheme Accounts.

From 1 April 2010, 152 members of the University of Southampton staff were TUPE transferred to the Natural Environment Research Council (NERC) and became members of the Research Councils' Pension Schemes. The staff members that were formerly in the Pension and Assurance Scheme for Non Academic Staff will be handled on an individual basis. Former members of the Universities Superannuation Scheme will be given the opportunity to Bulk Transfer their accrued benefits in to the Research Councils' Pension Schemes. The results of the Bulk Transfer will feature in the 2011-12 Research Councils pension Scheme Accounts.

A new Research Councils Compensation Scheme came into force from 22 December 2010 through the 'by-analogy' arrangement with the Civil Service Compensation Scheme. The new Scheme sets out the level of compensation paid when staff leave under voluntary or compulsory redundancy. Key details of the scheme are:

Voluntary redundancy

- Below normal pension age – one month's pay per year of service up to 21 months.
- Above normal pension age – one month's pay per year of service up to a maximum of six months.
- Staff over minimum pension age (either aged 50 or 55) can choose to opt for early retirement on their current pension entitlement, by surrendering some (or all) of their severance payment to meet the cost of receiving their pension early.
- All staff earning less than £23,000 (on FTE basis) are treated as if they earn £23,000 for the purpose of calculating their redundancy payments. There is also be an upper pay threshold of £149,820.with staff having their salary capped at this figure for the purpose of calculating their redundancy payments.

Compulsory redundancy

- Below normal pension age – one month's pay per year of service up to 12 months. All staff facing compulsory redundancy must first have had the opportunity to exit under voluntary terms.

The RCUK Shared Services Centre Ltd (SSC) has been established to provide transactional services across the Research Councils. HR and Payroll sections of the Research Councils had previously been responsible for providing the JSS with the necessary data to administer the Research Councils Pension Schemes.

In addition, the BBSRC Accounts Section had provided a payment service for the Research Councils Pension Schemes. Throughout the year individual Research Councils HR and Payroll functions have transferred into the SSC. This process is now complete including the transfer of the Pension Payroll to the SSC in September 2010.

The SSC is now responsible for providing JSS with data for approximately 70 per cent of the active members of the Research Councils' Pensions Schemes. A number of interfaces are currently under development to assist in the data transfer between the SSC and the JSS these are expected to come on line in 2011-12. The costs of setting up the SSC have been incurred by the Research Councils and not by the Research Councils' Pensions Schemes.

Changes during 2011-12

The results of the Bulk Transfer of those staff, formerly of the University of Southampton and members of the Universities Superannuation Scheme, who were TUPE transferred to the Natural Environment Research Council (NERC) on 1 April 2010 may be a feature of the 2011-12 Research Councils Pension Schemes Accounts.

The James Hutton Institute was created on 1 April 2011 to bring together the Macaulay Land Use Research Institute and Scottish Crops Research Institute. All existing staff members were TUPE transferred to the new Institute. The James Hutton Institute became a member of the Research Councils Pension Schemes with effect from 1 April 2011 for the existing staff that TUPE transferred and future new recruits.

Following the transfer of the Research Councils HR and Payroll administration functions into the SSC, including the RCPS Pension Payroll, the automatic processing of data flows between the SSC and the JSS will commence through the establishment of a number of interfaces.

The Chancellor invited John Hutton to chair the independent Public Service Pensions Commission. The Commission undertook a fundamental structural review of public service pension provision. This review covered all the large Public Sector pension schemes including the Research Councils' Pension Schemes.

Lord Hutton of Furness published his final report on public service pension provision on 10 March 2011 setting out his recommendations to the Government on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

The Government has accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, unions and others. The Government set out proposals in the autumn of 2011.

The Chancellor announced in his June 2010 budget that the Government had decided that future public sector pension increases would be based on the Consumer Prices Index rather than the Retail Prices Index. This change to due to be effective for the April 2011 pensions increase. The result of this change is discussed in the actuarial statement of the Research Councils Pension Schemes Accounts for the year ending 31 March 2011. Various public service unions and interest groups challenged the Government's decision by judicial review. The judgement in this judicial review was handed down on 2 December 2011. The court rejected the unions' challenge and found the Government had not acted unlawfully in making this change.

A reorganisation of the governance arrangements between BBSRC and its sponsored institutes has taken place. Now that this is complete, new recruits to the institutes are employees of the institute and are ineligible for entry into the Research Councils Pension Schemes. The institutes have made alternative pension arrangements for their new recruits. Existing staff remain BBSRC employees and retain membership of the Research Councils Pension Schemes.

Freestanding Additional Voluntary Contributions

Members in service are entitled to make additional voluntary contributions (AVC's) under contracts between the employee and Scottish Widows, Equitable Life Assurance Society and Standard Life, to secure additional pension benefits on a money purchase basis. Participating members each receive an annual statement of their contributions and investments directly from their AVC provider. The AVC arrangements are by analogy to those of the Principal Civil Service Pension Schemes. Employee contributions are paid directly by the participating Research Council and accordingly contributions and AVC investments are not included in these accounts.

Pension Scheme Membership

	31 March 2011 No	31 March 2010 No
New Schemes		
Current Members in Service	8,321	8,560*
Pensions in Payment	6,326	5,898*
Early Retirements	484	503
Preserved Pensions	7,343	7,223
Total	22,474	22,184*
Old Schemes		
Pensions in Payment	5,406	5,376
Preserved Pensions	1,802	1,975
Total	7,208	7,351
Grand total	29,682	29,535
	2010-11 No	2009-10 No
Members in Service at 1 April	8560	8,363
Adjustment resulting from changes notified in current year	(3)	29
Adjusted figure for 1 April	8557	8,392
New Members in year	522	854
Leavers and Retirements in year	(758)	(686)
Members in Service at 31 March	8321	8,560
	31 March 2011 No	31 March 2010 No
Classic Scheme	3,616	3918
Classic Plus Scheme	316	335
Premium Scheme	2,396	2,574
Nuvos Scheme	1,993	1,733
Members in Service at 31 March	8,321	8,560
Holders of Partnership Pension Accounts	122	144

* There are 137 actual cases of Partial Retirement recorded in the above table. Each member has an entry in both current membership and pensioner numbers until they finally retire.

Guaranteed Minimum Pension (GMP) Data

During 2007-08 a problem with the late notification of GMP data was identified, which the Scheme became aware of in 2008-09. The JSS has commenced working with HM Revenue and Customs (HMRC) to assess the number of cases, and the value of any overpayments, which are deemed to be irrecoverable. At the date of signing these accounts the number and value of any overpayments is unknown. It is expected to report the final position in respect of any overpayments in the 2011-12 accounts. This issue is also highlighted in the Accounting Officer's Statement of Internal Control (pages 12-13).

Membership Contributions Data in 2010-11

During the 2010-11 external audit of the Scheme's accounts, an issue was identified with the auto-entry of new recruits into the Scheme. As a result, a comprehensive review of all employees not paying pension scheme contributions was undertaken. It became evident that the large majority of employees not contributing to the Scheme were employed on a non-pensionable basis or had actively chosen to 'opt out' of the Scheme. However, 44 cases were identified as requiring further investigation, and JSS has worked with employers to resolve these individual instances on a case-by-case basis.

The investigation discovered three cases, going back a number of years, where both the employee and scheme administrator believed the individuals to be scheme members but payroll had failed to collect and pay over scheme contributions. There was additionally one further case where contributions ceased for a scheme member of many years following a migration of data error when transferring functions across to the RCUK Shared Service Centre.

Of the remaining 40 cases a large majority resulted from employees originally being contracted for less than 12 months. In these circumstances employees are provided with details of the pension scheme options available to them but membership arises only when an employee asks to join. However, these employees have subsequently been issued with further contracts, some of which were for 12 months or more and as a result these employees should have been auto entered into the RCPS. The employers have discussed backdating scheme membership with their employees to the date where they should have been auto enrolled into the RCPS. Some employees have taken up this offer, with a small number declining.

In all there were 23 scheme members with a total value of outstanding pension contributions of £343,000. These will be paid over by lump sum in 2011-12. However, with nearly 8500 Actives in the RCPS and annual pension contributions in excess of £80m, the missing contributions are not material to the 2010-11 accounts and do not therefore necessitate the GAD recalculating past service liabilities nor other accounting disclosures.

The underlying control weaknesses have been fully reviewed, and new procedures and controls are now in place. This issue is also highlighted in the Accounting Officer's Statement of Internal Control (pages 12-13).

Enquiries

Any enquiries concerning the operation of the Research Councils' Pension Schemes should be addressed to scheme administrators the Research Councils' Joint Superannuation Service, Polaris House, North Star Avenue, Swindon, SN2 1UY.

Managers, Advisers and Employers

Accounting Officer

Professor Douglas Kell
Polaris House, North Star Avenue, Swindon, SN2 1UY.

Actuary

Sophie Dennett
Government Actuaries Department,
15-17 Furnival Street, London, EC4A 1AB

Bankers

Kevin Skudder (Relationship Support Manager)
Lloyds Bank plc, 3rd Floor, 25 Gresham Street, London EC2V 7HN

Paymaster

HM Paymaster General's Office

Auditors

Comptroller and Auditor General
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London, SW1S 9SP

Employers

AHRC – Alison Lennon
BBSRC – Peter Swinburne
ESRC – Norma Thorpe
EPSRC – Peter Ethelson
NERC – Steve Allsop
STFC – Jerry Snewin
Polaris House, North Star Avenue, Swindon, SN2 1UY.
RCUK Shared Service Centre – Jenny Hardy
Technology Strategy Board – Ann Shaw
North Star House, North Star Avenue, Swindon, SN2 1FA
Diamond Light Source – Deepak Kalia
Diamond House, Harwell Science and Innovation Campus
Didcot, Oxfordshire, OX11 0DE
RERAD Research Science Division – Ian McWilliam
(Macaulay Institute, Moredun Research Institute, Scottish Agricultural College, Scottish Crops Research Institute)
Science Reform & Finance Area 3B North, Victoria Quay, Edinburgh, EH25 9PS

Professor Douglas Kell
Chief Executive and Accounting Officer of BBSRC

13 June 2012

Actuarial Statement for the Research Council Pension Scheme

For accounts for the year ended 31 March 2011

A Liabilities

The capitalised value as at 31 March 2011 of expected future benefit payments under the Research Council Pension Scheme (RCPS), for benefits accrued in respect of employment (or former employment) prior to 31 March 2011, has been assessed to be £3,031 million, using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members and the active and closed schemes, as follows:

RCPS	£m
Active members	1,100
Deferred members	506
Current pensioners	999
Total	<u>2,605</u>
Closed schemes	£m
Deferred members	60
Current pensioners	366
Total	<u>426</u>

B Accruing Costs

The cost of benefits accruing for each year is met partly by a contribution of either 1.5 per cent from members who remained in the Classic scheme, or a contribution of 3.5 per cent from those who opted for the Premium/Classic Plus scheme and for members of Nuvos, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2010-2011 has been assessed as follows:

	2010-11 % of FTE Pensionable pay	2009-10 % of FTE Pensionable pay
Employer's share of standard cost	27.3%	20.3%

The standard cost is the ongoing (long term) cost of the scheme calculated on the actuarial assumptions before adjustment for any surplus/deficit in the scheme.

The Employer's share of the standard cost above is calculated on the accounting basis at the beginning of the accounting year. In relation to the pensionable payroll for the financial year 2010-2011 and using the rates of contribution described the employer's charges in cash terms are £84 million (2009-10: £63m).

C Methodology

The benefits valued are those accrued up to 31 March 2011. The assessment of the liabilities of the active staff have been assessed by summing the present value of all the benefits accrued at the valuation date based on earnings projected to retirement, or earlier exit, and pension increases thereafter. For pensions in payment and deferred pensions a similar calculation has been carried out making allowance for future pension increases.

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

The change from RPI to CPI for the purposes of up-rating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 10. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

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

D Assumptions

The assessments have been prepared in accordance with the Finance Reporting Manual requirements as set out by HM Treasury.

The benefits in the scheme are now indexed in line with increases in the Consumer Prices Index (CPI) as opposed to the Retail Prices Index (RPI) used in prior years. The CPI discount rate for pension increases applied for 2010-11 was 2.9 per cent p.a.

The main financial assumptions expressed in nominal terms are:

- A rate of earnings increases will be 4.9 per cent p.a. excluding promotional and performance increments (2009-10: 4.29 per cent).
- A long term nominal discount rate of 5.6 per cent p.a. (2009-10: 4.6 per cent).
- A rate of long-term inflation and pensions increases of 2.65 per cent p.a. (2009-10: 2.75 per cent).

The demographic assumptions adopted for the assessments are consistent with those used in the actuarial valuation of the scheme as at 31 March 2006.

E Notes

- 1 This assessment is based on the data provided by JSS as at 31 December 2010, together with subsequently agreed amendments.
- 2 Full details of the assumptions and methodology used in this assessment are outlined in the Actuary's report (issued on 11 May 2011).

Sophie Dennett
Actuary
Government Actuary's Department

11 May 2011

Statement of Accounting Officer's responsibilities

Under the Science and Technology Act 1965, the Secretary of State for Business, Innovation and Skills, with the consent of the Treasury has directed the Research Councils' Pension Schemes to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The combined financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the schemes during the year and the disposition, at the end of the financial year, of the net liabilities.

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

- Observe the accounts direction issued by the Secretary for Business, Innovation and Skills, 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.
- Prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Business, Innovation and Skills has appointed the Chief Executive of the Biotechnology and Biological Sciences Research Council as Accounting Officer for the Research Councils' Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Scheme are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As BBSRC's Accounting Officer designated as such by the Department for Business, Innovation and Skills (BIS) Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Research Councils' Pension Schemes' policies, aims and objectives whilst safeguarding the public funds and Research Councils' Pension Schemes' assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Combined Management Statement and Financial Memorandum agreed with BIS.

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of BBSRC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and realising their impact only then, and to manage them efficiently, effectively and economically.

By extension, this process will include the principal risks that may apply to the Research Councils' Pension Schemes. The system of internal control has been in place in the Research Councils' Pension Schemes for the year ended 31 March 2011 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

Capacity to Handle Risk

The BBSRC gives leadership to the process by a number of means, including:

- setting out a risk management policy and strategy;
- signing up to risk management assurance statements at the most senior levels; and
- updating and reviewing the register of key risks at least annually.

The interests of key stakeholders and operational partners are also considered.

The risk and control framework

Risk management and internal control are considered on a regular basis during the year by the Research Councils' Pensions Schemes Management Board, which is comprised of representatives of all Research Councils participating in the schemes.

The Research Councils' Internal Audit Service (RCIAS) review the key risks to the RCPS on an annual basis. A rolling 5 year audit plan is followed to allow for a comprehensive review of the Research Councils' Pensions Schemes.

The Risk Management Framework formed part of the 2010-11 review and following recommendations from the RCIAS, the Head of JSS now undertakes a review of the Risk Management Framework three or four times per year. Additionally, a member of the Research Councils' Pensions Schemes Management Board will act on behalf of the Board to consider the outcomes of the reviews and endorse any mid-year changes to the Risk Management Framework, which are then advised to the Board. The Research Councils' Pensions Schemes Management Board formally considers and agrees the Risk Management Framework documents on an annual basis.

During the 2010-11 year, the qualified BBSRC Corporate Risk Manager has continued to drive the development and further embedding of the risk management framework into BBSRC activities and operations. BBSRC's risk policy acts as a key document underpinning this work, outlining how risk should be handled in the organisation and the roles and responsibilities of staff, including Directors and the Audit Board.

The BBSRC risk policy is supported by a risk strategy and the use of risk registers across the organisation; these are regularly reviewed at both Director and operational levels with support from the Corporate Risk Manager, who provides advice on how risks are to be assessed and how the risk appetite should be determined.

The BBSRC Audit Board regularly reviews the Council's risk management framework and reports to Council on any issues of concern. The BBSRC Audit Board also reviews the Accounts of the Research Councils' Pensions Schemes.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the Research Councils' Pensions Schemes and the Research Councils who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The principle elements of support for the Accounting officer's assurance statement are the work of the Audit Board and the BBSRC Executive including review of the work of RCIAS, the risk management frameworks developed and responses to external management letters which identify if control gaps exist.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Research Councils' Pensions Schemes Management Board and the BBSRC Audit Board and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

During 2008-09 the Scheme was made aware of a problem with the late notification of Guaranteed Minimum Pension (GMP) data. The JSS has commenced work with HM Revenue and Customs (HMRC) to assess the number of cases and the value of any overpayments which are deemed to be irrecoverable. At the date of signing these accounts the number and value of any overpayments is unknown, and JSS expected to report the final position in the 2011-12 accounts.

As part of the external audit of the Research Councils' Pensions Schemes accounts for 2010-11, issues were identified with membership contribution data which pointed towards weaknesses in the control framework. These issues were highlighted by the migration of the Research Councils' Pensions Schemes to the RCUK Shared Services Centre, which took place during the 2010-11 year.

As a result, a comprehensive review of all employees not paying pension scheme contributions was undertaken during 2011-12, with 44 cases being identified for further investigation. JSS worked with employers to resolve all of these instances on a case-by-case basis, and the impact on the 2010-11 accounts was a total value of outstanding pension contributions of £343,000 relating to 23 scheme members. However, with nearly 8500 Actives in the RCPS and annual pension contributions in excess of £80 million the missing contributions are not material to the 2010-11 accounts and do not therefore necessitate the GAD recalculating past service liabilities nor other accounting disclosures.

Improvements of the control framework for each area of weakness have since been identified, agreed and implemented in order to minimise the impact on the current and future financial years. The Research Councils' Pensions Schemes Management Board was updated throughout the process and provided active recommendations for actions and remedies. Further, the BBSRC Executive has discussed the position with the RCIAS with a view to testing of the new processes and controls.

In general therefore, controls are in place which can provide a reasonable degree of assurance that operational, financial and reputational risks are managed appropriately.

Professor Douglas Kell
Chief Executive and Accounting Officer of BBSRC

13 June 2012

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Research Councils' Pension Scheme for the year ended 31 March 2011 under the Science and Technology Act 1965. These comprise the Combined Statement of Comprehensive Income, the Combined Statement of Financial Position, the Combined Statement of Changes in Taxpayer's Equity, the Combined Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Science & Technology Act 1965. I conduct 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 Research Councils' Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Research Councils' Pension Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Manager to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Research Councils' Pension schemes' affairs as at 31 March 2011, and of its total combined net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Secretary of State for Business, Innovation and Skills directions issued under the Science and Technology Act 1965.

Opinion on other matters

In my opinion, the information given in Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for 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;
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

21 June 2012

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

Combined Statement of Comprehensive Income for the year ended 31 March 2011

	Notes	2010-11 £000	2010-11 £000	2009-10 £000
Principal Arrangements – Research Councils' Pension Schemes				
Income				
Contributions receivable	3		82,091	68,654
Transfers in: individuals	4		2,660	9,239
Other pension income	7		111	90
			84,862	<u>77,983</u>
Expenditure				
Pension cost	5	86,000		65,000
Past service cost		(353,000)		–
Transfers out	6	6,158		5,229
Other transfers out	6	–		–
Interest on scheme liabilities	10	148,000		159,000
Administration costs	9	958		707
			111,884	<u>(229,936)</u>
Net Expenditure			196,746	<u>(151,953)</u>
Agency Arrangements				
Early Retirement Lump Sum payments		1,936		2,335
Less Recoveries		(1,936)		(2,335)
			(0)	
Combined Net Expenditure for the year			196,746	<u>(151,953)</u>
Other Comprehensive Net Expenditure				
Recognised gains and losses for the year				
Actuarial gains/(losses)	15.12		67,763	<u>37,671</u>
Total Comprehensive Net Income for the year ended 31 March 2011			264,509	<u>(114,282)</u>

All activities are regarded as continuing.

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

Combined Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £000	31 March 2010 £000
Current assets			
Receivables	12	2,567	1,277
Cash and cash equivalents	13	17,687	6,540
Total current assets		20,254	7,817
Current liabilities			
Payables (amounts falling due within one year)	14	(10,142)	(361)
Net current assets, excluding pension liability		10,112	7,456
Pension liability	15.8	(3,031,739)	(3,498,010)
Net liabilities, including pension liabilities		(3,021,627)	(3,490,554)
Agency arrangements – Early Retirement Lump Sums			
Receivables	16	–	325
Combined schemes – Total net liabilities		(3,021,627)	(3,490,229)
Taxpayers' equity			
General fund	18	(3,021,627)	(3,490,229)

Professor Doug Kell
Chief Executive BBSRC, Accounting Officer

13 June 2012

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

Combined Statement of Changes in Taxpayers' Equity

	Notes	2010-11 £000	2009-10 £000
Balance at 1 April		(3,490,229)	(2,643,930)
Parliamentary funding: drawn down	19	34,100	37,000
Scheme transfer additional funding	15	–	–
Interest payable to the BIS		(7)	(7)
Net Parliamentary funding		34,093	36,993
Combined net outgoings		196,746	(151,953)
Actuarial gains/(losses)	15.12	67,763	37,671
Recalculation of closing provision	15.13	165,000	(765,000)
Bulk staff transfer in		5,000	(4,010)
Bulk staff transfer out		–	–
Balance at 31 March		(3,021,627)	(3,490,229)

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

Combined Statement of Cash Flows for the year ended 31 March 2011

	Notes	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Combined net outgoings		196,746	(151,953)
(Increase)/Decrease in receivables – principal arrangements		(1,290)	(634)
(Increase)/Decrease in receivables – agency arrangements		325	(113)
Increase/(decrease) in payables		9,781	(7,022)
Increase in provision			
Current service cost	5	84,000	65,000
Past service cost		(353,000)	–
Settlements and curtailments	5	2,000	–
Interest cost	10	148,000	159,000
Use of pension liabilities			
Benefit payments	15.10	(108,781)	(104,723)
Payments to or on account of leavers	15.11	(727)	(606)
Net cash outflow from operating activities		(22,946)	(41,051)
Cash flows from financing activities			
Net Parliamentary financing	18	34,093	36,993
(Decrease)/increase in cash and cash equivalents		11,147	(4,058)
Cash and cash equivalents at the beginning of the period		6,540	10,598
Cash and cash equivalents at the end of the period		17,687	6,540
(Decrease)/increase in cash		11,147	(4,058)

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

Notes to the Schemes' Statement

1 Basis of preparation of the Schemes' statements

The Schemes' statements have been prepared in accordance with the relevant provisions of the 2010-11 Government International IFRS Financial Reporting Manual (FReM) www.financial-reporting.gov.uk/ issued by the Treasury which reflect the requirements of International Accounting Standard (IAS) 19 Employee Benefits and IAS 26 Retirement Benefit Plans. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Science and Technology Act 1965.

Where the FReM permits a choice in accounting policy, the accounting policy judged to be the most appropriate to the particular circumstances of RCPS for the purpose of giving a true and fair view have been selected. The particular policies adopted by RCPS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Research Councils' Pension Schemes – principal arrangements

The Schemes' statement summarises the transactions of the RCPS which acts as a principal. The Statement of Financial Position shows the deficit on the Scheme; the Statement of Comprehensive Income shows, amongst other things the movements in the liability analysed between the pension cost, enhancements and transfers in and out and the interest on the Scheme liability. The actuarial position of the Pension Scheme is dealt with in the Report of the Actuary, and the Schemes' statement should be read in conjunction with that Report.

b Early Retirement Lump Sums – agency arrangements

The RCPS acts as an agent for employers in the payment of Early Retirement Lump Sums (ERLS). ERLS paid out are invoiced and generally recovered from employers within a month. These financial flows are not brought into account in the financial statements. However, they do recognise the liabilities arising from the timing difference between amounts paid and recovered (see note 14 of accounts)

c Adoption of new or amended standards effective in 2010-11

The RCPS has applied IFRS 1 in preparing these financial statements.

The following revised standards and interpretations have been applied by the Scheme since 1 April 2010:

International Financial Reporting Standards (IFRS/IAS)		Effective date
IFRS 7	Amendments to IFRS 7: improving disclosures about financial instruments	1 January 2011

2 Accounting policies

a Income

Income includes contributions received and receivable from payrolls run during the year by contributing employers. Transfers in are included when notified by the person transferring and by their old pension scheme.

b Pension Cost and Interest on Scheme Liabilities

The pension cost and interest cost on scheme liabilities are calculated by the Government Actuaries Department (GAD). Payments by the schemes are treated as a reduction in the pension liability.

c Transfers out

Transfers out are included when notified by the person transferring and by their new pension scheme.

d Transfers in

Transfers in are included when notified by the person transferring and agreed by their previous pension scheme administrators.

e Bulk transfers

These relate to groups of members who are transferred under TUPE arrangements (Transfer of Undertakings (Protection of Employment) Regulations) mostly due to the closure of a site(s) or changes to governance arrangements in their organisation.

f Administration costs

The schemes pay for the Joint Superannuation Services (JSS) unit hosted by BBSRC. The accrued costs of JSS are charged as an administration expense in the schemes' Combined Statement of Comprehensive Income. Any amounts owing to BBSRC are included in payables. Any amounts owed by BBSRC are included in receivables.

g Agency arrangements – Early Retirement Lump Sums

Some pension schemes pay a retirement lump sum when a member reaches the appropriate scheme retirement age. If a leaver has yet to reach the scheme retirement age then the Early Retirement Lump Sum (ERLS) is not payable from the pension scheme. Under an agency agreement with the Research Councils, the ERLS is calculated and paid from pension scheme funds and then invoiced to the respective employing Research Council. Any ERLS paid but not yet recovered is accrued in recoveries and included in receivables.

Where pension schemes pay retirement lump sums when the member reaches the scheme retirement age they will, where there was an ERLS recovered from the respective Council, pay the retirement lump sum to that Council.

h Receivables and payables

Receivables and payables are the result of timing differences between the accrued amounts in the Statement of Comprehensive Income and cash being received or paid.

i Pension Liability

The movements and balance on the pension liability are supplied by the Government Actuaries Department (GAD).

Accrued payments by the schemes are shown as reductions in the pension liability. GAD estimate these payments before the year end. Any difference is included as other actuarial gains and losses.

Actuarial gains and losses can occur for a number of reasons. These are changes to financial assumptions used from year to year i.e. change in inflation rate used, changes in demographic assumptions i.e. mortality rate, changes in the methodology used and other experience gains and losses. All information is included in the accounts in accordance with the GAD report

Lump sums on retirement and pensions are payable from the first day of retirement.

Refunds of contributions to members leaving the service are made up of any required transfer to the state scheme pension and income tax due with the balance refunded to the member.

j General Fund

Grant-in-Aid is provided from Department for Business, Innovation and Skills (BIS) Request for Resources 2 to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the schemes' finances. The cash received is not treated as income but credited to the General Fund in accordance with the FREM.

Interest received on the schemes' Barclays and Lloyds bank accounts is included in Other Pension Income. The same amount is paid over to BIS at the end of March each year under the Consolidated Fund Extra Receipts (CFER) arrangements.

Additional grant funding required to fund bulk transfers out of the scheme that is not met by the employers is credited to the General Fund in accordance with the FReM

k Derivatives and financial Instruments

The Pension Scheme is not exposed to the same level of risk as many business entities and the financial assets and liabilities at the reporting date are included at amortised cost. Where the time value of money is material, the amount of the asset or liability will be the present value of the expenditures/income expected to be required to settle the obligation. The discount rate used will be the real discount rate set by HM Treasury, currently at 3.5 per cent.

Trade receivables

Trade receivables are not interest bearing and are carried at original invoice amount less allowance for impairment. Provision for impairment is established when there is objective evidence that the Pension Scheme will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the carrying amount and recoverable amount and is recognised in the statement of comprehensive income.

Trade and other payables

Trade and other payables are recognised in the period in which related money, goods or services are received or when a legally enforceable claim against the Pension Scheme is established or when the corresponding assets or expenses are recognised.

l Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Pension Scheme's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

m Pension Benefits Payable

These are payments due to eligible members which arise from accrued service.

n Additional Voluntary Contributions

Employee contributions are paid directly by the participating Research Council to the pension provider and accordingly contributions and AVC investments are not included in these accounts

3 Contributions receivable

	2010-11	2009-10
	£000	£000
Employers' contributions	72,426	59,375
Employers' contributions: purchase of added years and added pension	–	97
Employees' contributions: normal	8,137	7,373
Employees' contributions: purchase of added years and added pension	1,528	1,809
	82,091	68,654

4 Pension transfers in

These pensions transfers were for individual transfers from other schemes in 2010-11 and 2009-10 and do not include any group transfers from other schemes.

5 Pension cost

	Notes	2010-11 £000	2009-10 £000
Current service cost		84,000	65,000
Settlements and curtailments		2,000	–
	15.8	<u>86,000</u>	<u>65,000</u>

6 Transfers out

		2010-11 £000	2009-10 £000
Group transfers out to other schemes		–	–
Individual transfers out to other schemes		6,158	5,229
Bulk Scheme Transfers Out		–	–
		<u>6,158</u>	<u>5,229</u>

During 2008-09, 315 members of the RCPS transferred out of the schemes as a result of their employer transferring to the university sector. Additional grant funding was received to cover the payment of the bulk transfers, which is taken directly to reserves.

7 Other pension income

		2010-11 £000	2009-10 £000
Amounts receivable in respect of:			
Secondments		5	106
Other (outgoings)/income		99	(23)
Bank interest receivable		7	7
		<u>111</u>	<u>90</u>

8 Additional Voluntary Contributions

There are no AVC payments made through the Pension Scheme. Any AVC's made are free standing additional voluntary contributions which are private arrangements between the employee and the relevant institutions and details cannot be included in these accounts. Details of arrangements whereby employees can make AVCs can be found in paragraph 21 of the Annual Report.

9 Administration costs

	2010-11 £000	2009-10 £000
Total running costs	<u>562</u>	<u>429</u>
Less offsetting receipts		
Net running costs	562	429
Pensioner payroll agency fees	195	165
Auditors' remuneration	42	40
Actuarial charges	156	73
Bank Charges	3	–
	<u>958</u>	<u>707</u>

10 Interest on Scheme liabilities

	2010-11 £000	2009-10 £000
Interest charge for the year	<u>148,000</u>	<u>159,000</u>

11 Compensation benefits payable

There is no liability to the scheme as all compensation payments are funded by the Councils.

12 Receivables – contributions due in respect of pensions

12a Analysis by receipt type

	2010-11 £000	2009-10 £000
Prepaid Lump Sums	938	897
Pension contributions due from employers	225	67
Prepaid benefits	–	32
Employees' normal contributions	32	11
Transfers in		13
Other receivables	1,372	256
	<u>2,567</u>	<u>1,277</u>

12b Intra-Government Balances

	Amounts falling due within one year	
	2010-11 £000	2009-10 £000
Other central government bodies	1,488	947
Other organisations	1,079	330
	<u>2,567</u>	<u>1,277</u>

There are no Intra Government Balances falling due after more than one year for 2010-11, 2009-10 or 2008-09.

13 Cash and cash equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	6,540	10,598
Net change in cash balances	11,147	(4,058)
Balance at 31 March	17,687	6,540

The following balances at 31 March were held at

HM Paymaster General's Office	12,489	509
Commercial Bank	5,198	6,031
Balance at 31 March	17,687	6,540

14 Payables – in respect of pensions*14a Analysis by expenditure type*

	2010-11	2009-10
	£000	£000
Pensions		–
Early Retirement Lumps Sums recovered from employers	402	299
Overpaid contributions: employees		4
Payables to other Research Councils	7,833	
Other payables (including administration expenses)	1,865	18
Audit fee payable	42	40
	10,142	361

The 2008-09 £7,077 trade payable relates to benefit payments made by the Natural Environment Research Council (NERC) on behalf of the scheme, that had not been reimbursed to them as at 31 March 2009. There was no outstanding CFER at 31 March 2011 or 2010.

14b Intra-Government Balances

	Amounts falling due within one year	
	2010-11	2009-10
	£000	£000
Other central government bodies	10,101	316
Other organisations	41	45
Balance at 31 March	10,142	361

There are no Intra Government Balances falling due after more than one year for 2010-11, 2009-10 or 2008-09.

15 Provisions for pension liabilities

15.1 The Research Councils' Pension Schemes are unfunded defined benefit schemes. The Report of the Actuary on pages 9 and 10 sets out the scope, methodology and results of the work the actuary has carried out. An actuarial valuation was carried out at 31 March 2011 by the Government Actuary's Department. It was announced in the Budget on the 20 July 2010, that the Government would adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. The major assumptions used by the Actuary were:

	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007
Price inflation	2.65%	2.75%	2.75%	2.75%	2.75%
Earnings increase	4.90%	4.29%	4.30%	4.30%	4.30%
Rate used to discount the Schemes' liabilities	2.90%	1.80%	3.20%	2.50%	1.80%
Increase for pensions in payment and deferred pensions in line with increases in Consumer Price Index	2.65%	N/A	N/A		
Increase for pensions in payment and deferred pensions in line with increases in Retail Price Index	N/A	2.75%	2.75%	2.75%	2.75%

15.2 The Schemes' administrators 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 pensioner and pensioners;
- Benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- Income and expenditure, including details of any 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.

15.3 Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables 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.

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

15.5 The assumption that has the biggest impact on the amount of the reported liability is the discount rate. As set out in the iFReM, and as required by IAS 19, the scheme managers use the AA corporate bond rate to discount liabilities. From 2005-06, the Government Actuary has calculated the rate annually on behalf of HM Treasury, who then advise the scheme managers of the rate for the year. The rates are set out in the above table. Any decrease in the rate leads to a significant increase in the reported liability.

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

15.7 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 rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The administrators of the schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 15.08. Note 15.12 analyses "experience" gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

Analysis of the provision for pension liability

	2010-11	2009-10	2008-09	2007-08	2006-07
	£m	£m	£m	£m	£m
RCPS					
Active members	1100	1359	935	1076	1075
Deferred members	506	607	450	809	520
Current pensioners	999	1043	828	496	400
Total	2,605	3,009	2,213	2,381	1,995
Closed schemes					
Deferred members	60	80	67	424	425
Current pensioners	366	409	368	82	95
Total	426	489	435	506	520

15.8 Analysis of movements in the scheme liability

	Notes	2010-11	2010-11	2009-10
		£000	£000	£000
Scheme liability at 1 April			3,498,010	2,648,000
Current service cost	5	86,000		65,000
Past service cost		(353,000)		–
Interest on scheme liabilities		148,000		159,000
Benefits payable	15.10	(108,781)		(104,723)
Payments to or on account of leavers	15.11	(727)		(606)
Analysis of actuarial (gains)/losses on the scheme liabilities	15.12	(67,763)		(37,671)
			(296,271)	81,000
			3,201,739	2,729,000
Recalculation of closing provision	15.13		(165,000)	765,000
Net bulk staff transfer in			(5,000)	4,010
Net bulk staff transfer out				–
Scheme liability at 31 March			3,031,739	3,498,010

15.9 During the year ended 31 March 2011, employers contributions represented an average of 27.3 percent of pensionable pay and members paid on average 2.5 percent of pensionable pay.

15.10 *Analysis of benefits paid*

	2010-11	2009-10
	£000	£000
Pensions to retired employees and dependents (net of recoveries or overpayments)	(93,265)	(90,969)
Commutations and lump sum benefits on retirement or death	(15,516)	(13,754)
As per statement of cash flows	<u>(108,781)</u>	<u>(104,723)</u>

15.11 *Analysis of payments to or on account of leavers*

	2010-11	2009-10
	£000	£000
Refunds to members leaving service	(727)	(606)
As per statement of cash flows	<u>(727)</u>	<u>(606)</u>

15.12 *Analysis of actuarial (gains)/losses on the scheme liabilities*

	2010-11	2009-10
	£000	£000
Experience (gains)/losses arising on the scheme liabilities	(65,000)	(34,000)
Change in assumptions underlying the present value of scheme liabilities	(2,763)	(3,671)
Per statement of recognised gains and losses	<u>(67,763)</u>	<u>(37,671)</u>

15.13 *Recalculation of closing provision*

The overnight decrease in scheme liabilities at 31 March 2011 was £165m. This was as a result of a change to the financial assumptions where the rate used to discount the provision increased from 1.8 per cent to 2.9 per cent. A change in indexation from RPI to CPI led to a decrease in the actuarial liability of £353m through past service costs. This year there were no changes to demographic assumptions.

15.14 History of Experience gains / (losses) – all recognised in the Statement of Total Recognised Gains and Losses

	Experience gains/(losses)	Percentage of the Schemes' Liabilities at 31 March
See note 15.12		
2010-11	65000	2.1%
2009-10	34000	1.0%
2008-09	-47000	-1.8%
2007-08	3000	0.1%
2006-07	-50000	-2.0%

16 Receivables – Agency arrangements*16a Analysis by type*

	2010-11	2009-10
	£000	£000
Contributions due from employers		
Accrued income and prepaid expenditure	–	325
	<u>–</u>	<u>325</u>
<i>16a Analysis by receipt type</i>		
Early Retirement Lump Sums recoverable from employers	–	325
	<u>–</u>	<u>325</u>
<i>16b Intra-Government Balances</i>		
Other central government bodies	–	325
	<u>–</u>	<u>325</u>

17 Annual compensation payments pre-funded by employers

Annual compensation payments are payments to early retirees in advance of their pension entitlements under the Research Councils' Pension Schemes. These payments are made by the pension scheme and are reimbursed by the employer. The balances are for ACP's payable in the next 10 years as employees can leave employment at 55 instead of 65 for men and 60 for women.

	2010-11	2009-10
	£000	£000
Balance at 1 April	8,625	8,967
Amount paid in year to pension scheme	(752)	(509)
Addition in year	1,919	167
Balance at 31 March	9,792	8,625
To be used in the next 12 months	1,100	754
To be used after more than 12 months	8,692	7,871

18 Grant-in-aid

Grant-in-Aid is provided from the Department for Business, Innovation and Skills Request for Resources 2 to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the schemes' finances. The allocation for 2010-11 was £34,100,000 (2009-10: £37,000,000) all of which was drawn down by the Pension Schemes.

There was no need for any additional grant-in-aid funding in 2010-11. In 2008/09 it was agreed with BIS to part fund the bulk scheme transfer out of the former BBSRC institutes, IGER and Roslin Institute, to the University Superannuation Scheme (USS). Additional grant funding was also received from the Scottish Executive Environment and Rural Affairs Department (SEERAD) to fund the bulk staff transfer out of the Rowett Research Institute to the USS.

19 Scheme transfers additional funding

	2010-11	2009-10
	£000	£000
BIS additional funding	-	-
BBSRC additional funding	-	-
SEERAD additional funding	-	-
	<u>-</u>	<u>-</u>

20 Related Party Transactions

The Research Councils are Non-Departmental Public Bodies sponsored by the Department for Business, Innovation and Skills (BIS).

The BIS is regarded as a related party. During the period 1 April 2010 to 31 March 2011 the Research Councils' Pension Schemes had various material transactions with BIS and with other entities for which BIS is regarded as the parent Department. (These were the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council, the Science and Technology Facilities Council, and the Technology Strategy Board.)

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the Research Councils' Pension Schemes. In addition the schemes have had material transactions in the form of contributions from Research Councils whose employees are members of the scheme.

20a Related Party Transactions

	Pension Contributions		Receivables		Payables	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	£000	£000	£000	£000	£000	£000
Transactions with Research Councils						
BBSRC	2,387	13,617	207	25	8,379	17
EPSRC	2,300	1,861	27	3	-	-
ESRC	1,087	859	16	18	-	-
NERC	23,156	16,262	403	21	-	157
STFC	15,752	12,732	433	127	-	127
TSB	1,088	746	-	77	-	-
AHRC	510	510	5	-	-	-
Transactions with other employers						
SERAD	8,152	6,611	-	-	-	-
SSC	3,098	2,576	2	41	-	-
Other	14,896	3,701	137	5	-	-
Other related parties		-	1,337	961	1,764	60
Total	72,426	59,473	2,567	1,277	10,143	360

21 Losses and Special Payments

No losses were incurred, or special payments made, during the year.

The Research Councils Pension Schemes became aware of a problem with the late notification of GMP data in 2008-09. The JSS has commenced working with HMRC to assess the number of cases, and the value of any overpayments, which are deemed to be irrecoverable. At the date of signing these accounts the number and value of any overpayments can only be estimated by JSS and is estimated as non-material. It is expected to report the final position in respect of any overpayments in the 2011-12 accounts. There are no other contingent liabilities at 31 March 2011, 31 March 2010 or at 31 March 2009.

22 Post Balance Sheet Events

Reference has been made to events that are likely to occur in 2011-12 in paragraph 18 of the Annual Report.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.

The last formal actuarial valuation undertaken for the RCPS as at 31 March 2006 was completed in 2008-09. Consequently, a formal actuarial valuation as at 31 March 2010 was initiated but was not expected to be completed at 31 March 2011. Subsequently however, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

There were no other reportable post balance sheet events between the balance sheet date and the 21 of June 2012, the date when the Accounting Officer approved the accounts. The financial statements do not reflect events after this date. Reference has been made to events that are likely to occur in 2011-12 in paragraph 18 of the Annual Report.

23 Financial Instruments

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

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: 009909

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliamentary Square,
London SW1A 2JX

Telephone orders/general enquiries 020 7219 3890

Fax orders 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

ISBN 978-0-10-297063-0



9 780102 970630