

Research Councils' Pension Schemes Accounts 2021-22

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Presented to Parliament pursuant to Section 14 (5) of Schedule 9 of the Higher Education and Research Act 2017

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Report of the Manager

Statutory background

- 1 These Research Councils' Pension Scheme (RCPS) statements have been prepared in accordance with the relevant provisions of the 2021-22 Government Financial Reporting Manual (FReM, published at www.financial-reporting.gov.uk) issued by HM Treasury.
- 2 The RCPS is an unfunded pension scheme operating by analogy to the Principal Civil Service Pension Scheme (PCSPS). Payments from the Scheme are funded by current employees' and employers' pension scheme contributions, with the difference between these contributions and the Scheme expenditure financed by Grant-in-Aid provided by the Department for Business, Energy and Industrial Strategy.

Management of the Scheme

- 3 The RCPS is administered by Joint Superannuation Services (JSS), part of UK Research and Innovation. The RCPS Management Board act as trustees of the Scheme and comprises representatives from the main participating employers along with a Trade Union representative. The RCPS Management Board is accountable to the Accounting Officer. The Accounting Officer for the Scheme is designated by the Accounting Officer of the Department for Business, Energy and Industrial Strategy (BEIS).

Description of pension schemes

- 4 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 re-join their former arrangement depending on the time that has lapsed since they left their former employment and the terms that they left under.
- 5 The Nuvos scheme has a pension age of 65 and an accrual rate of 2.3% of pensionable earnings for each year in the scheme. The total pension accrued at the end of each March is increased by the Consumer Price Index for the year to the previous September.
- 6 A Partnership Pension Account was made available to new staff from 1 October 2002. This is a defined contribution stakeholder scheme. The employers pay an age-related contribution to the employee's chosen pension provider, and an additional 0.8% of pensionable pay to the RCPS to cover death in service and ill health benefits.
- 7 The other schemes provide retirement and related benefits based on individual final emoluments by analogy to the PCSPS. New starters were eligible to join the Premium scheme from 1 October 2002 until 29 July 2007. Premium provides a pension based on 1/60th of salary but without an automatic lump sum. Staff in post as at 1 April 1994 and new starters through to 30 September 2002 were entered into what is now known as the Classic scheme. This provides a pension based on 1/80th of salary and an automatic lump sum. Some members are in an amalgam of the two schemes known as Classic Plus.
- 8 The employee contribution rates and calculation methods are analogous to the PCSPS rates. For the period 1 April 2021 to 31 March 2022 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Member Contribution Rate (%)
Up to £23,100	4.60
£23,101 - £56,000	5.45
£56,001 - £150,000	7.35
£150,001 and above	8.05

- 9 The Scheme operates on a pay-as-you-go basis and is principally funded by employer and employee contributions from participating organisations. The employer contribution rate has been 26.0% since 1 April 2010. The previous rate of 21.3% 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 received through the responsible authority for the Scheme; the Department for Business, Energy and Industrial Strategy (BEIS).

Pension Increases

- 10 Pensions are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase is applied on the first Monday after 6 April each year. In April 2021 pensions in pay were increased by 0.5% and by 3.1% in April 2022. There were no discretionary pension increases.

Eligible staff

- 11 All employees of the Participating Employers (paragraph 15), apart from staff on zero-hour contracts, were eligible to join the Nuvos scheme or pay into a Partnership Pension Account. Staff not eligible for RCPS membership are automatically enrolled into an alternative qualifying pension scheme by their employer.

Information for members

- 12 The Joint Superannuation Service (JSS) website; (jsspensions.nerc.ac.uk) gives more information about the scheme and its benefit entitlements.

Auditors

- 13 The accounts of the RCPS are audited by the Comptroller and Auditor General in accordance with section 9 of the Higher Education and Research Act 2017. The audit fee payable is £49,000 (2020-21: £49,000).
- 14 No non-audit work was performed by the auditors on behalf of the RCPS during the year.

Participating employers

- 15 During 2021-22 the following employers had active members enrolled in the RCPS:

- Diamond Light Source
- Moredun Research Institute
- Scotland's Rural College
- UK Research and Innovation (UKRI)
- UK Shared Business Services Ltd

- 16 The following organisations participate in the RCPS as Admitted Bodies and had active members enrolled in the Scheme during 2021-22:

- The Pirbright Institute
- Rothamsted Research
- The Rothamsted Centre for Research and Enterprise
- Babraham Institute
- Babraham Bioscience Technologies Ltd
- John Innes Centre
- Earlham Institute
- Norwich Bioscience Institute Partnership
- Quadram Institute Bioscience
- National Oceanography Centre
- UK Centre of Ecology & Hydrology

Plymouth Marine Laboratory (PML) became an Admitted Body in the RCPS from 1 April 2022 following the transfer of staff from UK Research & Innovation to PML.

Actuarial Valuation

- 17 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 normally requires that the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years. Formal actuarial valuations are used to determine the contribution rates.
- 18 The RCPS Management Board commissioned the Government Actuary's Department (GAD) to undertake a valuation of the Scheme as at 31 March 2018 in order to bring the scheme into line with other public service pension scheme valuations and to reflect current financial assumptions and rates set in HM Treasury 2018 Valuation Directions. The valuation was completed in February 2021 with an employer contribution rate of 27.9%, an increase of 1.9% on the current contribution rate. The RCPS Management Board discussed the valuation and agreed to continue with the current employer contribution rate of 26.0% of pensionable pay in the short term. Their decision to retain the current contribution rate was based on current uncertainties and issues in the main public service pension schemes which could impact on the long-term cost of the schemes. The primary issues are: the impact of the McCloud judgement (see paragraph 21 below) and the cost cap mechanism in the Civil Service Pension Scheme; changes to the SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate; and other financial assumptions set out in the HM Treasury Valuation Directions; and the development of the reform plan for the RCPS. The RCPS Board agreed to revisit the financial position of the Scheme in due course once there is more clarity on these issues.
- 19 Normally an actuarial valuation assumes that a scheme is continuing for a significant period of time. As this is unlikely to be the case for the RCPS, the next actuarial valuation will be undertaken in consultation with the scheme actuary and HM Treasury.

Changes and events during 2021-22

- 20 The Civil Service introduced a new pension Scheme in April 2015, called Alpha, which is in addition to the Principal Civil Service Pension Scheme (PCSPS) arrangements that comprise the Classic, Classic Plus, Premium and Nuvos Scheme sections. The RCPS is by analogy to the PCSPS and is therefore not automatically permitted to operate by analogy to Alpha due to the legislation under which Alpha was created.
- 21 The RCPS has been working with the Government since 2015 to develop and agree reforms, with the expectation that all the RCPS members, pensioners and preserved members will eventually transfer to the Civil Service Pension Scheme. In April 2018 HM Treasury instructed unreformed schemes to postpone transfers to the Civil Service Pension Scheme due to ongoing litigation between the Government and some members of several reformed public service pension schemes. The litigation, often referred to as the McCloud case, centred on discrimination as a result of moving different people into different schemes based on their age. The litigation ended in December 2018, with the Court of Appeal ruling that some elements of the changes amounted to unlawful discrimination. As the RCPS is not a reformed scheme the changes do not apply to RCPS members.
- 22 The Civil Service Pension Scheme implemented a '2015 Remedy' project to remedy the discriminatory reforms. Some changes have already been made in April 2022 and the full project is expected to continue until 2023-24. Until the project is complete the Civil Service Pension Scheme will not be able to take on the transfer of the RCPS. The RCPS Management Board had already decided in that the RCPS should continue as is until a reform plan is agreed with HM Treasury, BEIS (the responsible authority for the RCPS) and participating scheme employers. It is anticipated that the reform of the RCPS will now happen after 2024. In the interim new entrants have been and will continue to be automatically enrolled into the Nuvos section of the RCPS with an option to switch to a Partnership Pension Account. There are only two employers that actively enrol new staff into the RCPS; Diamond Light Source and UK Shared Business Services Ltd (UKSBS).
- 23 Most of the RCPS participating organisations use the Civil Service Compensation Scheme (CSCS) for managed voluntary and compulsory exits. The CSCS was reformed on 9 November 2016. The process that led to the reforms was the subject of a Judicial Review taken by the PCS union. The review concluded that the consultation process was not followed and as a result the previous 2010 CSCS terms were reverted to in August 2017. The 2010 terms remain in place until further notice while the Civil Service Scheme Manager engages with member representatives.
- 24 Members with a Guaranteed Minimum Pension (GMP) that reach State Pension Age beyond 5th April 2021 will continue to receive full indexation of their GMP as part of their annual Pension Increase.

- 25 JSS formally implemented a hybrid working arrangement in March 2021, which has been successful. Key Performance Indicators (KPIs) which measure key operational activities, for the 12 month period April 2021 to March 2022 were 93% overall (target 85%). JSS also carried out a Customer Survey during February 2022 of which 73% of the participants said the service was excellent or good and 24% said it was satisfactory.

Covid-19

- 26 JSS implemented changes to the way it functions and operates throughout the pandemic and numerous lockdowns by adopting different technology solutions and amending processes. Largely the service received by members, pensioners and employers has been uninterrupted. The 2021 annual pension increase was successfully implemented. Annual Benefit Statements were sent out to members on time in 2021 and pension payments and other beneficiary payments were processed without undue delay. The 2022 annual pension increase has recently been implemented, successfully, and an audit on the effectiveness and management of that area in 2021 resulted in a Substantial Assurance opinion from the Government Internal Audit Agency.

Changes anticipated

- 27 Legislation capping public sector exit payments at £95,000 came into effect on 4 November 2020 and was subsequently revoked by HMT on 12 February 2021. The cap placed a limit on redundancy compensation, employer funded pension top-up payments and other payments. The cap had been applied as a policy by the Government from 2016, with employers having to obtain Cabinet Office approval for exit payments above £95,000. This process has been reintroduced following the revocation of the regulations. The cap, and alongside a revised Civil Service Compensation Scheme (CSCS), are expected to be introduced during 2022-23. Not all RCPS employers are captured by the cap or use the CSCS for managed exits.
- 28 The impact of the Court ruling in November 2020 on the equalisation of Guaranteed Minimum Pension (GMP) of Cash Equivalent Transfer Values (CETVs) paid to former members is under review in line with other public sector pension schemes. This is expected to only impact a small number of cases.
- 29 The Department for Work and Pensions (DWP) ran a consultation for six weeks, from Monday 31 January 2022 until Sunday 13 March 2022 on the draft Pension Dashboard Regulations 2022. The Pensions Dashboard is a Government initiative to create a single dashboard that people can use to view all their occupational, private and state pension information. The secondary legislation laid out in the consultation undertook to introduce duties on occupational schemes to connect into the pensions dashboards ecosystem together with the duties that would be placed on dashboard providers. The timetable set out in the draft regulations is under further consideration following the completion of the consultation. Public Service Pension Schemes are not expected to connect to Dashboards with 'find and view' data until 2024 at the earliest.

Review of the financial statements

- 30 For the year ended 31 March 2022 there was overall net expenditure of £187.8 million (2020-21: £202.6 million).
- 31 Income was £84.0 million in 2021-22 compared to £87.9 million for 2020-21.
- 32 In 2021-22 the pension liability increased by £552 million from £6,686 million to £7,239 million, mainly due to actuarial losses of £448 million, interest on scheme liabilities of £84 million, current service cost of £183 million and payments out for pensioners of (£165 million). The liability has increased primarily due to increases in the expectations for future pension increases (CPI inflation) and long-term pay increases, albeit these have been offset to an extent by an increase in the discount rate used. A full breakdown of the movement in the pension liability can be found in note 15.10 of the accounts.

Freestanding Additional Voluntary Contributions

- 33 Members in service are entitled to make additional voluntary contributions (AVCs) under contracts between the employee and Scottish Widows or 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. Employee contributions are paid directly by the Participating Employer and accordingly contributions and AVC investments are not included in these accounts. No new AVC arrangements were permitted after August 2018, although existing arrangements held by members were able to continue.

Events after the reporting period

- 34 No reportable events occurred after the Reporting Period and before the Comptroller and Auditor General certifying the accounts. The financial statements do not reflect events after this date.

RCPS MEMBERSHIP REPORT

	31 March 2022	31 March 2021
	No.	No.
New Schemes		
Current members in Service	5,972	6,456
Pensions in Payment	10,595	10,141
Early Retirements	0	0
Preserved (Deferred) Pensions	8,999	9,038
Total	25,566	25,635
Old Schemes		
Pensions in Payment	4,378	4,477
Preserved (Deferred) Pensions	507	635
Total	4,885	5,112
GRAND TOTAL	30,451	30,747
Members in Service at 1 April		
Members in Service at 1 April	6,456	6,891
Adjustment resulting from changes notified in current year	0	6
Adjusted figure for 1 April	6,456	6,897
New members in year	216	158
Leavers and retirements in year	(700)	(599)
Members in Service at 31 March	5,972	6,456
Current members in service by scheme		
Classic Scheme	1,254	1,398
Classic Plus Scheme	136	145
Premium Scheme	1,029	1,099
Nuvos Scheme	3,553	3,814
Members in Service at 31 March	5,972	6,456
Holders of Partnership Pension Accounts	98	99

35 UKSBS and Diamond Light Source are the only participating employers that enrol all new staff into the RCPS. New entrants to the RCPS increased by 37%; up from 158 in 2020-21 to 216 in 2021-22. Active membership decreased by 7.5% and leavers and retirements increased by 17% over the reporting period.

36 Pensions in payment have increased by 2.4% and preserved (deferred) members decreased by 1.7%. Total scheme membership as at 31 March 2022 has decreased by 1.0% to 30,451, compared to 30,747 as at 31 March 2021.

ACCOUNTING OFFICER, MANAGER, ADMINISTRATOR, ADVISERS AND EMPLOYERS

Accounting Officer:

Dame Ottoline Leyser
UK Research and Innovation (UKRI), Polaris House, North Star Avenue, Swindon, SN2 1UY

Scheme Manager and Administrator:

Kye Honor
Joint Superannuation Services, Polaris House, North Star Avenue, Swindon, SN2 1UY
jsspensions.nerc.ac.uk/contact.asp

Any enquiries concerning the operation of the RCPS should be addressed to JSS.

JSS is part of UK Research and Innovation. UK Shared Business Services Ltd (UK SBS) provides payroll, finance and HR services to JSS and UK Research and Innovation.

Actuary:

Sandra Bell, Chief Actuary
Government Actuary's Department,
15-17 Furnival Street, London, EC4A 1AB

The Government Actuary's Department (GAD) is the appointed actuary for the RCPS.

Bankers:

The Royal Bank of Scotland,
2nd Floor 280 Bishopsgate, London, EC2M 4RB

Auditors:

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

Participating Employers:

UK Research and Innovation (UKRI)
Polaris House, North Star Avenue, Swindon, SN2 1UY
www.ukri.org

UK Shared Business Services Ltd (UKSBS)
Polaris House, North Star Avenue, Swindon, SN2 1UY
www.uksbs.co.uk

Diamond Light Source
Diamond House, Harwell Science and Innovation Campus, Didcot, Oxfordshire, OX11 0DE
www.diamond.ac.uk

Moredun Research Institute
Pentlands Science Park, Bush Loan, Penicuik, Midlothian, EH26 0PZ
www.moredun.org.uk

Scotland's Rural College
Kings Buildings, West Mains Road, Edinburgh, EH9 3JG
www.sruc.ac.uk

Dame Ottoline Leyser

UK Research and Innovation Chief Executive and RCPS Accounting Officer

Date: 7 July 2022

Report of the Actuary

Introduction

- 1 This statement has been prepared by the Government Actuary's Department (GAD) at the request of the JSS (the RCPS scheme manager). It provides a summary of GAD's assessment of the scheme liability in respect of the Research Councils' Pension Schemes (RCPS) as at 31 March 2022, and the movement in the scheme liability over the year 2021- 22, prepared in accordance with the requirements of Chapter 12 of the 2021-22 version of the Financial Reporting Manual.
- 2 The RCPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.
- 3 The assessment has been carried out by calculating the liability as at 31 March 2018 based on the data provided as at 31 March 2018 and rolling forward that liability to 31 March 2022.

Membership data

- 4 Tables A to C summarise the principal membership data as at 31 March 2018 used to prepare this statement.

Table A – Active members

	Number	Total pensionable pay* (p.a.) £ million
Males	4,438	173.4
Females	3,011	94.3
Total	7,449	267.7

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £ million
Males	5,159	21.8
Females	5,014	16.2
Total	10,173	38.0

* Pension amounts include the pension increases awarded to the valuation date, but not the April following.

Table C – Pensions in payment

	Annual pension* (p.a.)	Annual pension* (p.a.) £ million
Males	7,231	96.0
Females	4,825	25.3
Spouses & dependants	2,047	11.2
Total	14,103	132.5

* Pension amounts include the pension increases awarded to the valuation date, but not the April following.

Methodology

- 5 The present value of the liabilities as at 31 March 2022 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2022. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2022 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2021 in the 2020-21 accounts.
- 6 This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2022 p.a.	31 March 2021 p.a.
Nominal discount rate	1.55%	1.25%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.90%	2.22%
Rate of general pay increases	4.15%	3.72%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	(1.30)%	(0.95)%
• Long-term pay increases	(2.50)%	(2.38)%
Expected return on assets	n/a	n/a

- 8 The assessment of the liabilities allows for the known pension increases up to and including April 2022.

Demographic assumptions

- 9 Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S3 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal health	S3NMA	94%
Current ill-health pensioners	S3IMA	100%
Future ill-health pensioners	S3IMA	100%
Dependants	S3NMA	100%
Females		
Retirements in normal health	S3NFA_M	102%
Current ill-health pensioners	S3IFA	100%
Future ill-health pensioners	S3IFA	100%
Dependants	S3DFA	79%

10 These assumptions in Table E above are the same as those adopted for the 31 March 2018 funding valuation of the scheme and the accounts as at 31 March 2022.

11 Mortality improvements are assumed to be in line with the 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2020-21 accounts.

12 The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2020-21 accounts.

13 Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 3 March 2022.

Liabilities

14 Table F summarises the assessed value as at 31 March 2022 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 13. The corresponding figures for the previous year are shown for comparison.

Table F – Statement of Financial Position

	31 March 2022 £ million	31 March 2021 £ million
Total market value of assets	nil	nil
Value of liabilities	7,240	6,687
Surplus/(Deficit)	(7,240)	(6,687)
of which recoverable by employers	n/a	n/a

Accruing costs

15 The cost of benefits accrued in the year ended 31 March 2022 (the current service cost) is assessed as 74.1% of pensionable pay.

- 16 For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 4.6% and 8.1% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2021-22 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2021-22 accounts.

Table G – Contribution rate

	2021-22 % of pay	2020-21 % of pay
Employer contributions (excluding expenses ²)	26	26
Employee contributions (average)	6.9	6.4
Total contributions	32.9	32.4
Current service cost (expressed as a % of pay)	74.1	66.2

- 17 The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.
- 18 The pensionable payroll for the financial year 2021-22 was £247 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2021-22 (at 74.1% of pay) is assessed to be £183 million.
- 19 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a material past service cost over 2021-22.
- 20 I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2021-22.

² The expenses of administering the scheme are borne by employers through an administration levy which is included in the contributions payable to the scheme.

Sensitivity analysis

- 21 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2022 of changes to the most significant actuarial assumptions.
- 22 The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.
- 23 Table H shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability*		
Financial assumptions			
(i) discount rate:	+0.5% p.a.	- 10.0%	- £724 million
(ii) (long-term) earnings increase:	+0.5% p.a.	+ 0.5%	+ £36 million
(iii) pension increases:	+0.5% p.a.	+ 8.5%	+ £615 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £326 million

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

Covid-19 implications

- 24 As with the accounts last year, the 2021-22 Resource Accounts are being produced when the UK continues to deal with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.
- 25 The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2021) 10, dated 13 December 2021, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.
- 26 The long-term salary assumption is set by the RCPS scheme manager, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.
- 27 The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it remains too early to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods.

Sandra Bell FFA

Chief Actuary

Government Actuary's Department

26 May 2022

Statement of Accounting Officer's Responsibilities

Under the Higher Education and Research Act 2017, the Secretary of State for Business, Energy and Industrial Strategy, with the consent of HM Treasury, has directed the Research Councils' Pension Scheme to prepare a statement of accounts for the year ended 31 March 2022 in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the situation of the RCPS and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

The combined financial statements must give a true and fair view of the state of affairs at 31 March 2022 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament, or material transactions that have not conformed to the authorities which govern them. The financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

As UKRI's and RCPS Accounting Officer, I am required in preparing the accounts to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary for State, 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; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable; and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that all reasonable steps have been taken to ensure the annual report and accounts as a whole is fair, balanced and understandable.

The Department of Business, Energy and Industrial Strategy has appointed the UK Research and Innovation Chief Executive as Accounting Officer of the RCPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, are set out in Managing Public Money published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UK Research and Innovation's and RCPS's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. I take personal responsibility for the Annual Report and Accounts, and the judgments required for determining that all reasonable steps have been taken to ensure the Annual Report and Accounts as a whole is fair, balanced and understandable.

Governance Statement by Accounting Officer

1. SCOPE OF RESPONSIBILITY

The Governance Statement, for which I take personal responsibility, gives a clear understanding of the dynamics of the RCPS, its governance, risk and internal control arrangements, and how successfully it coped with the challenges and opportunities presented in the year.

The statement explains how the RCPS has maintained a sound system of governance and internal control which supports the achievement of the RCPS policies, aims and objectives, whilst safeguarding public funds and the RCPS assets. I am also accountable for ensuring the RCPS is administered prudently and economically and that resources are applied in accordance with HM Treasury's 'Managing Public Money' guidance and with the responsibilities assigned to me by the Department of Business, Energy and Industrial Strategy (BEIS).

2. THE PURPOSE OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the RCPS, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. CAPACITY TO HANDLE RISK

As Accounting Officer, I have overall responsibility for ensuring there is an effective risk management system in place within the RCPS for meeting all relevant statutory requirements, and for ensuring adherence to guidance.

4. GOVERNANCE FRAMEWORK

In my role as Accounting Officer for the RCPS, I am supported by the UKRI Board and its Audit Risk Assurance and Performance Committee, the Executive team within UKRI, and the RCPS Management Board.

4.1 RCPS Management Board

The RCPS Management Board (Board) acts as trustee of the scheme, is responsible for ensuring the scheme rules are adhered to, ensures that the scheme is operated according to legislation, has oversight of reform planning and implementation, and ensures the scheme is administered efficiently and effectively by JSS. The Board's Terms of Reference are available at jsspensions.nerc.ac.uk/governance/index.asp.

The Board comprises representatives from the participating employers and a Trade Union representative. The Board is ordinarily chaired by the UKRI Chief People Officer. Sue Donaldson joined UKRI as Chief People Officer taking up the role as Chair of the RCPS Board in June 2020 until March 2022. Selina Dundas, UKRI Deputy Director Talent, Careers and Reward is now the Chair until a permanent CPO is in place.

Jerry Snewin stood down formally from the Board in March 2020 and continued to attend as a guest until February 2022.

The RCPS Management Board met twice during 2021-22. Formal minutes of the meetings are recorded and made available to auditors. Board members and their attendance at those meetings were:

Board Member	Organisation	Attendance
Sue Donaldson	Chair of the Board (UKRI CPO)	1/2
Tanya Robinson	UKRI	2/2
Angela Stead	UKRI	1/2
Anne Shaw	UKRI	0/2
Selina Dundas	UKRI	1/1
Jerry Shewin	UKRI (Guest)	2/2
Andrea Ward	Diamond Light Source	2/2
John Arnott	UK Shared Business Services Ltd (UKSBS)	2/2
Crispin Dawe	UK Shared Business Services Ltd (UKSBS)	2/2
Colin McInnes	Moredun Research Institute	2/2
Tony Bell	Prospect Trade Union	0/2

During 2022 the Board will be reviewing their Terms of Reference. UKRI will also be reviewing its membership at the Board.

4.2 UKRI Audit, Risk, Assurance and Performance Committee

The role of the UKRI Audit, Risk, Assurance and Performance Committee (ARAPC) is to support the UKRI Board and Accounting Officer by reviewing operational performance, the comprehensiveness and reliability of assurances on governance, risk management, the control environment, and the integrity of financial statements for both UKRI and the RCPS. ARAPC provides oversight and independent challenge on the design and implementation of policies and processes, as well as reviewing operational performance. Meetings are attended by representatives from BEIS, the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA), UKRI's internal audit service provider.

Information on membership and attendance at meetings for the UKRI ARAPC can be found in the UKRI Annual Report and Accounts (www.ukri.org/about-us/what-we-do/annual-report-and-accounts/).

4.3 Joint Superannuation Services

The RCPS is administered by the Joint Superannuation Services (JSS), which operates as a unit hosted within the Central Services function of UKRI. JSS staff are contractually employed by UKRI.

5. THE RISK AND INTERNAL CONTROL FRAMEWORK

The system of internal control is designed to manage risk to an appropriate and proportionate level rather than to eliminate all risk of failure to achieve policies, aims and objectives. Overall responsibility for risk management within the RCPS rests with me as Accounting Officer. RCPS and UKRI have a robust risk management framework designed to support informed decision making concerning the risks that affect our ability to achieve our objectives. The framework provides a consistent approach to identifying, assessing and dealing with risks facing us, to ensure that they do not exceed the level of risk the organisation is willing to accept. The framework is designed to manage, rather than eliminate, the risks to RCPS and UKRI's objectives. The UKRI Risk Management Framework includes a Risk Management Policy and Strategy. The Risk Management Framework is supported by a central team with qualified Risk Business Partners to embed effective risk management across UKRI and the RCPS. The UKRI's risk management framework complies with the requirements of HM Government's Orange Book.

The task of reviewing the RCPS risk management framework is delegated to the Chair of the RCPS Management Board and Head of JSS. The Head of JSS regularly reviews the risk management framework during the year. The RCPS Management Board formally considers and agrees the registered risks, with a focus on ensuring appropriate mitigating actions are being taken to manage risk in line with the RCPS risk appetite. The RCPS specific risks are included within UKRI's central risk and assurance management system, and the RCPS also has a UKRI Risk Business Partner.

The Government Internal Audit Agency (GIAA) reviews the key risks to the RCPS and JSS on an annual basis as part of its internal audit programme. The scope of the audit is agreed with the Head of JSS. The GIAA also undertakes a programme of internal audits for UKRI and UK SBS.

The activities of the GIAA in respect of the RCPS are reviewed by the Audit, Risk, Assurance and Performance Committee (ARAPC) and the scope of the internal audit plan for the coming year, which is based on the overall assessment of risk, is agreed. The ARAPC reviews the RCPS Annual Report and Accounts and the NAO Audit Report on the RCPS and plays a pivotal role in evaluating and reviewing the evidence supporting the Accounting Officer's assurance statement on internal control.

5.1 Regularity and Propriety

UKRI and the RCPS are committed to establishing and applying appropriate regularity and propriety standards, including embedding appropriate cultures and behaviours, and does not tolerate any form of fraud, bribery or corruption. The key components in this regard are UKRI's:

- Counter Fraud and Bribery policy and arrangements;
- Gifts and Hospitality policy;
- Whistleblowing policy;
- Complaints policy; and
- Conflicts of Interest policy.

I confirm that for 2021-22:

Neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in 'Managing Public Money';

- There were no novel, contentious or repercussive transactions;
- There have been no instances of fraud identified within UKRI, the RCPS or UK SBS which materially impacted on the RCPS;
- There were no whistleblowing cases concerning the RCPS; and
- There were no breaches of delegation identified within the RCPS.

5.2 Information governance and security

Information security is the cornerstone of the design and implementation of the information services which UKRI provides to its employees, including those in JSS, and of how it protects its staff and information from attack and compromise.

Information governance relates to the policies, procedures and controls to ensure that our information is valued, managed and protected. Information governance risks are reviewed regularly and managed through appropriate mitigating actions. During 2021-22 a UKRI key data protection risk was addressed through the development of a UKRI-wide information asset register, which JSS have participated in.

The UKRI Data and Information Governance Committee, reporting to the UKRI People, Finance and Operations (PFO) Committee, promotes strategic interaction between all key data and information stakeholders to ensure that data and information are valued, accessible and protected where appropriate.

UKRI has appointed a Senior Security Adviser (SSA) and established a Security Forum to drive collaboration operationally and inform strategic direction. The Security Forum reports to the PFO Committee, and has sub-personnel, physical and cyber security working groups with participation across UKRI.

UKRI and the RCPS recognise and fully support the need for effective information governance in protecting their information and the information entrusted to them in the course of their business. Compliance with data protection laws is taken very seriously. UKRI provides all employees with training on their responsibilities, with information security and data protection refresher training provided throughout the year. UKRI and the RCPS continue to monitor and assess their information risks to identify and address any weaknesses and ensure continuous improvement of their systems and procedures.

5.3 Data Protection and General Data Protection Regulation (GDPR)

JSS has a Data Protection Manager and UKRI has a designated Data Protection Officer as required by the Information Commissioner's Office (ICO) and GDPR requirements, the UKRI Data Protection Officer is also responsible for JSS. The Data Protection Manager works closely with the UKRI Data Protection Officer and Information Governance function. The Data Protection Manager has proactively ensured that JSS and the RCPS are, and continue to be, compliant with the Data Protection Act and the GDPR.

JSS understands the importance of protecting personal data and complying with the UK GDPR and Data Protection Act 2018 and is committed to continuing to deliver sustained compliance. Over the last year, the JSS data protection manager has reviewed and updated its policies and records of processing activities and is working on the ICO accountability framework.

During the year there were no reportable personal data breaches or incidents. There were two non-reportable data breaches. Both of the incidents occurred as a result of letters being sent to the wrong individuals. These incidents were not required to be reported to the ICO.

6. REVIEW OF EFFECTIVENESS

As Accounting Officer, it is my responsibility to ensure that a sound system of governance and internal control is being maintained. In 2021-22 I look to the work of the ARAPC, the RCPS Management Board, the internal audit service provided by GIAA, the assurance opinion provided by the Accounting Officer of UK SBS, and comments made by the NAO as our external auditors in their management letter and other reports to inform my view.

6.1 Government Internal Audit Agency (GIAA)

The Group Chief Internal Auditor (GCIA) is required to provide me with an opinion on the overall adequacy and effectiveness of UKRI's framework of governance, risk management and control. In their annual report and opinion, the GCIA has provided a moderate of UKRI for 2021-22.

As part of the internal audit programme during 2021-22, GIAA conducted an audit of JSS focusing on the risk, control and governance of managing the annual pension increase process. A Substantial opinion was provided. Two recommendations were made by GIAA which were accepted by JSS and the Chair of the RCPS Management Board and both have been completed.

6.2 UK Shared Business Services Ltd (UK SBS Ltd) Assurance

For the year 2021-22, UKRI and JSS received services from UK Shared Business Services Ltd (UK SBS), another BEIS partner organisation, which also provides services to BEIS.

UKRI receives bi-annual assurance reports from UK SBS on the design and effectiveness of its internal control framework. UK SBS also receives its internal audit provision from GIAA. They are in receipt of two annual audit opinions, one for UK SBS customer facing operations and the other for internal operations. For 2021-22 these have both been awarded a moderate assurance.

Further narrative and detail of their annual assurance opinions are available within the UK SBS Governance Statement, which is published separately as part of its Annual Report and Accounts.

6.3 External Audit

The RCPS and UKRI Annual Accounts are audited by the Comptroller and Auditor General.

7. RISKS AND ISSUES

The RCPS Management Board and Head of JSS identify key risks and the possible threats or opportunities should these risks crystallise. They assess their probability, impact and proximity, and consider the inherent, current and target exposure levels. Existing controls and mitigation plans are reviewed alongside an indication of the current trajectory of the risk in the RCPS Risk Register.

The RCPS Management Board has oversight of the RCPS Risk Register, which was reviewed at the RCPS Management Board meetings. The RCPS Management Board ensures that appropriate risks are recorded, mitigation plans are being delivered, and adequate controls are in place or planned.

As at 31 March 2022, the register had 12 risks which had been agreed and were being monitored with effective controls and mitigation plans in place. Of the 12 risks, two were rated with a red risk score. The two red risks relate to:

- The closure of the RCPS and transfer of the scheme to the Civil Service Pension Scheme arrangements, leading to a potential risk of increasing pension costs, impacting the ability to deliver services to meet the employer's needs.
- The loss of staff within JSS and the impact on employee engagement, which could affect service to employers and members during a significant period of change.

Other risks relate to: GDPR data breaches or loss of personal information; the impact of the potential decline of service provided by UK SBS and effect on the payment of pensions; the impact of potential loss of or decline in service and support provision for the JSS pension system databases; Institute and Research Centre governance changes and their impact on staff resource; new legislation or policies and the impact on core processes or resource; fraud or misappropriation of pensions, and incorrect payments. All these risks have appropriate controls and mitigation plans in place.

8. CONCLUSION

The Governance Statement represents the results of the review of effectiveness of the RCPS system of governance and internal control. I have considered the accounts and evidence provided with regards to the production of this Governance Statement as well as independent advice and that provided by GIAA and the ARAPC.

Based on the review outlined above, I conclude that UKRI and the RCPS has a sound system of governance, risk management and internal control that supports the aims and objectives for 2021-22.

Dame Ottoline Leyser

UK Research and Innovation Chief Executive and RCPS Accounting Officer

Date: 7 July 2022

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

Opinion on financial statements

I certify that I have audited the financial statements of the Research Councils' Pension Schemes ("the Scheme") for the year ended 31 March 2022 under the Higher Education and Research Act 2017.

The Scheme's financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Research Councils' Pension Scheme's affairs as at 31 March 2022 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Higher Education and Research Act 2017 and HM Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Research Councils' Pension Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Schemes is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Manager, the Statement by the Actuary, the Statement of Accounting Officer's Responsibilities and the Governance Statement by Accounting Officer for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Report of the Manager.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Scheme or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education and Research Act 2017.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Scheme accounting policies.
- inquiring of management, Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Schemes' controls relating to compliance with the Higher Education and Resources Act 2017, Managing Public Money and the regulations set by The Pensions Regulator.
- discussing among the engagement team and involving relevant internal and external specialists, including actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates, the selection of inappropriate assumptions or methodology underpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Scheme 's framework of authority as well as other legal and regulatory frameworks in which the scheme operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included the Higher Education and Research Act 2017, Managing Public Money and regulations set by The Pensions Regulator.

In addition, I considered the control environment in place at the Scheme, the administrator and the scheme actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

- enquiring of management and the Audit Risk Assurance and Performance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing substantive testing of contributions received and benefits paid in the year to ensure compliance with laws, and regulations and regularity;
- engaging an auditor's expert to assess and challenge the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking any further audit testing as necessary; and
- reviewing any significant correspondence with The Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal and external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
 Comptroller and Auditor General
 Date: 12 July 2022

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

Combined Statement of Comprehensive Net Expenditure for the period ended 31 March 2022

	Notes	2021-22		2020-21
		£'000	£'000	£'000
Principal Arrangements - Research Councils' Pension Schemes				
Income				
Contributions receivable	3		82,132	86,644
Transfers in: individuals	4		971	662
Other pension income	7		12	(17)
Recoveries			852	562
			83,967	87,851
Expenditure				
Service cost	5	(183,000)		(175,000)
Transfers in	4	(971)		(662)
Enhancements	6	(3,000)		(3,000)
Pension financing cost	10	(84,000)		(111,000)
Administration costs	9	(790)		(758)
			(271,761)	(290,420)
Combined Net Expenditure			(187,794)	(202,569)
Other Comprehensive Net Expenditure				
Actuarial losses	15.14		(448,000)	(398,000)
			(448,000)	(398,000)
Total Comprehensive Net Expenditure for the period ended 31 March 2022			(635,794)	(600,569)

All activities are regarded as continuing.

The notes on pages 32-41 form an integral part of these accounts.

Combined Statement of Financial Position as at 31 March 2022

	Notes	31 March 2022 £'000	31 March 2021 £'000
Current assets			
Receivables	12	2,314	2,932
Cash and cash equivalents	13	11,846	27,647
Total current assets		14,160	30,579
Current liabilities			
Payables (amounts falling due within one year)	14	(3,429)	(2,313)
Net current assets, excluding pension liability		10,731	28,266
Pension liability	15.10	(7,238,568)	(6,686,309)
Net liabilities, including pension liabilities		(7,227,837)	(6,658,043)
Taxpayers' equity			
General fund		(7,227,837)	(6,658,043)

Dame Ottoline Leyser

UK Research and Innovation Chief Executive and RCPS Accounting Officer

Date: 7 July 2022

The notes on pages 32-41 form an integral part of these accounts.

Combined Statement of Changes in Taxpayers' Equity for the period ended 31 March 2022

	Notes	2021-22 £'000	2020-21 £'000
Balance at 1 April		(6,658,043)	(6,123,474)
Adjustment to start of year liability			
Grant in Aid: drawn down	16	66,000	66,000
Interest payable to the BEIS			
Combined net outgoings		(187,794)	(202,569)
Actuarial (losses)/gains	15.14	(448,000)	(398,000)
Balance at 31 March		<u>(7,227,837)</u>	<u>(6,658,043)</u>

The notes on pages 32-41 form an integral part of these accounts.

Combined Statement of Cash Flows for the period ended 31 March 2022

	Notes	2021-22 £'000	2020-21 £'000
Cash flows from operating activities			
Combined net (expenditure)/income for the year		(187,794)	(202,569)
Decrease/(Increase) in receivables - principal arrangements		618	(527)
Increase in payables		1,116	397
Decrease in provision for non cash transactions			
Current service cost	5	183,000	175,000
Interest cost	10	84,000	111,000
Enhancements	6	3,000	3,000
Transfers in	4	971	662
Increase in pension provision for use of pension liabilities			
Benefit payments	15.12	(165,379)	(161,388)
Payments to or on account of leavers	15.13	(1,333)	(755)
Net cash outflow from operating activities		(81,801)	(75,180)
Cash flows from financing activities			
Grant in Aid	16	66,000	66,000
(Decrease)/increase in cash and cash equivalents		(15,801)	(9,180)
Cash and cash equivalents at the beginning of the period	13	27,647	36,827
Cash and cash equivalents at the end of the period	13	11,846	27,647
(Decrease)/increase in cash		(15,801)	(9,180)

The notes on pages 32-41 form an integral part of these accounts.

Notes to the Schemes' Statements

1. Basis of preparation of the Schemes' statements

The Schemes' statements have been prepared in accordance with the relevant provisions of the 2021-22 Government Financial Reporting Manual (FReM), assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041651/2021-22_FReM_-_Dec_21.pdf, issued by HM 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 Higher Education and Research Act 2017. Where the FReM permits a choice in accounting policy, the accounting policy judged to be the most appropriate to the particular circumstances of the RCPS for the purpose of giving a true and fair view have been selected. The policies adopted by the 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' financial 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 Net Expenditure 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 Scheme's financial statements should be read in conjunction with that report.

b) Adoption of new or amended standards effective in 2021-22

No new revised standards and interpretations have been applied by the Schemes.

Changes to IFRS – new standards issued but not yet effective. In accordance with the FReM, these financial statements have not been applied:

IFRS 16: Leases. This standard is effective from 1 April 22. Early adoption has not been taken. There are no material balances within the RCPS financial statements affected by the introduction of IFRS 16.

IFRS 17 Insurance Contracts is effective within the private sector from 1 January 2023. However, at present the Financial Reporting Advisory Board (FRAB), have proposed mandatory adoption be delayed for the public sector by 2 years to allow full considerations.

2. Accounting Policies

a) Contributions Receivable

Income includes contributions received and receivable from payrolls run during the year by contributing employers and employees.

b) Other Pension Income

Other pension income is accounted for when the income becomes due.

c) Pension Cost and Interest on Scheme Liabilities

The pension cost, including current and past service cost and interest cost on Scheme liabilities, is calculated by the Government Actuary's Department (GAD). Payments by the Schemes are treated as a reduction in the pension liability.

d) Transfers Out

Transfers out are included once notified by the person transferring and by their new pension Scheme, and the payment is due.

e) Transfers In

Transfers in are included once notified by the person transferring and agreed by their previous pension Scheme administrators, and the receipt is made.

f) 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 or sites, or to changes to governance arrangements in their organisation.

g) Administration Costs

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

h) Pension Liability

The movements and balance on the pension liability are calculated by the Government Actuary's Department (GAD).

Accrued payments by the Schemes are shown as reductions in the pension liability.

Actuarial gains and losses can occur for a number of reasons. These are changes to financial assumptions used from year to year, such as a change in the inflation rate used, changes in demographic assumptions, i.e. the 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.

i) General Fund

Grant-in-Aid is provided from Department for Business, Energy and Industrial Strategy (BEIS). The cash received is not treated as income, but credited to the Statement of Taxpayers' Equity in accordance with the FReM.

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.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances.

k) Pension Benefits Payable

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

l) Lump Sums Payable on Death in Service

A death benefit lump sum is payable to whoever the Scheme member has nominated as their 'death benefit nominee' and is accounted for when due.

m) 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. Further information can be found in Note 8 of the financial statements.

3. Contributions receivable	2021-22	2020-21
	£'000	£'000
Employers' contributions	64,301	68,922
Employers' contributions: purchase of added years and added pension		
Employees' contributions: normal	16,101	16,091
Employees' contributions: purchase of added years and added pension	1,730	1,631
	82,132	86,644

For 2022-23, £68 million in employers' contribution, £16.2 million of employees' and £1.8 million of added years contribution are forecast.

4. Transfers in	2021-22	2020-21
	£'000	£'000
Individual Transfers in from other schemes	(971)	(662)
	(971)	(662)

5. Service cost	2021-22	2020-21
	£'000	£'000
Current service cost	(183,000)	(175,000)
	(183,000)	(175,000)

6. Enhancements	2021-22	2020-21
	£'000	£'000
Enhancements	(3,000)	(3,000)
	(3,000)	(3,000)

7. Other pension income	2021-22	2020-21
	£'000	£'000
Amounts receivable in respect of:		
Other income	12	(17)
	12	(17)

8. Additional Voluntary Contributions

There are no AVC payments made through the Pension Schemes. Any AVCs 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 33, page 9 of the Annual Report.

9. Administration costs	2021-22	2020-21
	£'000	£'000
Total running costs	(649)	(626)
Auditors' remuneration	(49)	(49)
Actuarial charges	(89)	(80)
Bank Charges	(3)	(3)
	(790)	(758)

10. Pension financing cost	Notes	2021-22	2020-21
		£'000	£'000
Interest charge for the year	15.10	(84,000)	(111,000)

11. Compensation benefits payable

There is no liability to the Pension Schemes as all compensation payments are funded by the employer.

12. Receivables – contributions due in respect of pensions	31 March 2022	31 March 2021
	£'000	£'000
<i>Analysis by receipt type</i>		
Prepaid lump sums	1,280	827
Pension contributions due from employers and employees	537	1,915
Other receivables	497	190
	2,314	2,932

13. Cash and cash equivalents	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	27,647	36,827
Net change in cash balances	(15,801)	(9,180)
Balance at 31 March	11,846	27,647

The following balances at 31 March were held at:

Government Banking Service	11,846	27,647
Balance at 31 March	11,846	27,647

14. Payables	31 March 2022	31 March 2021
<i>Analysis by expenditure type</i>	£'000	£'000
Payables to other Research Councils	(598)	-
Other payables (including administration expenses)	(2,782)	(2,264)
Audit fee payable	(49)	(49)
	(3,429)	(2,313)

15. Pension liabilities

15.1 Assumptions underpinning the pension liability

The Research Councils' Pension Schemes are unfunded defined benefit schemes. The Report of the Actuary on pages 8 to 11 sets out the scope, methodology and results of the work the actuary has carried out. An actuarial valuation was carried out at 31 March 2017 by the Government Actuary's Department. The major assumptions used by the Actuary were:

	At 31 March 2022	At 31 March 2021	At 31 March 2020	At 31 March 2019	At 31 March 2018
Inflation	2.90%	2.22%	2.35%	2.60%	2.45%
Earnings increase	4.15%	3.72%	4.10%	4.10%	3.95%
Notional discount rate used to discount the Schemes' liabilities	1.55%	1.25%	1.80%	2.90%	2.55%
Discount rate net of inflation	-1.30%	-0.95%	-0.50%	0.29%	0.10%
Rate of return in excess of pension increases CPI	0.95%	0.50%	0.10%	0.29%	0.10%

The life expectancy of normal health current pensioners at age 60 for men is 28.0 (2020-21: 28.0) and women is 28.9 (2020-21: 28.8). The life expectancy of normal health future pensioners at age 60 for men is 29.7 (2020-21: 29.6) and women is 30.5 (2020-21: 30.4)

The life expectancy of normal health current pensioners at age 65 for men is 23.1 (2020-21: 23.1) and women is 24.0 (2020-21: 23.9)

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 Schemes' 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 net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on high quality corporate bonds. 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 Schemes' 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 Schemes' 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 Combined Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The 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 15.11. Note 15.15 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.

15.8

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". An actuarial valuation of the scheme for IAS19 has been carried out as at 31 March 2018 using the data provided as at 31 March 2016 for the purpose of the IAS 19 valuation. Sufficient additional data has been supplied to GAD to enable the IAS19 liability as at 31 March 2017 to be approximately assessed based on the calculated IAS19 liability as at 31 March 2016.

15.9 Analysis of the provision for pension liability

	2021-22	2020-21	2019-20	2018-19	2017-18
	£ million	£ million	£ million	£ million	£ million
RCPS					
Active members	3,089	2,711	2,213	2,057	1,869
Deferred members	1,548	1,399	1,256	907	937
Current pensioners	2,202	2,179	2,285	1,780	2,033
Total	6,839	6,289	5,754	4,744	4,839
Closed schemes	£ million	£ million	£ million	£ million	£ million
Deferred members	60	56	50	53	54
Current pensioners	341	341	356	357	375
Total	401	397	406	410	429
Total provision for pension	7,240	6,686	6,160	5,154	5,268

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, IAS19 requires that the approximate effects on the actuarial liability as at 31 March 2022 of changes to the significant actuarial assumptions.

The most significant assumptions are the discount rate, general earnings increases, and pension increase (currently based on CPI). A key demographic assumption is pensioner mortality.

As a result of the ongoing discussions on scheme reform, there remains significant uncertainty associated with how members will retire in future. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in the final salary sections so an indication of the approximate effect (on the total past service liability) of non-Nuvos members retiring one year later has been included.

The table that follows shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest ½%).

Change in assumption	Approximate effect on total liability*
Rate of return	
(i) discount rate: +½% a year	-10.0% -£724 million
(ii) earnings increases: +½% a year	0.5% £36 million
(iii) pension increases: +½% a year	8.5% £615 million
Pensioner mortality	
(iv) additional one year increase to life expectancy at retirement:	4.5% £326 million

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

15.10 Analysis of movements in the Schemes' liability

	Notes	2021-22 £'000	2020-21 £'000
Schemes' liability at 1 April		(6,686,309)	(6,160,790)
Adjustment to start of year liability			
Current service cost		(183,000)	(175,000)
Pension financing cost		(84,000)	(111,000)
Enhancements		(3,000)	(3,000)
Pension transfers in		(971)	(662)
Benefits payable	15.12	165,379	161,388
Payments to or on account of leavers	15.13	1,333	755
Analysis of actuarial (losses) on the Schemes' liabilities	15.14	(448,000)	(398,000)
		(552,259)	(525,519)
Schemes' liability at 31 March		(7,238,568)	(6,686,309)

15.11

During the year ended 31 March 2022, employers and employees contributions represented an average of 32.9 percent of pensionable salaries (2020-21: 32.4 percent). The employers pension rate for 2021-22 and future years until further notice will be 26.0 percent.

15.12 Analysis of benefits payable

	2021-22 £'000	2020-21 £'000
Pensions to retired employees and dependents (net of recoveries or overpayments)	148,184	146,392
Commutations and lump sum benefits on retirement or death	17,195	14,996
As per Combined Statement of Cash Flows	165,379	161,388

15.13 Analysis of payments to or on account of leavers

	2021-22 £'000	2020-21 £'000
Refunds to members leaving service	470	392
Individual transfers to other schemes	863	363
As per Combined Statement of Cash Flows	1,333	755

15.14 Analysis of actuarial gains/(losses) on the Schemes' liabilities	2021-22	2020-21
	£'000	£'000
Experience gains arising on the Schemes' liabilities	48,000	127,000
Change in assumptions underlying the present value of Schemes' liabilities	(496,000)	(525,000)
Per Statement of Recognised gains and losses	(448,000)	(398,000)

The decrease in liabilities of £496 million is due to changes in the key financial assumptions used to calculate the liability. The key assumptions used are: the rate of salary increases; the rate of increases in pensions in payment and deferred pensions; CPI inflation assumption; the nominal discount rate; and the discount rate net of price inflation. The discount rate is negative 10% with an approximate effect of negative £724m (note 15.9).

15.15 History of experience gains/(losses)

	2021-22	2020-21	2019-20	2018-19	2017-18
Experience gains/(losses) on the Scheme liabilities amount	48,000	127,000	(53,776)	37,000	24,023
Percentage of the present value of the scheme liabilities	0.70%	1.90%	-0.90%	0.7%	4.00%
Total amount recognised in the Statement of Changes in Taxpayers' amount	(448,000)	(398,000)	(848,776)	249,000	(36,977)
Percentage of the present value of the Scheme liabilities	-6.20%	-6.0%	-13.8	4.8%	-0.7%

16. Grant-in-Aid

Grant-in-Aid is provided from the Department for Business, Energy & Industrial Strategy (BEIS) Request for Resources to UKRI, as the entity with responsibility for administering the Schemes' finances. The allocation for 2021-22 was £66.0m (2020-21 was £66 million) of which £66m was drawn down by the Pension Schemes.

17. Related Party Transactions

UKRI is a Non-Departmental Public Body sponsored by the Department for Business, Energy & Industrial Strategy (BEIS) and is regarded as a related party. In addition BEIS are also the parent company of UK SBS who are also contributing to the scheme.

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 UKRI whose employees are members of the Schemes.

	Pension Contributions		Receivables		Payables	
	2021-22 £'000	2020-21 £'000	2021-22 £'000	2020-21 £'000	2021-22 £'000	2020-21 £'000
UKRI Employers	38,500	40,525	347	1,043	598	-
Transactions with other employers						
Scottish Employers	1,891	2,113	190	127	-	-
UKSBS Ltd	3,572	4,139	1	1	-	-
Other employers	20,338	22,145	49	746	-	-
Other- non employers		-	1,727	1,015	2,831	2,313
Total	64,301	68,922	2,314	2,932	3,429	2,313

18. Losses and Special Payments

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

19. Events after the reporting Period

There were no reportable events after the Reporting Period between the year end and the Comptroller and Auditor General certified the accounts, the date when the accounts were authorised for issue. The financial statements do not reflect events after this date.

20. Financial Instruments

As the cash requirements of the Schemes 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 Schemes' expected purchase and usage requirements and the Schemes are therefore exposed to little credit, liquidity or market risk.

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