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Department of Education - Teachers' Superannuation  
**ANNUAL SCHEME STATEMENTS**

for the year ended 31 March 2016

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**Department of Education – Teachers’ Superannuation  
Annual Scheme Statements  
For the year ended 31 March 2016**

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

***1 July 2016***



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<b>Contents</b>	<b>Page</b>
Report of the Managers	1
Report of the Actuary	10
Statement of Accounting Officer’s Responsibilities	17
Governance Statement	18
Certificate and Report of the Comptroller and Auditor General	24
Statement of Assembly Supply	26
Notes to the Statement of Assembly Supply	27
Combined Statement of Comprehensive Net Expenditure	29
Combined Statement of Financial Position	30
Combined Statement of Changes in Taxpayers’ Equity	31
Combined Statement of Cash Flows	32
Notes to the Scheme Statements	33



## **ACCOUNTABILITY REPORT**

### **REPORT OF THE MANAGERS for the year ended 31 March 2016**

#### **Background to the Teachers’ Superannuation Scheme**

##### Statutory basis for the Scheme

The Teachers’ Superannuation Scheme (“the Scheme”) operates under the Teachers’ Superannuation Regulations (Northern Ireland) 1998 (as amended) and the Teachers’ Pension Scheme Regulations (Northern Ireland) 2014.

##### Eligibility to join the Scheme

Northern Ireland teachers' pensions were significantly modified under the Teachers' Pension Scheme Regulations (Northern Ireland) 2014.

These regulations introduced a career average pension scheme with normal pension age equal to state pension age for new entrants.

Persons in the employments specified in Schedule 1 of the Teachers’ Pension Scheme Regulations (Northern Ireland) 2014 are eligible to join the Scheme.

Further information about the Scheme is available on the internet at [www.education-ni.gov.uk](http://www.education-ni.gov.uk).

##### Main features of the Scheme

The Teachers’ Superannuation Scheme is an unfunded, defined benefit scheme to which teachers and their employers contribute. Benefits are index-linked and there is provision for payments to dependants.

##### Corporate Governance and Management of the Scheme

The Teachers’ Superannuation Scheme is managed by the Department of Education. The Department also manages the Teachers’ Premature Retirement Compensation Scheme which operates under the Teachers’ (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010.

The Scheme Manager is responsible for policy in respect of the Scheme, legislative changes, and managing the relationship with the Government Actuary’s Department (GAD).

The Scheme Administrator is responsible for the implementation of the Scheme regulations including day to day management of receipts and payments, and correspondence with Scheme members.

To manage the annual requirements for actuarial valuations and information for the preparation of the Annual Scheme Statements, the Teachers’ Superannuation Scheme Steering Group meets during the year.

The Steering Group consists of staff from across the Department of Education, including the Financial Reporting Team (FRT), and the Teachers’ Pay and Pensions Team (TP&PT). To enable the Accounting Officer to maintain a sound system of internal control, the Accounting Officer is informed by the work of the internal auditors and reports from senior managers on the effectiveness of internal controls; and by comments made by the external auditors in their management letter and other reports. More detail is provided in the Governance Statement.

#### Employers

The Teachers’ Superannuation Scheme is for persons in the employments specified in Schedule 2 of the Teachers’ Superannuation Regulations (Northern Ireland) 1998 and Schedule 1 of the Teachers’ Pension Scheme Regulations (Northern Ireland) 2014. A full list of employers currently within the Scheme can be obtained from the Scheme Administrator.

#### Arrangements governing determination of contribution rates and benefits

The Department of Education in exercise of powers conferred upon it by the Superannuation (Northern Ireland) Order 1972 and after consultation with relevant interested parties makes regulations which determine the contributions and benefits of the Scheme.

The NITPS Scheme Advisory Board is the established forum for consultation on matters relating to the Scheme. The Board comprises representatives of the recognised teacher unions, the University and College Union and employers from both the school and further education sectors.

### **Key developments in year**

#### Changes in contributions

From 1 April 2015 contribution rates for employees increased in accordance with the table below. Employers’ contributions increased from 13.6% of pensionable pay to 17.7%. (This rate was determined by the Government Actuary following a full funding valuation of the Scheme as at 31 March 2012.)

From 1 April 2015 the salary bands applicable to member contributions for the NITPS changed; and the method of determining which salary band a member falls into also changed. The appropriate contribution rates to be applied are now based on a members’ annual salary rate (actual earnings) as opposed to their full-time equivalent (FTE) salary.

These arrangements apply to **all** members i.e. both those who remain in final salary arrangements and those who moved on 1 April 2015 to the new career average arrangements.

<b>Lower Salary*</b>	<b>Higher Salary*</b>	<b>Contribution Rate in 2015-16</b>
-	£25,999	7.4%
£26,000	£34,999	8.6%
£35,000	£41,499	9.6%
£41,500	£54,999	10.2%
£55,000	£74,999	11.3%
£75,000	>£75,000	11.7%

\* contributions are based on full-time equivalent (FTE) pay levels

#### Changes in benefits

Pensions were increased by 1.2% with effect from 6 April 2015 (7 April 2014: 2.7%).

#### Reform of Northern Ireland Teachers’ Pension Scheme (NITPS)

The Public Service Pensions Act (Northern Ireland) 2014 provides for the closure of existing public sector pension schemes (including the NITPS), from 31 March 2015 and the establishment of new schemes based on a career average revalued earnings model with normal pension age equal to state pension. In compliance with the Act, regulations for a reformed NITPS were made on 12 December 2014 with effect from 1 April 2015.

#### Establishment of the NITPS Pension Board and the NITPS Scheme Advisory Board

The Public Service Pensions Act (NI) 2014 (“the 2014 Act”) requires each public service pension scheme (including the NITPS) to establish a Pension Board to assist the scheme manager in securing the effective and efficient administration of the pension scheme and a Scheme Advisory Board for considering major changes to scheme rules.

The NITPS Pension Board and NITPS Scheme Advisory Board were accordingly set up and became operational from 1 April 2015.

#### Pension Board

Primary and secondary legislation does not prescribe the constitution of the Pension Board beyond the requirement that employer representatives and member representatives are equal in number. The Pension Board is comprised of 12 members and includes:

- an independent chairperson (recruited following the principles of the Public Appointments Process);
- a pensions official from the public sector pensions arena;
- 4 pension scheme member representatives;
- 4 employer representatives; and
- 2 DE officials at Directorate level drawn from the pensions policy area of business and from the area with overall responsibility for the Department’s internal audit function.

### Scheme Advisory Board

The Scheme Advisory Board is chaired by a Department official and the other members are nominated by a defined list of organisations representing members and employers. Attendance at meetings is limited to two attendees per organisation.

### Pensions legislation

During 2015-16 the Department made the following regulations:

#### **1. The Teachers’ Superannuation (Additional Voluntary Contributions) (Amendment) Regulations (Northern Ireland) 2015**

These regulations amend the Teachers’ Superannuation (Additional Voluntary Contributions) Regulations (Northern Ireland) 1996 with effect from 6 April 2015, with the exception of regulation 4(a), which has effect from 1 April 2015. The main provisions enacted in the regulations are to:

- permit members of the Teachers’ Pension Scheme 2015 access to the additional voluntary contribution scheme;
- enable members to utilise the additional flexibilities for defined contribution schemes; and
- take account of changes to tax treatment of individuals’ pension funds.

#### **2. The Teachers’ Pension Scheme (Consequential Provisions) (Amendment) Regulations (Northern Ireland) 2016**

These regulations amend the Teachers’ (Consequential Provisions) Regulations (Northern Ireland) 2015, coming into effect from 6 April 2015. They concern “anti-franking” or the protection of increases in guaranteed minimum pensions (GMPs) after the abolition of contracting-out of the additional state pension. The main provisions enacted in the regulations are to:

- provide that the “cessation date”, when a person ceases to be in contracted-out employment under the old scheme (and from which point GMPs may need to be increased), is treated as the date when the person leaves the new scheme, and not the date when they transfer from their old scheme to their new scheme; and

These regulations also modify the Pension Schemes (Northern Ireland) Act 1993 to:

- include a subsequent modification of the definition of “cessation date” as part of the abolition of contracting-out.

Membership statistics

Details of changes in membership of the Teachers’ Superannuation Scheme are as follows:

**A. Active members**

<b>Active members at 1 April 2015</b>	<b>25,158</b>
Opening adjustment*	261
	<hr/>
	25,419

Add:

New entrants	936
Re-entrants in the period	412
Transfers in	2
Opt in	0

Less:

Retirements in the period	(681)
Members leaving who have deferred pension rights	(1,716)
Deaths in service	(15)
Refunds/opt out	(92)
Transfers out	(3)

<b>Active members at 31 March 2016</b>	<b>24,262</b>
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**B. Deferred members**

<b>Deferred members at 1 April 2015</b>	<b>14,720</b>
Opening adjustment*	(515)
	<hr/>
	14,205

Add:

Members leaving with deferred pension rights	1,716
New members now classed as deferred	5

Less:

Members taking up deferred pension rights	(262)
Transfers out	(41)
Re-entrants	(412)
Refunds	(40)
Deaths	(2)
Opt Outs	(1)

<b>Deferred members at 31 March 2016</b>	<b>15,168</b>
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\*An opening adjustment is required in respect of active and deferred members due to late receipt of service history and ongoing data cleansing during the period.

C. Pensions in payment	Members	Dependants	Total
<b>Pensions in payment at 1 April 2015</b>	<b>20,013</b>	<b>1,931</b>	<b>21,944</b>
<b>Add:</b>			
Members retiring in period at normal retirement age	926	-	926
Restorations	6	5	11
New dependants	-	160	160
<b>Less:</b>			
Deaths in period	(305)	(88)	(393)
Dependants leaving	-	(19)	(19)
Suspensions/other leavers	(11)	-	(11)
<b>Pensions in payment at 31 March 2016</b>	<b>20,629</b>	<b>1,989</b>	<b>22,618</b>

D. Compensation payments	
<b>Members in receipt of compensation at 1 April 2015</b>	<b>8,400</b>
Add: New members in receipt of compensation	51
Less: Deaths/other leavers	(122)
<b>Members in receipt of compensation at 31 March 2016</b>	<b>8,329</b>

#### Transfers

The Scheme has not accepted or transferred a liability during the year in respect of any group transfers.

#### Financial position at 31 March 2016

The Scheme liability at 31 March 2016 was £11.5 billion compared to £12.03 billion at the end of the previous year. The main reason for the decrease was the change in financial assumptions as summarised in the Report of the Actuary. An analysis of movements in the Scheme liability is shown at note 14.4 to the Scheme Statements.

#### Issues for 2015-16

There were no significant issues arising during the year.

Events after the reporting period

There were no events after the reporting period which required adjustment to the Scheme Statements or additional disclosures.

## Information for members

Additional Voluntary Contributions (AVCs)

The Department of Education Teachers’ Superannuation Scheme has no arrangements to offer Free-Standing Additional Voluntary Contributions (FSAVCs) or stakeholder pensions. However, the Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, namely Prudential plc. No contributions to these AVCs are made by the Scheme or teachers’ employers. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held on their account and any movements in the year.

All transactions and related assets and liabilities connected with the AVC scheme are private arrangements between Prudential and the employees, therefore they do not form part of the Department of Education Teachers’ Superannuation Scheme Statements.

Final AVC figures supplied by Prudential for 2015-16 were as follows:

Prudential Teachers’ AVC Facility (Northern Ireland)	2015-16 £000	2014-15 £000
<b>Movements in the year</b>		
Balance at 1 April	44,199	43,008
New investments	3,434	3,088
Sales of investments to provide pension benefits	(3,405)	(1,930)
Change in market value of investments	-	33
<b>Balance at 31 March</b>	<b>44,228</b>	<b>44,199</b>
Contributions received to provide life cover	93	102
Benefits paid on death	82	210

**Scheme Managers, Advisers and Employers are listed below:**

**Accounting Officer**

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

**Scheme Manager and Premature Retirement Compensation Scheme Manager**

La’Verne Montgomery  
Department of Education  
Rathgael House  
43 Balloo Road  
Rathgill  
BANGOR  
BT19 7PR

**Scheme Administrator and Premature Retirement Compensation Scheme Administrator**

Peter Crossley  
Department of Education  
Teachers’ Pay & Pensions Team  
Waterside House  
75 Duke Street  
Gobnascale  
LONDONDERRY  
BT47 6FP

**Pension Scheme Actuary**

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

**Bankers**

Danske Bank  
Donegall Square North  
BELFAST  
BT1 5GB

Legal Advisers

Departmental Solicitor’s Office  
Victoria Hall  
12 May Street  
BELFAST  
BT1 4NL

Auditor

Northern Ireland Audit Office  
106 University Street  
BELFAST  
BT7 1EU

Disclosure of information to Auditor

The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme’s auditor is aware of such information. So far as he is aware there is no relevant audit information of which the Scheme’s auditor is unaware.

Contact for enquiries

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

Peter Crossley  
Scheme Administrator, Teachers’ Superannuation Scheme  
Department of Education  
Teachers’ Pay and Pensions Team  
Waterside House  
75 Duke Street  
Gobnascale  
LONDONDERRY  
BT47 6FP

## REPORT OF THE ACTUARY

### Introduction

1. This statement has been prepared by the Government Actuary’s Department at the request of the Department of Education Northern Ireland (‘the Department’). It summarises the pensions disclosures required for the Department’s Teachers Superannuation Annual Scheme Statements 2015-16 (‘the scheme’, or ‘NITPS’).
2. The NITPS is a defined benefit scheme. It has a final salary section which applies to benefits accrued before 1 April 2015 and to future accrual for older members who have fully protected status or tapered protection. There is also a new career average section applying to future accrual of benefits after 1 April 2015 for members without protected status. The rules of the final salary section are set out in *The Teachers’ Superannuation Regulations (Northern Ireland) 1998* (SR(NI) 1998/333) and the rules of the career average section are set out in *The Teachers’ Pension Scheme Regulations (Northern Ireland) 2014* (SR(NI) 2014/310), as amended. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation. (Under IAS19 constructive obligations should be included in the measurement of the actuarial liability).
3. The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2016 to reflect known changes.

### Membership data

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

**Table A – Active members**

	Number (nearest 10)	Total pensionable pay* (£ million pa)
<b>Males</b>	6,490	254.4
<b>Females</b>	19,200	696.6
<b>Total</b>	25,680	951.0

\* Full time equivalent as at 31 March 2012.

**Table B – Deferred members**

	Number (nearest 10)	Total deferred pension* (£ million pa)
<b>Males</b>	3,730	4.9
<b>Females</b>	8,820	12.3
<b>Total</b>	12,550	17.2

\* Pension amounts as at the assessment date and so exclude pension increases due in April 2012.

**Table C – Pensions in payment**

	Number (nearest 10)	Total annual pension* (£ million pa)
<b>Males</b>	6,640	112.5
<b>Females</b>	11,980	157.6
<b>Spouses &amp; dependants</b>	1,740	8.9
<b>Total</b>	20,360	279.0

\* Pension amounts as at the assessment date and so exclude pension increases due in April 2012.

### **Methodology**

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal assumptions applying to the 2015-16 Scheme Statements. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal assumptions applying to the 2014-15 Scheme Statements.
6. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

### **Principal financial assumptions**

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

**Table D – Principal financial assumptions**

Assumption	31 March 2016	31 March 2015
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	-0.60%	-0.65%
Expected return on assets:	n/a	n/a

8. The pension increase assumption as at 31 March 2016 is based on the Consumer Price Index (CPI) expectation of inflation.

### **Demographic assumptions**

9. The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.
10. The ‘S1’ series of standard tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) are used but with adjustments derived from recent scheme experience. For current and future male normal-health pensioners, a 107% loading has been applied (that is mortality rates are assumed to be 7% heavier than those in the standard table) relative to the S1NMA\_L table. For current and future female normal health pensioners, age dependent loadings (74% up to age 79, 84% at ages 80-84, 98% at 85-89, 106% from age 90) have been applied relative to the S1NFA\_L table. Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom. The tables adopted and the loadings applied are the same as were adopted for the 2014-15 Scheme Statements but the mortality improvement assumption has been updated following publication of the 2014 based principal population projections on 29 October 2015.
11. Reforms to the NITPS which were implemented in April 2015 may affect the behaviour of members which will affect the value of their benefits accrued both before and after 1 April 2015 i.e. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. The assumed age retirement rates are based on recent experience but make allowance for later retirements for members who transfer to the new scheme on or after 1 April 2015. The assumptions are the same as for the 2014-15 Scheme Statements.
12. The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Scheme Statements.

### **Liabilities**

13. Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the scheme prior to 31 March 2016 based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of Financial Position**

**£ billion**

	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>31 March 2012</b>
<b>Total market value of assets</b>	nil	nil	nil	nil	nil
<b>Value of liabilities</b>	(11.50)	(12.03)	(10.78)	(9.56)	(9.08)
<b>Surplus/(Deficit)</b>	(11.50)	(12.03)	(10.78)	(9.56)	(9.08)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

### Pension cost

14. The cost of benefits accruing in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 36.0%. Members contributed about 9.6% of pensionable pay on average, with different rates for different tiers of pensionable salary. Table F shows the employers’ share of the contribution rate used to determine the Current Service Cost taking into account contributions paid by members. The corresponding figures for 2014-15 are also included in the table.

**Table F – Contribution rate**

	Percentage of pensionable pay	
	1 April 2015 to 31 March 2016	1 April 2014 to 31 March 2015
<b>Standard contribution rate</b>	36.0%	36.0%
<b>Members’ estimated average contribution rate</b>	(9.6%)	(9.6%)
<b>Employers’ estimated share of standard contribution rate</b>	26.4%	26.4%

15. As shown in the table the standard contribution rate is the same for 2015-16 as for 2014-15. A number of factors influence the relative level of standard contribution rate in these two years. The change in long term financial assumptions as at 31 March 2015 was the main factor tending to increase the standard contribution rate for 2015-16 relative to the previous year and the introduction of the CARE scheme at 1 April 2015 was the main factor tending to reduce the standard contribution rate for 2015-16.

16. For the avoidance of doubt the employers’ share of the standard contribution rate determined for the purposes of the Scheme Statements is not the same as the actual rate of contributions payable by employers<sup>1</sup> which is determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Scheme Statements and for scheme funding purposes is the discount rate net of pension increases. This was 1.37% a year for the 2015-16 Current Service Cost compared with 3.0% a year for the scheme funding rate, calculated at the 2012 formal valuation, which was in payment over that period. (Note that the discount rate for scheme funding purposes has been reviewed and reduced to 2.8% a year in the Budget of 16 March 2016. Employer contributions on the reduced discount rate will be calculated at the 2016 formal valuation, but are not expected to come into payment until April 2019). A higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury, and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Scheme Statements is set each year by HM Treasury to reflect the requirements of IAS19.
17. The estimated pensionable payroll for the financial year 2015-16 was £884 million (derived from the contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2015-16 (at 36.0% of pay) is assessed to be £319 million. There is also a past service cost for 2015-16 of £6 million in respect of HM Treasury and DFP’s announcement in March 2016 that Guaranteed Minimum Pensions (GMP) would be fully indexed in line with the Consumer Prices Index for a transitional cohort following the abolition of the second state pension in April 2016. Thus the total pension cost for 2015-16 is £325 million.

### Sensitivity analysis

18. 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 2016 of changes to the significant actuarial assumptions.
19. The principal financial assumptions are the future increases in pensionable salary due to general inflation (earnings increases), pension increases (both in payment and deferment), and the rate of interest (or discount rate) used to calculate the value of the benefits and contributions. A key demographic assumption is pensioner mortality.
20. As a result of the scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the new scheme. Assumed age retirement rates can have a significant impact on the scheme liabilities and so I have included an indication of the approximate effect (on the total past service liability) of all members who move to the new scheme retiring one year later than assumed in the main liability calculations. In practice the impact differs for members retiring before and after NPA so although the pattern of age retirement can have a significant impact on liabilities the results of this scenario show a negligible impact.

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<sup>1</sup> This was 17.7% from 1 April 2015.

21. There was uncertainty around the actual level of withdrawals experienced by the scheme over the analysis period used to determine the scheme-specific withdrawal assumption adopted. To illustrate the possible impact of this uncertainty we have included an indication of the approximate effect of withdrawal rates being a third higher than assumed.
22. Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to an appropriate level of accuracy).

**Table G: Sensitivity to significant assumptions**

Change in assumption	Approximate effect on total liability					
<b>Financial assumptions</b>						
<b>Demographic assumptions</b>						
(i) discount rate*	+½% a year	- 9½%	- £1,100 million			
(ii) earnings increases*	+½% a year	+ 2%	+ £200 million			
(iii) pension increases*	+½% a year	+ 8%	+ £900 million			
(iv) additional one year increase to life expectancy at retirement*		+ 3%	+ £350 million			
(vi) all active members who move to the new scheme retire (on average) 1 year later		0%	£0 million			
(vii) withdrawal rates a third higher		- ¼%	- £50 million			

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



**Matt Wood**  
**Government Actuary’s Department**  
**13 May 2016**

**Combined Statement of Comprehensive Net Expenditure disclosures for the year ended  
31 March 2016**

	Year ended 31 March 2016	Year ended 31 March 2015
	£ billion*	£ billion*
<b>Analysis of amount charged to pension cost</b>		
Current service cost	0.32	0.32
Past service cost	0.01	-
<b>Total operating charge</b>	<b>0.32</b>	<b>0.32</b>
<b>Analysis of amount recognised in Combined Statement of Comprehensive Net Expenditure</b>		
Pension financing cost	0.43	0.47
	<b>0.43</b>	<b>0.47</b>
<b>Analysis of amount recognised in Statement of Changes in Taxpayers’ Equity (SCITE)</b>		
Experience gains and losses arising on pension liabilities	0.15	(0.22)
Changes in mortality assumptions	0.26	-
Changes in demographic assumptions (other than mortality)	-	0.01
Changes to financial assumptions	0.48	(1.07)
<b>Net actuarial gains/(losses) recognised in SCITE</b>	<b>0.88</b>	<b>(0.84)</b>
<b>Movement in deficit during the year</b>		
Surplus/(Deficit) at 1 April	(12.03)	(10.78)
Current service cost	(0.32)	(0.32)
Benefits paid during the year	0.40	0.38
Past service costs	(0.01)	-
Net transfers in	-	-
Interest on pension liability	(0.43)	(0.47)
Actuarial (losses)/gains	0.88	(0.84)
<b>Deficit at 31 March</b>	<b>(11.50)</b>	<b>(12.03)</b>

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

\*Figures are taken directly from the GAD Report and may not necessarily add up due to roundings.

## **STATEMENT OF ACCOUNTING OFFICER’S RESPONSIBILITIES**

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

The Combined Scheme Statements must give a true and fair view of the state of affairs of the Combined Scheme at the year end and of the net resource outturn and cash flows for the year then ended. The Scheme Statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the Scheme 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.

In preparing the Scheme Statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

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

The Department of Finance and Personnel has appointed the Permanent Secretary of the Department of Education as Accounting Officer for the Teachers’ Superannuation Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in Managing Public Money Northern Ireland (MPMNI) which is published by the Department of Finance and Personnel.

## GOVERNANCE STATEMENT

### 1. Introduction

- 1.1 This Governance Statement is a key feature of the Teachers’ Superannuation Annual Scheme Statements. It provides details of how I, as Accounting Officer, have ensured effective management and control of resources during the 2015-16 year and of the action taken to ensure effective risk management and a high standard of corporate governance.
- 1.2 The Department of Education’s 2015-16 Annual Report and Accounts includes an evaluation by the Department’s Head of Internal Audit of the effectiveness of the Department’s risk management, internal control and governance arrangements during 2015-16. This evaluation, which includes the Teachers’ Superannuation Scheme, has indicated that these arrangements operated at a satisfactory level during 2015-16.

### 2. Governance Framework

- 2.1 The Department of Education (DE) operates under the direction and control of the Minister for Education who is Head of the Department. The Minister leads the Department and is responsible and accountable to the Assembly for the policies, programmes and actions of the Department.
- 2.2 As Permanent Secretary, I am the Minister’s principal adviser, the administrative Head of the Department and the Accounting Officer. As Accounting Officer, I am personally responsible and accountable to the Minister and to the Assembly for the effective management and organisation of the Department and the Teachers’ Superannuation Scheme, including the use of public money and the stewardship of its assets.

### The Departmental Board

- 2.3 The Department is managed by a Departmental Board which, within the strategic framework set by the Minister, supports me in the discharge of my role.
- 2.4 The Departmental Board is chaired by me and comprises the Department’s two Deputy Secretaries; the Chief Inspector of the Education and Training Inspectorate; the Director of Finance; the Director of Equality and All Ireland; and two independent non-executive directors. The role of the latter members is to provide an independent and external perspective on the work of the Board; to bring some specific expertise to its discussions; and to provide a constructive challenge across the Departmental Board’s business. Other Departmental Directors have been invited to attend meetings where agenda items relevant to their business areas required their attendance to inform discussion. The Departmental Board’s work is guided by a corporate governance framework which is reviewed regularly, most recently in January 2016.

- 2.5 Further details on the Departmental Board can be found in the main Governance Statement published in the Department of Education’s 2015-16 Annual Report and Accounts. This includes a list of members along with individual attendance records, details of the Board’s role and categories of routine business.

### **Board Sub-Committees**

- 2.6 During 2015-16, the Board was supported by two sub-committees: the Audit and Risk Assurance Committee (ARAC); and the Performance Efficiency Scrutiny Committee (PESC).

#### **Audit and Risk Assurance Committee**

- 2.7 The ARAC is an independent advisory committee with no executive functions. Its role is to support me as Accounting Officer and to support the Departmental Board in discharging our respective responsibilities for issues of risk, control, governance and associated assurance with the support of a professionally qualified Internal Audit Service.
- 2.8 The ARAC comprises four independent members. Two members are serving senior civil servants and two are DE independent Board members.
- 2.9 During 2015-16 ARAC meetings were also attended by DE staff, including myself as Permanent Secretary, the Deputy Secretary with responsibility for finance and performance management, the Director of Finance, the Head of Internal Audit and a representative from the Department’s external auditors, the Northern Ireland Audit Office (NIAO).
- 2.10 Throughout the year the Committee considered the findings from Internal and External Audit activity along with the outcomes of key governance processes such as risk management, governance and accountability review meetings and the bi-annual NDPB governance statements. In addition, the Committee invited various risk owners (Directors) to attend and provide assurance on their areas of responsibility.
- 2.11 The ARAC also carried out an assessment of its own effectiveness during 2015-16. The outcome indicated that, in overall terms, the ARAC continued to operate effectively, and will seek to further enhance its operational effectiveness during 2016-17. The key area of focus in 2015-16 was the establishment and bedding in of the Education Authority (EA) during the year.
- 2.12 Further details on the ARAC can be found in the main Governance Statement published in DE’s 2015-16 Annual Report and Accounts. This includes a list of members along with individual attendance records, the key areas in which the ARAC provided independent advice, scrutiny and challenge during 2015-16, and information on key areas progressed by this sub-committee.

### **Pension Board**

- 2.13 The NITPS Pension Board, which was established under the Teacher’s Pension Scheme Regulations (Northern Ireland) 2014, provides assurance to the Accounting Officer (Permanent Secretary), Scheme Members and employers about the effective financial management of the NITPS, including contribution collection, financial forecasting, debt management and production of Scheme Account. Two Department of Education officials are appointed to the Board by the Accounting Officer.

### **Performance Efficiency Scrutiny Committee**

- 2.14 During 2015-16, PESC was chaired by the Deputy Secretary with responsibility for finance and performance management. Membership also comprised the Deputy Secretary with responsibility for human resources; the Director of Finance; the Director of Planning and Performance Management; the Director of Education Workforce Development; and the Director of Families and Communities. Other senior staff attended PESC meetings to facilitate oversight and/or the carrying out of particular tasks.
- 2.15 Further details on the PESC can be found in the main Governance Statement published in DE’s 2015-16 Annual Report and Accounts. This includes a list of members, key roles for PESC during 2015-16 and information on key areas progressed by this sub-committee.

## **3 DE Board Performance**

- 3.1 I consider that the DE Board operated effectively during 2015-16, meeting regularly and considering relevant issues at the appropriate time.

### **Assessment of Effectiveness**

- 3.2 In accordance with the Board’s terms of reference a review of its effectiveness was conducted during 2015-16. This had independent input. The Board will consider the outcome of the review at its June 2016 meeting but there are no significant issues presenting.

## **4 Corporate Governance**

- 4.1 As noted in the Department’s Governance Statement, the Department has in place a Corporate Governance Framework which aligns with 2013 DFP Corporate Governance Code. This was reviewed and updated by the Departmental Board during 2015-16.

## **5 Quality of data used by the Board**

- 5.1 The Departmental Board relies on four main sources of data to inform its deliberations. These are:

- statistical information (for example, data related to enrolments, attainment, attendance, workforce);
- financial information (including monitoring reports on capital and resource expenditure);
- Human Resources (HR) information, mainly data on attendance management; and
- inspection evidence, mainly data used to compile the Chief Inspector’s report and the annual report to the Departmental Board.

Included in DE’s 2015-16 Annual Report and Accounts are the steps taken by the Board to satisfy itself as to the quality of data provided.

## **6 Ministerial Directions**

- 6.1 Arrangements exist to respond to a situation where an Accounting Officer believes that they are being asked by a Minister to take a course of action that could potentially result in irregular expenditure; impropriety; or poor value for money. In such circumstances, the Accounting Officer should ask for a formal Ministerial Direction to proceed.
- 6.2 During 2015-16 no Ministerial Directions were sought or given in relation to the Teachers’ Superannuation Scheme.

## **7. Risk Assessment**

- 7.1 The DE Board has responsibility for ensuring that an effective risk management process is in place and is regularly reviewed. In discharging this responsibility, it is supported by its ARAC and the Department’s Internal Audit Team (IAT). The Chair of ARAC is a non-executive Director on the DE Board and is privy to discussions in relation to Departmental risk at DE Board meetings. This arrangement, in conjunction with written and verbal updates provided at each meeting, ensures the ARAC is kept fully informed of the Department’s risk profile to enable it to undertake its responsibilities effectively.
- 7.2 The DE Risk Management Framework (RMF) sets out the Department’s approach to risk and the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. Details of this, including risk appetite are included in the main Governance Statement published in DE’s 2015-16 Annual Report and Accounts.

### **Pensions Reform**

- 7.3 The Public Service Pensions Act (NI) (“the Act”) received royal assent on 11 March 2014 and contained the core provisions for reforms introducing major changes to

public sector pension schemes. As a result of the enabling Act the Teachers’ Pension Scheme Regulations (NI) 2014 (“the Regulations”) were made and laid in the Assembly on 12 December 2014. These regulations established a new NI Teachers’ Pension Scheme (NITPS or “the Scheme”) with effect from 1 April 2015. In compliance with the Act, the Regulations included provision for the creation of new governance structures. The NI Teachers’ Pension Scheme Pension Board and the NI Teachers’ Pension Scheme Advisory Board were accordingly established with effect from 1 April 2015. The Pension Board has responsibility for assisting the Scheme Manager to secure compliance with the Regulations and other legislation relating to the governance and administration of the Scheme, along with the provision of advice to the Department about the scope and direction of the administration as delivered by its service providers and Department of Education officials. The Scheme Advisory Board is responsible for providing advice to the Scheme Manager, at the Department’s request, on the desirability of changes to the Scheme and on matters of policy.

### **Overpayments**

- 7.4 There was one notable overpayment which was exposed during the year as a result of a court case. This is referred to in the fraud monitoring section of this statement. Internal investigations are proceeding and action to initiate recovery will be undertaken. Recovery of previously discovered overpayments is ongoing.

### **Accuracy of membership data**

- 7.5 The Department continues to manage its risk in relation to the accuracy of membership data. The Department has worked with the IT systems provider to amend the records of a number of members; and more accurate and reliable reports have been developed and are in place. The Department recognises the importance of the accuracy of the membership data produced from the pension system and continues to strive to improve the quality of this information.

### **Data security lapses**

- 7.6 The Department did not identify any data security issues relating to the Scheme during the year.

### **Teachers Pay and Pensions Team and impact of VES**

- 7.7 Teachers Pay and Pension Team has lost approximately 15% of its workforce as a result of VES. Work is ongoing to mitigate the impact on the business of the team, however, paying teachers’ salaries and teacher pensioners is a critical function which will remain under close scrutiny, in conjunction with Departmental HR, whilst the normalisation of staffing is rolled out across the Department.

### **Fraud Prevention and Whistleblowing**

- 7.8 The Department’s fraud and whistleblowing arrangements were reviewed and updated during the year and are fully compliant with current best practice. A fraud risk analysis was also undertaken during the year to identify areas where the risk of fraud exists and ensure that appropriate measures are in place to minimise those risks.
- 7.9 Fraud monitoring and reporting arrangements have been effectively maintained throughout the year and the Department is aware of one fraud case relating to the Teachers Superannuation Scheme which was discovered during 2015-16, the value of which is approximately £13k.
- 7.10 The Department participates in the biennial NFI, which compares public sector databases to identify mismatches between information held. This allows the Department to compare teachers’ pension payroll against other payrolls. Where mismatches are found, each case is investigated to ascertain if overpayments or possible fraud have taken place.

### **8. Conclusion**

- 8.1 In conclusion, it is my assessment that an appropriately rigorous system of governance and accountability is operating, which I can rely on as Accounting Officer, to provide assurance that the public funds and other resources for which I am accountable are deployed effectively and appropriately.

Signed: \_\_\_\_\_  
\_\_\_\_\_  
**Accounting Officer**

**Date: 23 June 2016**

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO  
THE NORTHERN IRELAND ASSEMBLY**

**DEPARTMENT OF EDUCATION TEACHERS’ SUPERANNUATION SCHEME**

I certify that I have audited the financial statements of the Teachers’ Superannuation Scheme for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements comprise the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers’ Equity and the related notes. I have also audited the Statement of Assembly Supply 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 Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Teachers’ Superannuation Scheme’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Teachers’ Superannuation Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers, Report of the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme’s affairs as at 31 March 2016 and of its combined net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance (formerly Department of Finance and Personnel) directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

### **Opinion on other matters**

In my opinion:

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

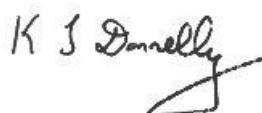
### **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance’s guidance.

### **Report**

I have no observations to make on these financial statements.



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

30 June 2016

## STATEMENT OF ASSEMBLY SUPPLY

### Summary of Resource Outturn 2015-16

				Estimate					2015-16 £'000	2014-15 £'000
									Outturn	Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn Compared with Estimate: Saving/ (excess)		
Annually Managed Expenditure		781,000	(247,594)	533,406	759,394	(243,875)	515,519	17,887	582,741	
Non-Budget			(2,022)	(2,022)	-	(2,013)	(2,013)	(9)	(1,998)	
Total Resources	SoAS 1	781,000	(249,616)	531,384	759,394	(245,888)	513,506	17,878	580,743	

RfR A: Providing a pension scheme for persons covered by the Teachers’ Superannuation Scheme

### Summary of net cash requirement 2015-16

					2015-16 £'000	2014-15 £'000
					Net Total Outturn Compared with Estimate: Saving/ (excess)	Outturn
				Note	Estimate	Outturn
Net cash requirement		SoAS2	171,772	156,149	15,623	169,651

### Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics).

			Forecast 2015-16 £'000	Outturn 2015-16 £'000	
			Note	Income	Receipts
Total		SoAS3	-	-	3

### Explanation of variances between Estimate and Outturn (net total resources):

#### Request for Resources – Saving £17.8 million

The saving of £17.8 million was mainly due to a lower actuarial calculation, based on a lower forecasted pensionable paybill, resulting in a lower charge than anticipated for the current service cost.

The notes on pages 27 to 28 form part of the Statement of Assembly Supply.

### **SoAS1. Reconciliation of net resource outturn to net expenditure**

		2015-16 £'000			2014-15 £'000
	Note	Outturn	Supply Estimate	Outturn Compared With Estimate: saving/(excess)	Outturn
Net Resource Outturn		513,506	531,384	17,878	580,743
Non-supply income (CFERs)	SoAS2	-	-	-	-
<b>Net Expenditure in Combined Statement of Comprehensive Net Expenditure</b>		<b>513,506</b>	<b>531,384</b>	<b>17,878</b>	<b>580,743</b>

### **SoAS2. Reconciliation of resources to net cash requirement**

	Note	Estimate £'000	Outturn £'000	Net Total Outturn Compared with Estimate: saving/(excess) £'000
Net Resource Outturn	SoAS1	531,384	513,506	17,878
Accruals adjustments:				
New provisions and changes to previous provisions		(781,000)	(759,394)	(21,606)
Changes in working capital other than cash		12,000	410	11,590
Use of provisions		409,388	401,627	7,761
<b>Net cash requirement</b>		<b>171,772</b>	<b>156,149</b>	<b>15,623</b>

#### **Explanation of variance between Estimate and net cash requirement:**

##### **1. New provisions and changes to previous provisions — Excess £(21.60) million**

The excess was mainly due to a lower actuarial calculation, based on a lower forecasted pensionable paybill, resulting in a lower charge than anticipated for the current service cost.

##### **2. Changes in working capital other than cash — Saving £11.59 million**

This was a result of a small increase in receivables and a small decrease in payables primarily due to the timing of receipts and payments compared to the forecasted position.

##### **3. Use of provision — Saving £7.76 million**

The saving was mainly due to lower than anticipated payments of pensions, lump sums and transfers during the year.

### **SoAS3. Analysis of income payable to the Consolidated Fund**

In addition to Accruing Resources, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2015-16 £'000		Outturn 2015-16 £'000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources	SoAS4	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	3	3
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>3</b>	<b>3</b>

### **SoAS4. Reconciliation of income recorded within the Combined Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

		2015-16 £'000	2014-15 £'000
Operating income		245,888	211,221
Income authorised to be accruing resources		245,888	(211,221)
<b>Operating income payable to Consolidated Fund</b>		-	-

### **Other Assembly Accountability Disclosures**

#### **Losses and Special payments**

##### **Losses statement:**

During the years 2015-16 and 2014-15 total losses were less than £250,000; and in accordance with Annex 4.10 to Managing Public Money Northern Ireland (MPMNI), no further disclosure is required.

##### **Special payments:**

During the years 2015-16 and 2014-15 there were no special payments.

##### **Other payments:**

During the years 2015-16 and 2014-15 there were no other significant payments.

## FINANCIAL STATEMENTS

### COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2016

#### Principal arrangements Teachers’ Superannuation Scheme

	Note	2015-16 £'000	2014-15 £'000
<b>Income:</b>			
Contributions receivable	3	(242,784)	(209,390)
Transfers in	4	(3,104)	(1,831)
Other pension income	5	-	-
		<u>(245,888)</u>	<u>(211,221)</u>
<b>Expenditure:</b>			
Pension cost	6	320,000	320,000
Past Service Cost	6	6,000	-
Pension Financing Costs	7	430,000	470,000
Enhancements	8	289	133
Transfers In – Additional Liability	9	3,105	1,831
Other Pension Cost	10	-	-
		<u>759,394</u>	<u>791,964</u>
<b>Net expenditure</b>		<b><u>513,506</u></b>	<b><u>580,743</u></b>

#### Other Comprehensive Net Expenditure

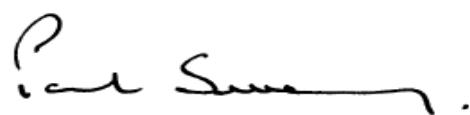
	Note	2015-16 £'000	2014-15 £'000
<b>Pension re-measurements:</b>			
Actuarial (Gain)/Loss	14.7	(887,768)	839,200
<b>Total Comprehensive Net (Income)/ Expenditure for the year</b>			
		<b><u>(374,262)</u></b>	<b><u>1,419,943</u></b>

The notes on pages 33 to 47 form part of these Scheme Statements.

**COMBINED STATEMENT OF FINANCIAL POSITION  
as at 31 March 2016**

**Principal arrangements**  
**Teachers’ Superannuation Scheme**

	Note	2015-16 £'000	2014-15 £'000
<b>Current assets:</b>			
Receivables	11	4,468	4,027
Cash and cash equivalents	12	631	1,223
Total current assets		5,099	5,250
<b>Current liabilities:</b>			
Payables (within 12 months)	13	(5,478)	(6,039)
<b>Net current liabilities, excluding pension liability</b>		(379)	(789)
Pension liability	14.4	(11,499,999)	(12,030,000)
<b>Net liabilities, including pension liability</b>		<b>(11,500,378)</b>	<b>(12,030,789)</b>
<b>Taxpayers’ equity:</b>			
General fund		(11,500,378)	(12,030,789)
		(11,500,378)	(12,030,789)



Signed: \_\_\_\_\_  
Accounting Officer

Date: 23 June 2016

The notes on pages 33 to 47 form part of these Scheme Statements.

**COMBINED STATEMENT OF CHANGES IN TAXPAYERS’ EQUITY  
for the year ended 31 March 2016**

Note	<b>General Fund</b>	
	<b>2015-16</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>
<b>Balance at 1 April</b>	(12,030,789)	(10,780,497)
Net Assembly Funding – drawn down	155,600	168,000
Net Assembly Funding – deemed (prior year)	1,177	2,828
Supply payable adjustment – current year	(628)	(1,177)
Excess accruing resources	13	-
Combined comprehensive net expenditure for the year	(513,506)	(580,743)
Actuarial gain/(loss)	14.7	<u>887,768</u>
<b>Net change in Taxpayers’ Equity</b>	530,411	(1,250,292)
<b>Balance at 31 March</b>	<b>(11,500,378)</b>	<b>(12,030,789)</b>

The notes on pages 33 to 47 form part of these Scheme Statements.

## COMBINED STATEMENT OF CASH FLOWS for the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(513,506)	(580,743)
Adjustments for non-cash transactions:			
(Increase) / decrease in receivables		(441)	161
Increase / (decrease) in payables		(561)	(1,476)
<i>Less movement in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure</i>		592	1,607
Increase in pension provision	14.4	756,000	790,000
Increase in pension provision – enhancements and transfers in	14.4	3,394	1,964
Increase in pension provision – capitalised cost of enhancement	14.4	-	-
Use of provisions – pension liability	14.5	(395,928)	(375,737)
Use of provisions – death in service	14.5	(2,491)	(2,649)
Use of provisions – refunds and transfers	14.6	<u>(3,208)</u>	<u>(2,778)</u>
<b>Net cash outflow from operating activities</b>		<u>(156,149)</u>	<u>(169,651)</u>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (supply): current year		155,600	168,000
<b>Net Assembly Financing</b>		155,600	168,000
<b>Net (decrease) / increase in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>		(549)	(1,651)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme’s activities		3	46
Payments of amounts due to the Consolidated Fund		(46)	(2)
<b>Net (decrease) / increase in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>		<u>(592)</u>	<u>(1,607)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	12	1,223	2,830
<b>Cash and cash equivalents at the end of the period</b>	12	<b>631</b>	<b>1,223</b>

The notes on pages 33 to 47 form part of these Scheme Statements.

## **NOTES TO THE SCHEME STATEMENTS**

### **1. Basis of preparation of the Scheme Statements**

The combined Scheme Statements have been prepared in accordance with the relevant provisions of the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. ‘IAS 19 Employee Benefits’ and ‘IAS 26 Accounting and Reporting by Retirement Benefit Plans’ are of particular relevance to these statements.

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

#### **1.1 Department of Education – Teachers’ Superannuation Scheme and Teachers’ Premature Retirement Compensation Scheme**

The Teachers’ Superannuation Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department of Education on behalf of the members.

The Teachers’ Superannuation (Amendment) Regulations (Northern Ireland) 2015 provides that the rate of employer contributions is fixed at 17.7% of the employee’s salary. The Department determined the contribution rates for employees after a consultation exercise. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the Northern Ireland Assembly through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Department of Education and reported in the annual resource accounts of the Department.

The Scheme Statements summarise the transactions of the Teachers’ Superannuation Scheme and the Teachers’ Premature Retirement Compensation Scheme where the Department of Education acts as a principal. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, pension financing cost, enhancements and transfers in. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme Statements should be read in conjunction with that Report.

The Scheme Statements also have regard to the accounts direction given by the Department of Finance and Personnel in accordance with Section 9(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

## **2. Statement of accounting policies**

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent they are meaningful and appropriate in the public sector context.

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

### **2.1 Accounting convention**

These Scheme Statements have been prepared under the historical cost convention.

### **2.2 Pension contributions receivable**

- a. Employers’ normal contributions are accounted for on an accruals basis.
- b. Employers’ special contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on an accruals basis.
- c. Employees’ contributions and amounts received in respect of the purchase of added years of service are accounted for on an accruals basis. Neither Additional Voluntary Contributions nor payments to providers of Stakeholder Pensions (see the Report of the Managers), are brought into account in these statements.

### **2.3 Transfers in and out**

Transfers in and out in respect of individuals are accounted for on a cash basis. However, where the Scheme has formally accepted or transferred a liability in respect of a group transfer, such transfers are accounted for on an accruals basis.

Transfers in are simultaneously recognised as income and expenditure so that the increase in the Scheme liability is accounted for at the same time as the income is received.

### **2.4 Other income**

Other income, including refunds of benefits, overpayments recovered other than by deduction from future benefits and miscellaneous income, and the recovery of the capitalised cost of enhancement under the Premature Retirement Compensation Scheme are accounted for on an accruals basis. To the extent that this income also represents an increase in the Scheme liability, it is also reflected in expenditure.

### **2.5 Current service cost**

The current service cost is the increase in the present value of the Scheme liabilities arising from current members’ service in the current period and is recognised in the Combined

Statement of Comprehensive Net Expenditure. It is calculated by factoring up the actual contribution rates charged to employers (17.7%) to the projected unit credit rate (36.0%) adopted by the Actuary.

## **2.6 Past service cost**

Past service costs are changes in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, change to, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure in the year in which the change in benefits vests.

## **2.7 Pension financing cost**

The pension financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement, and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2015, being 1.30 per cent real rate (i.e. 3.55 per cent including CPI inflation) and is recognised in the Combined Statement of Comprehensive Net Expenditure. These discount rates are determined by HM Treasury and circularised in a Public Expenditure System (PES) paper.

## **2.8 Other expenditure**

Other expenditure is accounted for on an accruals basis except for the costs of administering the Teachers Superannuation Scheme and the Teachers Premature Retirement Scheme which are borne by the Department of Education.

## **2.9 Scheme liability**

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at the close of 31 March 2016, being 1.37 per cent real rate (i.e. 3.60 per cent including CPI inflation).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the reporting period date and updates it to reflect current conditions.

Further details in respect of the Scheme liability are provided in note 14.

## **2.10 Pension benefits payable**

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accruals basis.

## **2.11 Pension payments to those retiring at their normal retirement age**

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

## **2.12 Pension payments to and on account of leavers before their normal retirement age**

Refunds of employees’ contributions are accounted for on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

## **2.13 Lump sums payable on death in service**

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

## **2.14 Actuarial gains / losses**

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Combined Statement of Comprehensive Net Expenditure.

## **2.15 Premature Retirement Compensation**

The cost of compensation for early retirement because of redundancy or in the interests of the efficient discharge of the employer’s function can be broken down into two elements, being the cost of enhancement (added years) and the cost of the early payment of unreduced pension. From 1 April 2008, employers became liable for the cost of enhancement in the form of a lump sum paid to the Scheme to meet the liabilities that have yet to be discharged. During 2008-09 and 2009-10, the Scheme continued to meet the cost of early payment of unreduced pension. The cost of the future liability in setting up and revising the provision is recorded as expenditure in the Combined Statement of Comprehensive Net Expenditure, with the offsetting income reflecting the reimbursements receivable from the employers. The Department made regulations, which came into operation on 30 April 2010, which have the effect of transferring the full cost of premature retirement compensation (i.e. both enhancement and early payment of pension) to employers.

## **2.16 Cash and cash equivalents**

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

## **2.17 Currency and rounding**

The functional currency is Sterling and, except where otherwise stated, all figures have been rounded to the nearest thousand pounds.

## **2.18 Changes to International Financial Reporting Standards**

Management have reviewed all new accounting standards and concluded that there are no changes affecting these annual Scheme Statements.

## **2.19 Changes to the Financial Reporting Manual (FReM)**

The FReM for 2015-16 did not introduce any changes applicable to these annual Scheme Statements.

### 3. Contributions receivable

	2015-16 £000	2014-15 £000
Employers’ contributions	156,537	121,766
Employees’ contributions - normal	83,946	85,493
Employees’ contributions - purchase of added years	288	133
Premature retirement compensation receipts from DEL	2,013	1,998
	<u>242,784</u>	<u>209,390</u>

£245 million contributions are expected to be payable to the scheme in 2016-17.

### 4. Transfers in (see also Note 9)

	2015-16 £000	2014-15 £000
Individual transfers in from other schemes	<u>3,104</u>	<u>1,831</u>

### 5. Other pension income (see also Note 10)

	2015-16 £000	2014-15 £000
Capitalised cost of enhancements to pensions payable	-	-

### 6. Pension cost (*see also Note 14.4*)

	2015-16 £000	2014-15 £000
Current service cost	320,000	320,000
Past Service Cost	6,000	-
	<u>326,000</u>	<u>320,000</u>

There is a past service cost for 2015-16 of £6 million in respect of HM Treasury and DFP’s announcement in March 2016 that Guaranteed Minimum Pensions (GMP) would be fully indexed in line with the Consumer Prices Index for a transitional cohort following the abolition of the second state pension in April 2016.

### 7. Pension financing cost (*see also Note 14.4*)

	2015-16 £000	2014-15 £000
Net interest on defined benefit liability	<u>430,000</u>	<u>470,000</u>

## 8. Enhancements (*see also Note 14.4*)

	2015-16 £000	2014-15 £000
Purchase of added years and added pension		
Employees:	289	133
Employers:	-	-
	<b>289</b>	<b>133</b>

## 9. Transfer in – additional liability (*see also Note 4*)

	2015-16 £000	2014-15 £000
Individual transfers in from other schemes	<b>3,105</b>	<b>1,831</b>

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

## 10. Other pension cost (*see also Note 5*)

	2015-16 £000	2014-15 £000
Capitalised cost of enhancement to pensions payable	-	-

## 11. Receivables - contributions due in respect of pensions

### 11.1 Analysis by type

	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	2,651	2,123
Employees’ normal contributions	1,405	1,510
Overpaid pensions	600	595
Provision for bad debt	(356)	(367)
Receivable from DEL	168	166
<b>Total receivables at 31 March</b>	<b>4,468</b>	<b>4,027</b>

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

## 12. Cash and cash equivalents

	Note	2015-16 £000	2014-15 £000
Balance at 1 April		1,223	2,830
Net change in cash balances		(592)	(1,607)
<b>Balance at 31 March</b>		<b>631</b>	<b>1,223</b>

The following balances at 31 March were held at:

Commercial banks and cash in hand		<b>631</b>	<b>1,223</b>
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### The balance at 31 March comprises:

Amounts issued from the Consolidated Fund for supply but not spent at year end	13	628	1,177
Excess accruing resources	13	-	-
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	13	3	46
		<b>631</b>	<b>1,223</b>

## 13. Payables - in respect of pensions

### 13.1 Analysis by type

		2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>			
Pensions		653	725
HMRC and voluntary contributions		4,073	4,015
Interdepartmental balances owed in respect of refund of overpaid contributions		17	15
Other payables		104	61
Amounts issued from the Consolidated Fund for supply but not spent at year end		628	1,177
Excess accruing resources		-	-
Consolidated Fund extra receipts received due to be paid to the Consolidated Fund		3	46
<b>Total payables at 31 March</b>		<b>5,478</b>	<b>6,039</b>

## 14. Pension liability

### 14.1 Assumptions underpinning pension liability

The Department of Education Teachers’ Superannuation Scheme is an unfunded defined benefit scheme. The Government Actuary’s Department carried out an assessment of the Scheme liabilities as at 31 March 2016. The Report of the Actuary and Combined Statement of Comprehensive Net Expenditure disclosures on pages 10 to 16 set out the scope, methodology and results of the work the actuary has carried out.

The last full formal actuarial valuation undertaken for the Department of Education Teachers’ Superannuation Scheme was completed as at 31 March 2012 per the Government Actuary’s report dated 3 February 2015.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. The amounts recognised in these Scheme Statements have been prepared using full membership data supplied for the full formal valuation as at 31 March 2012, and rolled forward to 31 March 2016. The liability calculations as at 31 March 2016 have been carried out using the demographic assumptions derived from the experience analysis for the 2012 valuation, except for mortality improvements which have been updated at 31 March 2016 in line with those used for the 2014 based National Population Projections. In undertaking this exercise, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have been used.

The Scheme Manager together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme Manager should make available to the actuary in order to meet the expected requirements of the Scheme auditor. This information includes, but is not limited to, details of:

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

The major assumptions used by the Actuary were:

Financial assumptions	At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012
Rate of increase in salaries*	1.00%	1.00%	1.00%	0.00%	0.00%
Rate of increase in pensions in payment and deferred pensions*	1.20%	2.70%	2.20%	5.20%	3.10%
Nominal discount rate**	3.60%	3.55%	4.35%	4.10%	4.85%
Rate of CPI inflation**	2.20%	2.20%	2.50%	1.70%	2.00%
Discount rate net of CPI**	1.37%	1.30%	1.80%	2.35%	2.80%

\*These relate to the increase in that particular year. \*\*These relate to long-term assumptions assumed to apply to all future years (for the purpose of the particular year’s accounting disclosures).

Life expectancies at age 60		At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012
Current retirements:	Females (years)	31.6	32.2	32.1	32.8	32.7
	Males (years)	29.3	29.5	29.4	29.2	29.1
*Retirements in 20 years time:	Females (years)	33.5	34.2	34.1	35.1	35.0
	Males (years)	31.3	31.6	31.5	31.6	31.5

\*The life expectancy from age 60 of future pensioners will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 40

Life expectancies at age 65		At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012
Current retirements:	Females (years)	26.5	27.1	27.0	27.8	27.7
	Males (years)	24.3	24.5	24.4	24.4	24.3
*Retirements in 20 years time:	Females (years)	28.3	29.1	29.0	30.0	29.9
	Males (years)	26.2	26.5	26.4	26.6	26.5

\*The life expectancy from age 65 of future pensioners will depend on their current age. This table shows the life expectancy from age 65 for future pensioners currently aged 45.

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 Manager acknowledges that the valuation reported in these Scheme Statements is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the greatest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The

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

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

## **14.2 Analysis of pension liability**

<b>Analysis of provision for pension liability</b>	<b>At 31 March 2016 £ billion</b>	<b>At 31 March 2015 £ billion</b>	<b>At 31 March 2014 £ billion</b>	<b>At 31 March 2013 £ billion</b>	<b>At 31 March 2012 £ billion</b>
Pensions in payment	5.94	6.24	5.70	5.39	4.96
Deferred members	0.40	0.50	0.46	0.36	0.36
Active members	5.16	5.29	4.62	3.81	3.76
<b>Total</b>	<b>11.50</b>	<b>12.03</b>	<b>10.78</b>	<b>9.56</b>	<b>9.08</b>

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.

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts 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 14.7. The disclosure of “experience” gains or losses for the year in note 14.8 shows the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

## **14.3 Sensitivity analysis**

A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is included below. Each of the sensitivity results has been determined by calculating the liability under the sensitivity scenario in a similar way to the main results, with a valuation on the sensitivity basis being carried out using full membership data as at 31 March 2012 and rolled forward to 31 March 2016.

The principal financial assumptions are the discount rate, earnings increases and pension increases (currently based on the Consumer Prices Index [CPI]).

The liability is very sensitive to the assumed discount rate but this is primarily because changing the discount rate in isolation also changes the rate net of earnings and pension increases. If earnings and pension increases were increased at the same time then the impact on the liability would be small. Higher pension increases have a substantial effect because this has an impact on all categories of members.

A wide range of demographic assumptions is required to determine the actuarial liability. All the assumptions are uncertain but some of the assumptions are more uncertain than others owing to the quality of the past data available for analysis and its relevance to members’ future circumstances. For example, the timing of retirements for members who remain in the existing scheme after 1 April 2015 is more predictable than for those who are moved into the new career average scheme. Some assumptions, for example, rates of death in service, only have a small impact on the liability. The significant assumptions for the purpose of the sensitivity analysis are those which are more uncertain and may have the potential for a larger impact on the liability. These are pensioner mortality, timing of retirements for members moving to the new scheme and withdrawal rates.

If longevity at retirement were assumed to be a year greater, then this would increase the total actuarial liability by about 3%.

The reforms to the Scheme implemented with effect from 1 April 2015 introduce a later normal retirement age for accrual after 2015. As a result of the Scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the new Scheme. In general, assumed age retirement rates can have a significant impact on the Scheme liabilities and so the analysis indicates the approximate effect (on the total past service liability) of all active members who move to the new Scheme retiring one year later than assumed in the main liability calculations. Changing the assumed timing of retirement has different effects on members retiring before and after the normal pension age (NPA). For members retiring before NPA, later retirement will result in additional costs to the Scheme, whereas for members retiring after NPA it will result in savings. These effects tend to cancel each other out unless the change in retirement age is large.

There was uncertainty around the actual level of withdrawals experienced by the Scheme over the analysis period used to determine the Scheme specific withdrawal assumption adopted. The analysis illustrates the possible impact of this uncertainty by giving an indication of the approximate effect of withdrawal rates being a third higher than assumed.

The following table shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (mostly rounded to the nearest 0.5%). The sensitivities show the change in each assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

### Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
<b>Financial assumptions:</b>		
(i) Discount rate*	+½% a year	-9½%      -£1,100 million
(ii) earnings increases*	+½% a year	+2%      +£200 million
(iii) pension increases*	+½% a year	+8%      +£900 million
<b>Demographic assumptions:</b>		
(iv) additional one year increase to life expectancy at retirement*		+3%      +£350 million
(v) all active members who move to the new Scheme retire (on average) one year later		0%      £0 million
(vi) withdrawal rates a third higher		-¼%      -£50 million

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

### 14.4 Analysis of movements in the Scheme liability

	Note	2015-16 £000	2014-15 £000
Scheme liability at 1 April		(12,030,000)	(10,780,000)
Current service cost	6	(320,000)	(320,000)
Past Service Cost	6	(6,000)	-
Pension financing cost	7	(430,000)	(470,000)
		<u>(756,000)</u>	<u>(790,000)</u>
Enhancements	8	(289)	(133)
Pension transfers in	9	(3,105)	(1,831)
Other pension cost	10	-	-
		<u>(3,394)</u>	<u>(1,964)</u>
Benefits payable	14.5	398,419	378,386
Pension payments to and on account of leavers	14.6	3,208	2,778
		<u>401,627</u>	<u>381,164</u>
Actuarial loss	14.7	887,768	(839,200)
<b>Scheme liability at 31 March</b>		<b>(11,499,999)</b>	<b>(12,030,000)</b>

During the year ended 31 March 2016, contributions from employers were 17.7% and from employees approximately 9.6% of pensionable pay on average, employees’ contributions being based on different rates for different tiers of pensionable salary. For 2016-17 contributions are expected to be 17.7 % for employers and for employees approximately 9.6% on average.

#### 14.5 Analysis of benefits paid

	2015-16 £000	2014-15 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	338,393	326,971
Commutations and lump sum benefits on retirement	57,535	48,766
Lump sum benefits on death in service	2,491	2,649
<b>Total benefits paid</b>	<b>398,419</b>	<b>378,386</b>

#### 14.6 Analysis of payments to and on account of leavers

	2015-16 £000	2014-15 £000
Refunds to members leaving service	180	170
Individual transfers to other schemes	3,028	2,608
<b>Total payments to and on account of leavers</b>	<b>3,208</b>	<b>2,778</b>

#### 14.7 Analysis of actuarial gain / (loss)

	2015-16 £000	2014-15 £000
Experience gains /losses)	147,768	220,800
Changes in mortality assumptions	260,000	-
Changes in demographic assumptions	-	10,000
Changes in financial assumptions	480,000	(1,070,000)
<b>Total actuarial gain / (loss)</b>	<b>887,768</b>	<b>(839,200)</b>

#### 14.8 History of experience gains / (losses)

	2015-16	2014-15	2013-14	2012-13	2011-12
<b>Experience gains / (losses) on Scheme liabilities:</b>					
Amount (£000)	147,768	220,800	(234,262)	600,019	(220,922)
Percentage of the present value of the Scheme liabilities	1.28%	1.83%	(2.17%)	6.27%	(2.43%)
<b>Total amount recognised in the Statement of Changes in Taxpayers’ Equity:</b>					
Amount (£000)	887,768	(839,200)	(924,262)	(169,981)	(270,922)
Percentage of the present value of the Scheme liabilities	7.71%	(6.97%)	(8.57%)	(1.77%)	(2.98%)

## **15. 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 negligible credit, liquidity or market risk.

## **16. Contingent liabilities disclosed under IAS 37**

In the unlikely event of a default by Prudential plc, the Department’s approved provider of an Additional Voluntary Contributions scheme, the Department of Education will guarantee pension payments due from that scheme. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contribution Schemes.

## **17. Related party transactions**

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

## **18. Events after the reporting period**

There were no events after the reporting period which required adjustment to the Scheme Statements or additional disclosures.

### **Date of authorisation for issue**

The Accounting Officer authorised the issue of the Scheme Statements on 30 June 2016.



