United Kingdom Atomic Energy Authority Pension Schemes

Combined Annual Accounts 2011-12

United Kingdom Atomic Energy Authority Pension Schemes

Combined Annual Accounts 2011-12

(For the year ended 31 March 2012)

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

Ordered by the House of Commons to be printed
16 July 2012

HC 58 **LONDON: The Stationery Office** £10.75

Any enquiries regarding this publication should be sent to us at Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET.

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

ISBN: 9780102980035

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2500228 07/12 22506 19585

Printed on paper containing 75% recycled fibre content minimum.

Contents

Report

Introduction

This Combined Account for the United Kingdom Atomic Energy Authority's (the Authority) defined benefit Public Service Pensions Schemes (PSPS) for the year to 31 March 2012 covers the payment of pensions and other benefits to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the Authority's Pension Schemes.

The business, its objectives and strategy

The Authority Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970 and are registered schemes under the Finance Act 2004.

The Schemes are contracted out under the Pension Schemes Act 1993 and subsequent legislation.

The Authority's Public Service Pension Schemes comprise the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS) and the Protected Persons Superannuation Scheme (PPSS). They relate to the employees of the Authority and until 31 October 2009 UKAEA Ltd, Dounreay Site Restoration Limited (DSRL) and Research Sites Restoration Limited (RSRL). In addition the Schemes relate to former employees of British Nuclear Fuels plc (BNFL), employees of the National Nuclear Laboratory and International Nuclear Services Limited, the Civil Nuclear Police Authority (CNPA) and the Health Protection Agency (HPA) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board), together with some employees of the Engineering and Physical Sciences Research Council (EPSRC), the Science and Technology Facilities Council (STFC), (former employees of the Council for the Central Laboratory of the Research Councils (CCLRC), the Particle Physics and Astronomy Research Council (PPARC) and the Science and Engineering Research Council (SERC)), the RCUK Shared Services Centre Limited and former Authority employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).

The funding of payments from the Authority's Pension Schemes is provided by a Parliamentary Supply Estimate, supplied to the Department for Business, Innovation and Skills (BIS). It should be noted that any contributions made to the Schemes are used to meet the payment of Scheme benefits, but any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by Parliamentary Supply with payment from the Consolidated Fund.

The Authority is a body corporate by virtue of the Atomic Energy Authority Act 1954.

Management of the Schemes

The Schemes are managed by the Authority. The respective responsibilities of the Authority and BIS for the Schemes are set out in a Management Framework.

The Schemes are contributory and were established and became operational on 1 August 1954. The Schemes are constituted by Rules determined by the Authority and amended from time to time as approved by Ministers.

The Public Service Pensions Schemes are statutory schemes and there are no trustees.

Operating review

There is no fund of investments. In line with other public service pension schemes, the Authority Schemes, with effect from 1 April 2006, introduced a revised method to determine the employer's contributions, known as Superannuation Contributions Adjusted for Past Experience (SCAPE). This resulted in an increase in the contributions received from all employers.

Actuary's valuation and statement

The last approved triennial actuarial valuation of the Authority Pension Schemes was completed in respect of the Schemes' positions as at 31 March 2006. The subsequent triennial valuation was due as at 31 March 2009. Formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2009, such as would have been provided for a formal valuation, with an approximate update to 31 March 2012 to reflect known changes.

The Government Actuary's Department's report on the 2011-12 Accounts, based on the position as at 31 March 2012, confirmed that the Schemes' liabilities were £5,267 million discounted at a real rate of 2.8% under the Rules at the date of the valuation. The actuarial statement is reproduced on page 11. The actuary has advised that no changes to his report need to be made as a result of events since the end of the financial year.

Further information is provided in the Report of the Managers and the Report of the Actuary.

Changes in scheme rules

There were no changes to the rules of the scheme affecting the benefits structure of the scheme.

Contributions

All contributions have been in accordance with the Rules.

Future plans

During 2011 the Independent Public Service Pensions Commission (IPSPC), chaired by Lord Hutton of Furness, reported with recommendations for changes to public service pension schemes such as those managed by the Authority. The Authority is continuing to work with BIS and HM Treasury to implement such recommendations as are accepted by Government on an agreed basis within the prescribed timescale. It is anticipated this programme of work will result in changes to the structure of the schemes and potentially their cost.

Financial review

The pension cost for the year was £28 million (2010-11: credit of £529 million expense) a movement of £557 million. The overall pension expenditure for the year was £329 million (2010-11: credit of £275 million expense) a movement of £604 million. Both inconsistent movements are as a result of the Government announcement in the Budget on 22 June 2010 that future pension increase would be based on the Consumer Price Index (CPI), rather than the Retail Price Index (RPI), for the indexation of public service pensions. The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits was recognised in the 2010-11 Accounts as a negative past service cost in accordance with IAS 19. The value of benefits payable increased by £4 million to £199 million. The increase was mainly due to the annual increase in the value of benefits, and to changes in the profile of the pensioners. The number of pensioners, deferred pensioners, and dependants decreased during the year by 258 to 32,991 at 31 March 2012.

The value of contributions receivable increased by £1 million to £22 million. There was an increase in the number of contributing members, which increased by 122 to 2,809 at 31 March 2012. The value of transfers in to the Schemes increased in 2011-12 by £17 million to £18 million.

Overall, the net outgoings for the year was £289 million (2010-11: a credit of £297 million). The net outgoings include group transfers out to other schemes.

The overall Scheme liability of £5,267 million increased by £140 million from last year. The main factor underlying the increase in the actuarial liability is the changes to the set of financial assumptions (which are largely prescribed by HM Treasury).

The financial statements and accompanying notes on pages 21 to 37 provide an overview of the Schemes' income and expenditure.

Reporting of Personal Data Related Incidents

The Authority reported no incidents of the loss of any "Protected Personal Data" to the Information Commissioners Office in 2011-12 (or prior years). There were no "Other Protected Personal Data" incidents in 2011-12 (or prior years) such as the loss of inadequately protected or insecure disposal of electronic equipment, devices or paper documents from secured Government premises, or any other unauthorised disclosure.

The Authority will continue to monitor and assess its information risks, in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Benefits

Under the rules of the scheme, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pensions Act 1995. The increase for 2011-12 was 3.1%. (2010-11 – no increase). Further information is given in the Report of the managers on page 6.

Auditors

These Financial Statements have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on page 19. The notional cost of the audit is £14,000. This notional fee reflects only those costs that are directly associated with the audit of the Combined Accounts and excludes the National Audit Office's audit fees that are recovered from the Authority in respect of the underlying pension scheme accounts.

Disclosure of Audit Information

As far as I am aware, there is no relevant audit information of which the Schemes auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Schemes auditors are aware of that information.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
11 July 2012

Report of the Managers

1 Constitution of the Schemes

The three Authority Public Service Pension Schemes, (the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme) are unusual in their constitution. Contributions made to the Schemes are used to meet the payment of Scheme benefits. Any surplus of contributions over payments is surrendered to the Consolidated Fund. Any deficit is met by Parliamentary Vote with payment from the Consolidated Fund. The Government does not maintain a separate fund to provide for the Schemes' future liabilities and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions and Parliament votes the necessary funds. There is no fund of investments.

Following the introduction of Superannuation Contributions Adjusted for Past Experience (SCAPE) on 1 April 2006, the participating employers pay contributions are based on the expected cost of the members' benefits as they accrue. These contributions are set by the Scheme Actuary at each regular valuation of the Scheme, based on the expected demographic and financial experience of the Scheme at the time of the valuation.

On the basis of the recommendations made by the GAD, and having regard to whether each employer's participation in the Authority Pension Scheme is open or closed to new members, the following employer contribution rates are applicable in respect of active membership from 1 April 2007:

The Authority	16.2%
Civil Nuclear Constabulary	16.2%
Ex BNFL	15.0%
HPA (formerly NRPB)	17.3%
SERC	15.8%
Ministry of Defence	14.8%

2 Managers, Advisers and Employers

Managers

UK Atomic Energy Authority Responsible Officer	Eric Hollis, UK Atomic Energy Authority, Culham Science Centre, Abingdon, Oxfordshire OX14 3DB
Scheme Administration Manager	Richard Stoneham, Babcock International Group Pensions, The Manor Court, Chilton, Oxfordshire, OX11 0RN
Address for correspondence	Babcock International Group Pensions, Brims House, Forss Business & Technology Park, By Thurso, Caithness KW14 7UZ

Advisers

Scheme Actuary	The Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
Principal Bankers	Royal Bank of Scotland plc, Olrig Street, Thurso, Caithness, KW14 7BL
Legal advisers	UK Atomic Energy Authority, Legal Branch, K2, Culham Science Centre, Abingdon, Oxfordshire OX14 3DB
Auditor	The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP

Employers

The following employers participate in the Schemes:

- United Kingdom Atomic Energy Authority (the Authority)
- Former British Nuclear Fuels plc (BNFL)
- National Nuclear Laboratory (NNL)
- International Nuclear Services Limited (INSL)
- Civil Nuclear Police Authority (CNC)
- Health Protection Agency (HPA)
- Ministry of Defence (MOD)
- Engineering and Physical Science Research Council (EPSRC)
- Science and Technology Facilities Council (STFC)
- RCUK Shared Services Centre Limited

On 1 April 1994 EPSRC took over those employees previously employed by the Science and Engineering Research Council (SERC) who were members of the Principal Non-Industrial Superannuation Scheme. On 1 April 1995 the Central Laboratory of the Research Councils (CCLRC) was created out of EPSRC. On 1 April 2007 the Particle Physics and Astronomy Research Council (PPARC) and CCLRC merged to form the STFC with some employees joining the RCUK Shared Services Centre Limited in subsequent years. In these accounts, the acronym SERC is used to refer to the sub-scheme relating to the research councils.

The Civil Nuclear Police Authority was formed on 1 April 2005. Members of the Civil Nuclear Constabulary may continue in membership of the CPS in accordance with the terms of the Energy Act 2004.

Under the Health Protection Agency Act 2004, the National Radiological Protection Board became part of the Health Protection Agency with effect from 1 April 2005.

Due to restructuring of the nuclear estate over recent years, BNFL no longer exists as an entity. Most of the BNFL estate has transferred out of the Authority Schemes, with the exception of two areas which have become the National Nuclear Laboratory (NNL) and International Nuclear Services Limited (INS Ltd). In these accounts, these two companies are referred to as ‘former BNFL companies’.

3 Membership Statistics

Contributing Members	The Authority[1]	CNC	EX BNFL	HPA	MOD	SERC	Total
At 1 April 2011	**551**	**1,013**	**842**	**225**	**8**	**48**	**2,687**
New Entrants	23	248	14	-	-	-	285
Retirements	(23)	(16)	(13)	(9)	-	(5)	(66)
Deaths	-	-	-	-	-	-	-
Leavers	(19)	(39)	(26)	(5)	-	-	(89)
Options Pending	-	(5)	(3)	-	-	-	(8)
Opening Adjustments	-	-	-	-	-	-	-
At 31 March 2012	**532**	**1,201**	**814**	**211**	**8**	**43**	**2,809**

[1] The research council members are included in the Authority figures as they are part of the Authority sub-fund.

Deferred Pensioners	The Authority	CNC	EX BNFL	HPA	MOD	SERC	Total
At 1 April 2011	**4,058**	**74**	**6,604**	**163**	**55**	**60**	**11,014**
New	68	28	119	5	-	-	220
Retirements	(144)	(1)	(233)	(3)	(12)	(4)	(397)
Deaths	(5)	-	(12)	-	-	-	(17)
Leavers	(6)	-	(8)	-	-	-	(14)
Options Pending	(1)	(1)	3	-	-	-	1
At 31 March 2012	**3,970**	**100**	**6,473**	**165**	**43**	**56**	**10,807**

Active deferred [2]	The Authority	CNC	EX BNFL	HPA	MOD	SERC	Total
At 1 April 2011	**1,271**	**-**	**8,614**	**-**	**-**	**-**	**9,885**
New	-	-	1	-	-	-	1
Retirements	(23)	-	(88)	-	-	-	(111)
Deaths	(1)	-	(13)	-	-	-	(14)
Leavers	(53)	-	(89)	-	-	-	(142)
At 31 March 2012	**1,194**	**-**	**8,425**	**-**	**-**	**-**	**9,619**

Pensioners	The Authority	CNC	EX BNFL	HPA	MOD	SERC	Total
At 1 April 2011	**6,964**	**107**	**7,421**	**182**	**926**	**611**	**16,211**
New Retirements	190	17	334	12	12	10	575
Pensions Sharing	-	-	-	-	-	-	-
Deaths	(282)	-	(243)	(6)	(58)	(15)	(604)
Transfer Out/Refund/Not in Scheme	-	-	-	-	-	-	-
At 31 March 2012	**6,872**	**124**	**7,512**	**188**	**880**	**606**	**16,182**

Dependants' Pensions	The Authority	CNC	EX BNFL	HPA	MOD	SERC	Total
At 1 April 2011	**2,783**	**4**	**2,368**	**38**	**658**	**173**	**6,024**
New Retirements	147	-	172	1	24	7	351
Deaths	(165)	-	(154)	(1)	(52)	(1)	(373)
Transfer Out/Refund/Not in Scheme	-	-	-	-	-	-	-
At 31 March 2012	**2,765**	**4**	**2,386**	**38**	**630**	**179**	**6,002**

[2] **Active Deferred –** The Nuclear Decommissioning Authority (NDA), established with effect from 1 April 2005, has set up a new scheme, the Combined Nuclear Pension Plan (CNPP). The CNPP will be the vehicle for future pension provision for eligible members in the nuclear industry who are currently members of the CPS. As eligibility for membership to the CPS ceases individuals will be invited to join the CNPP and following a decision by HM Treasury, will have the opportunity to preserve their accrued benefits in the CPS but not transferred to the CNPP. Instead, the CPS benefits will be calculated using the same pensionable final earnings as applies to the calculation of the CNPP benefits, hence the new category of members which have been called active deferred.

4 Scheme records

Records are maintained in separate parts for the Authority (including CNC and the Research Councils), Ex-BNFL (including INSL and NNL), HPA and MOD to enable the Scheme Actuary to advise on the contributions to be made by the participating employers to the Schemes.

5 Additional voluntary contributions

In addition to allowing members to pay additional contributions to purchase added years of service within the schemes, additional contributions may be made to two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (the Plan)). These are fully insured schemes administered by the Prudential Assurance Company Limited to whom contributions are paid.

The AVC scheme is open to members of the Public Service Pension Schemes who have opted to pay additional voluntary contributions. No employer contributions are made to this scheme. The Plan is open to shift workers who are members of the Public Service Pension Schemes. Contributions to this scheme are directly linked to shift pay earnings with the employers contributing a percentage of pensionable shift pay salary equal to the percentage payable by them to the CPS.

The transactions relating to the AVC scheme and the Plan are not included in these Accounts as separate accounts are prepared for these defined contribution arrangements.

6 Rule amendments

There were no changes to the rules of the scheme affecting the benefits structure of the scheme.

7 Pensions review

Under the Rules of the Schemes, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1995. The increase for 2011-12 was 3.1% (2010-11 – no increase).

8 Transfer values paid

Individual transfer values paid have been calculated using either “a cash equivalent method”, in accordance with the Pension Schemes Act 1995 or, for eligible members, a “mixed transfer” method, in accordance with the Rules, where this was more favourable. Where there has been a compulsory transfer of employment, group transfer values paid have been calculated with HM Treasury agreement using a “past service reserve” method. Under these arrangements, which are generally more favourable than “cash equivalent” transfers, account is taken of potential salary increases to Normal Retirement Age rather than price increases over the same period.

9 Premature retirements

The Rules of the Schemes provide for certain benefits to be paid to members retiring early. These benefits may include a lump sum and annual payments until normal retirement age. The payments are not chargeable to the Schemes' Accounts and are fully funded by the appropriate participating employer.

The extent of activity for the Schemes under the above arrangements, for all participating employers, is shown in the following table:

	2011-12	2010-11
	£000	£000
Amount due to employers at 1 April	546	108
Received from employers during year	17,944	22,191
Paid to members during year	(18,459)	(21,683)
Repaid to employers during year	(160)	(70)
Amount due to employers at 31 March	**(129)**	**546**

The figures shown above reflect only those activities administered by Babcock International Group, Pensions.

Other benefits, paid directly by participating employers to members retiring early, are excluded.

10 Actuarial position

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

The last approved triennial actuarial valuation of the Authority Pension Schemes was completed in respect of the Schemes' positions as at 31 March 2006, when the SCAPE methodology was introduced. The next triennial valuation would have been due as at 31 March 2009. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2009, such as would have been provided for a formal valuation. In undertaking this valuation, the methodology prescribed in IAS19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

Report of the Actuary

United Kingdom Atomic Energy Authority ("The Authority")

- **Combined Pension Scheme**
- **Principal Non-Industrial Superannuation Scheme**
- **Protected Persons Superannuation Scheme**

Accounts for the year ended 31 March 2012

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the United Kingdom Atomic Energy Authority ('the Authority'). It summarises the pensions disclosures required for the 2011-12 Accounts of the United Kingdom Atomic Energy Authority's pension schemes ('the Schemes').

2. The CPS and PNISS are final salary defined benefit schemes. The PPSS consists only of pensions in payment. Full details of the benefits payable can be found in the Schemes' Rules[3]. The Schemes are wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 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 2009, with an approximate update to 31 March 2012 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2009 used to prepare this statement.

Table A1 – Active members

31 March 2009		
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)
4,101	149.6	30.2

Table A2 – Active deferred members

31 March 2009		
Number	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)
10,713	375.2	76.8

[3] http://www.ukaeapensions.org.uk/files/downloads/download1069.pdf

Table B – Deferred members

31 March 2009	
Number	Total deferred pension (pa) (£ million)
9,814	32.9

Table C – Pensions in payment

31 March 2009	
Number	Total pension (pa) (£ million)
22,102	181.8

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method, with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2011-12 Accounts. The contribution rate for accruing costs in the year ended 31 March 2012 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2010-11 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.

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2012, the assumed rate of return in excess of pension increases was decreased from 2.90% a year to 2.80% a year, and the assumed rate of return in excess of earnings was decreased from 0.70% a year to 0.60% a year. In addition, with effect from 31 March 2012, the assumed rate of future pension increases is 2.00% a year and the assumed nominal rate of salary growth is 4.25% a year (changed from 2.65% and 4.90% respectively as at 31 March 2011).

Table D – Principal financial assumptions

Assumption	31 March 2012	31 March 2011
Rate of return (discount rate)	4.85%	5.60%
Rate of return in excess of:		
Earnings increases	0.60%	0.70%
Pension increases	2.80%	2.90%
Expected return on assets:	n/a	n/a

8. The pension increase assumption as at 31 March 2012 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 recent experience analysis of the scheme membership (performed as part of the 2009 actuarial review of the Schemes). These assumptions differ from those adopted to prepare the 2010-11 Accounts, which were based on the analysis of scheme experience up to 31 March 2006 as part of the 2006 actuarial review of the Schemes.

10. The standard mortality tables known as the ‘S1’ series, prepared by the Continuous Mortality Investigation (part of the Actuarial Profession), are used (but for BNFL male members an age rating of -1 applies, that is they are assumed to experience mortality rates in the standard tables but at ages one year younger than their actual age). Mortality improvements are in accordance with those incorporated in the 2010-based principal population projections for the United Kingdom (prepared by ONS).

11. Any reforms to the Schemes due to be implemented in April 2015 and the increased member contributions being phased from April 2012 may affect the behaviour of members, e.g. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Given the uncertainty surrounding these changes and their potential impact on member behaviour, the Authority has decided to make no allowance for them for the purposes of the 2011-12 Accounts.

12. The contribution rate used to determine the accruing cost in 2011-12 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2010-11 Accounts.

Liabilities

13. Table E summarises the assessed value as at 31 March 2012 of benefits accrued under the schemes prior to 31 March 2012 based on the data, methodology and assumptions described in paragraphs 3 to 12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position: All schemes

£ million

	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Total market value of assets	Nil	nil	nil	nil	Nil
Value of liabilities	5,267.0	5,127.3	5,993.6	4,691.8	4,945.6
Surplus/(Deficit)	(5,267.0)	(5,127.3)	(5,993.6)	(4,691.8)	(4,945.6)
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 2012 (the Current Service Cost) is based on an average standard contribution rate of 27.2% of pensionable pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost (expressed as an average across schemes). This takes into account an estimated average rate of contributions paid by members. Individual Member contribution rates are 5% and 7.5% in the CPS and PNISS respectively. The corresponding figures for 2010-11 are also included in the table.

Table F –Contribution rate: All Schemes

	Percentage of pensionable pay		
	1 April 2011 to 31 March 2012	22 June 2010 to 31 March 2011	1 April 2010 to 21 June 2010
Standard contribution rate	27.2%	30.8%	34.5%
Average Members' contribution rate	5.1%	5.1%	5.1%
Employers' estimated share of standard contribution rate	22.1%	25.7%	29.4%

For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Accounts is not the same as the actual rate of contributions payable by employers, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The actual rate paid differs for different employers. Actual rates paid by employers vary between 14.8% and 17.3% of pensionable pay. The most significant difference between the actuarial assessments for the Accounts and for scheme funding purposes is the discount rate net of pension increases, which is 2.9% pa for the 2011-12 Current Service Cost compared with 3.5% pa for the existing scheme funding rate. (Note that the discount rate for scheme funding purposes has recently been reviewed and reduced to 3% pa but this does not affect the current rate of contributions.) 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 the Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

15. The pensionable payroll for the financial year 2011-12 was £102.4 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2011-12 (at 27.2% of pay) is assessed to be £27.8 million. There is no past service cost and so this is the total pension cost for 2011-12.

Sandra Bell
Government Actuary's Department
23 May 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Innovation and Skills (BIS) to prepare for each financial year a statement of accounts for the United Kingdom Atomic Energy Authority Pension Schemes in the form and on the basis set out in the Accounts Direction.

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

In preparing the financial 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 HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

HM Treasury has appointed the Permanent Secretary of BIS as Accounting Officer for the United Kingdom Atomic Energy Authority Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Schemes are set out in *Managing Public Money* published by HM Treasury.

Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the United Kingdom Atomic Energy Authority ("the Authority") Pension Schemes' ("the Schemes") policies, aims, and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money".

In accordance with the rules of "Managing Public Money", the Chief Executive of the Authority has been appointed as its Accounting Officer. The Accounting Officer of the Authority is responsible for the management and administration of the Schemes on my behalf under the terms of a Management Framework, between the Authority and the Department, and for the maintenance and operation of the system of internal control in that body. The Chief Executive and Accounting Officer of the Authority, has signed a statement relating to that system, which is reproduced in the relevant audited Accounts of the Schemes.

The Schemes are managed by the Authority and funded through the Department. The administration of the schemes is carried out by UKAEA Ltd (a Company owned by Babcock International Group) under contract to the Authority. The Authority disburses pensions and other payments and collects pension contributions and other income with the approval of the Department, which in turn ensures that funds are provided to meet the net cash outflow on pensions. The Authority prepares separate audited Accounts for the three Authority Schemes and the Department prepares this Account which consolidates those three accounts. Thus the systems of internal control in operation at the Authority, UKAEA Ltd and within the Department are relevant to this Account. The effectiveness of these systems of internal control is reflected in the respective Governance Statements of these organisations.

BIS Governance Framework

BIS's governance structure for 2011-12 is set out below.

The Departmental Board provided strategic and operational leadership of the Department with responsibility for performance; strategy and learning; resources and change; capability; and risk.

The Audit and Risk Committee provided assurance on the quality of the Department's Accounts, governance structures and risk management arrangements. The Committee's meetings are attended by BIS's Head of Internal Audit and by representatives of the National Audit Office.

The Departmental Board delegated some responsibilities to the BIS management team, which set up the following structures with remits covering;

- Executive Board: operational management of BIS, and shaping the strategic direction of the department. The decisions of the Executive Board were reviewed regularly by the Departmental Board.
- Executive Finance Board: performance, risk and financial control within the whole BIS family, taking expert input from a Non-Executive Director.
- Executive Policy Board: collective advice to Ministers from senior officials on major policy issues. Officials from other government departments were invited where appropriate.
- Performance and Development Committee: guidance for SCS talent management and performance

More details on the BIS Governance Framework can be found in the BIS Annual Report.

The Schemes Governance Framework

A Management Framework between the Department and the Authority sets out the responsibilities that each have in respect of the funding and management of the Schemes and incorporates a framework for the management of risks and maintaining a sound system of internal control. A sponsor team in BIS's Knowledge and Innovation Group took on Governance responsibilities for the Schemes from 1st April 2011. In addition, The BIS / Authority Pension Schemes "Finance Meeting" meets on a quarterly basis. The objectives of these meetings are:

- to ensure that those representatives responsible for the management and reporting of financial data for the Authority Pension Schemes have a good understanding of all the financial aspects of the Schemes;
- to ensure that future changes to the Pension Schemes are identified and the implications understood and communicated to each of the representative areas;

- to ensure that changes in personnel are managed in such a way that there is no loss of understanding and that there is continuity of financial management; and
- to manage the risks to the effective financial control of the Authority Pension Schemes.

The BIS Departmental Board and the BIS Audit & Risk Committee maintain oversight of the accounts for the Pension Schemes.

Participants at the “Finance Meeting” includes representatives from BIS Group Finance and Sponsor Team, BIS Finance (Accounting and Governance team, Budgeting and Estimates team), Government Actuary Department (GAD), BIS Internal Audit, the Authority and the UKAEA Ltd pensions administration team. The NAO attends as observers.

The BIS / Authority Pension Schemes “Finance Meeting” met on the following dates: 29th July 2011, 23rd September 2011 and the 7th December 2011. A fourth meeting planned for March 2012 was cancelled due to the unavailability of a number of officials. During the year, The “Finance Meeting” considered future changes to the Schemes and their potential impact, maintained oversight of the process for operating the Schemes and regularly reviewed the risk register. It also agreed an updated Management Framework for the Schemes and Terms of Reference for the meeting.

The “Finance Meeting” discussed its performance at its July meeting during the year. It concluded that the “Finance Meeting” was working well as a forum to share information and discuss the management of issues and risks that are relevant to the operation of the Schemes.

The Risk and Internal Control Framework

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 on-going process designed to identify and prioritise the risks to the achievement of the Schemes’ policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk management process for the Schemes operates through the initial identification of risks against the scheme’s objectives. These risks are then evaluated in terms of impact and probability to determine the key risks inherent to the Schemes. Consideration is then given to the controls in place to manage each risk and how effective they are in mitigating the risk. This establishes the level of residual risk and enables management to determine what further action is required to manage the risk. Ownership for each risk is then assigned to named individuals who will report on progress in managing the risk when the risk register is reviewed. Assurance is obtained through regular management reviews and Internal Audits of the Schemes.

A risk register for the Schemes has operated throughout the year and has been reviewed and updated at the quarterly finance meetings. Each of the teams involved in operating the Schemes also maintain their own local risk register. Some of the most significant risks discussed by the “Finance Meeting” during the year were as follows:

- Information held by individuals is not shared with colleagues who need to know in case it leads to an excess vote.
- Lack of Clarity over Roles & Responsibilities / Failure to communicate and co-ordinate activity
- Lack of understanding about how decisions taken in one area might impact somewhere else in the process.
- Timing of bulk transfers is uncertain with impact on Cash & Resource
- Lack of clarity and understanding of Government Estimates and Accounting treatment and keeping up with subsequent changes on Government Accounting
- Lack of understanding of the end to end process.

A number of mitigating actions have been put in place to manage the above risks and their effectiveness has been reviewed during the course of the year.

There have been no significant lapses of data security during this financial year required to be reported in this statement.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review of the effectiveness is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the risk management and internal control framework for the Schemes; and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board, the Audit & Risk Committee and mechanisms are in place to ensure continuous improvement of the system is in place.

To improve the governance processes operating over the Schemes and ensure strong oversight is maintained, a new sponsor team in Knowledge and Innovation Group took on the Governance responsibilities that were previously being performed on an interim basis by Shareholder Executive and the BIS Finance team from 1st April 2011.

My review has provided me with assurance that the system of governance, risk management and internal control in operation for the Schemes has operated satisfactorily during 2011-12. There were no significant control issues.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
11 July 2012

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

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority Pension Schemes for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. These comprise the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and 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 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the United Kingdom Atomic Energy Authority Pension Schemes' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Schemes and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report, the Report of the Managers, the Report of the Actuary and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects,

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Schemes' affairs as at 31 March 2012, and of their net operating cost for the year then ended; and

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

Opinion on other matters

In my opinion:

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

Matters for which I report by exception

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

- adequate accounting records have not been kept; 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 or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

13 July 2012

Statement of Parliamentary Supply

Summary of Resource Outturn 2011-12

								2011-12 £000	2010-11 £000
		Estimate			Outturn				Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
Departmental Managed Expenditure									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
- Resource	4	289,500	-	289,500	289,189	-	289,189	311	(296,969)
- Capital		-	-	-	-	-	-	-	-
Total Budget		**289,500**	**-**	**289,500**	**289,189**	**-**	**289,189**	**311**	**(296,969)**
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total	4	**289,500**	**-**	**289,500**	**289,189**	**-**	**289,189**	**311**	**(296,969)**

Summary of Net Cash Requirement 2011-12

				2011-12 £000	2010-11 £000
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	5	**164,100**	**159,922**	**4,178**	**179,411**

Summary of Administration Costs 2011-12

	-	-	-	-

(i) Outline figures in bold are the voted totals.
(ii) All resources are classified as Annually Managed Expenditure (AME), they are all classified as Programme costs and there is no Administration Costs limit.

Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2012

	Note	£000	£000
Principal Arrangements – The Authority Pension Schemes			
Income			
Contributions receivable	6	(21,986)	(21,478)
Transfers in	7	(18,058)	(760)
		(40,044)	**(22,238)**
Expenditure			
Pension cost – current service	8	27,813	31,638
- past service	8	-	(560,285)
Enhancements	9	464	524
Transfers in	10	18,058	760
Interest on scheme liabilities	11	282,884	252,620
Administration expenses	4(b)	14	12
		329,233	**(274,731)**
Net Expenditure		**289,189**	**(296,969)**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year:			
- Actuarial (gain) / loss	16.7	10,576	(389,871)
Total Comprehensive Net Expenditure for the year ended 31 March 2012		**299,765**	**(686,840)**

Notes 1 to 21 form part of these Accounts.

Combined Statement of Financial Position
as at 31 March 2012

	Note	31 March 2012 £000	31 March 2011 £000
Principal Arrangements – The Authority Pension Schemes			
Current assets:			
Receivables	13	4,697	1,638
Cash and cash equivalents	14	1,242	8,313
Total current assets		5,939	**9,951**
Current liabilities:			
Payables (within 12 months)	15	(7,897)	(14,742)
Total current liabilities		(7,897)	**(14,742)**
Net current assets/(liabilities), excluding pension liability		(1,958)	**(4,791)**
Pension liability	16.4	(5,267,029)	(5,127,303)
Total net liabilities, including pension liabilities		**(5,268,987)**	**(5,132,094)**
Taxpayers' equity:			
General fund		(5,268,987)	(5,132,094)
		(5,268,987)	**(5,132,094)**

Martin Donnelly
Principal Accounting Officer and Permanent Secretary

11 July 2012

Notes 1 to 21 form part of these Accounts.

Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012

	Note	31 March 2012 £000	31 March 2011 £000
Balance at 1 April		(5,132,094)	(5,998,357)
Net Parliamentary Funding – drawn down		152,851	185,600
Net Parliamentary Funding – deemed		11,249	5,060
Supply (payable)/receivable adjustment – current year	15(a)	(4,178)	(11,249)
Supply (payable)/receivable adjustment – prior year	13(a)	2,936	-
Net Expenditure for the Year	3	(289,189)	296,969
Actuarial gain/(loss)	16.4	(10,576)	389,871
Notional Audit Fee	4(b)	14	12
Balance at 31 March		**(5,268,987)**	**(5,132,094)**

Notes 1 to 21 form part of these Accounts.

Combined Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net expenditure for the year	3	(289,189)	296,969
Adjustments for non-cash transactions	4(b)	14	12
(Increase)/Decrease in receivables	13a	(3,059)	(404)
less movements in receivables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		2,936	-
Increase/(Decrease) in payables: pensions Short-term payables	15a	(6,845)	3,330
less movements in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		7,071	(2,630)
Increase in pension provision	16.4	310,697	(276,027)
Increase in pension provision – enhancements and transfers in	16.4	18,522	1,284
Use of provisions – pension liability	16.5	(197,858)	(194,422)
Use of provisions – refunds and transfers	16.6	(1,474)	(6,584)
Use of provisions – death in service	16.5	(737)	(722)
Net cash Outflow from Operating Activities		(159,922)	(179,194)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		152,851	185,600
From the Consolidated Fund (Supply) – prior year		-	-
Net Parliamentary financing		152,851	185,600
Adjustments for payments and receipts not related to Supply		-	-
Net Financing		152,851	185,600
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(7,071)	6,406
Receipts due to the Consolidated Fund which are outside the scope of the scheme's activities		-	-
Payments of the amounts due to the Consolidated Fund		-	(217)
Net Increase/(Decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(7,071)**	**6,189**
Cash and cash equivalents at the beginning of the period	14	8,313	2,124
Cash and cash equivalents at the end of the period	14	1,242	8,313

Notes 1 to 21 form part of these Accounts.

Notes to the Schemes Statements

1. Basis of preparation of the Scheme statement

The combined Schemes Statements have been prepared in accordance with the relevant provisions of the 2011-12 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans.* These Accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate.

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

The combined scheme statement summarises the transactions of the United Kingdom Atomic Energy Authority Pension Schemes, The Authority 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 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 statement should be read in conjunction with that report.

2 Statement of accounting policies

The accounting policies contained in the FReM follow international generally accepted accounting practice for companies (International Financial Reporting Standards (IFRS)) to the extent that it is meaningful and appropriate to the public sector.

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

2.1 Pension contributions receivable

2.1.1 Employers' normal pension contributions are accounted for on an accruals basis.

2.1.2 Employers' special pension contributions are accounted for in accordance with the agreement under which they are paid.

2.1.3 Employees' pension contributions are accounted for on an accruals basis.

2.1.4 Employees’ contributions include amounts paid in respect of the purchase of added years but exclude contributions to the Additional Voluntary Contribution scheme (AVC) and the Shift Pay Pension Plan scheme (SPPP).

2.2 Transfers in and out

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

2.3 Income received in respect of enhancements

2.3.1 Amounts receivable in respect of bringing forward the payment of accrued pension lump sums, and in respect of the capitalised costs of pension enhancement either at departure or at retirement, are accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis.

2.4 Other income

2.4.1 Other income, including refunds of gratuities, overpayments recovered other than by deduction from future benefits, [and miscellaneous income] are accounted for on an accruals basis. To the extent that this income also represents an increase in the Scheme liability, it is also reflected in expenditure.

2.5 Current service cost

2.5.1 The current service cost is the increase in the present value of the Scheme liabilities arising from current member's service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The cost is based on a discount rate at the start of the year of 2.9% real (i.e. 5.6% including CPI inflation).

2.6 Past service costs

2.6.1 Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

2.6.2 Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure on a straight line basis over the period in which increase in benefits vest.

2.7 Interest on scheme liabilities

2.7.1 The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on a discount rate (including inflation) at start of the year, i.e. 4.85%.

2.8 Other payments

2.8.1 Other payments are accounted for on an accruals basis.

2.9 Scheme liability

2.9.1 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and is discounted at 2.8 % (2010-11: 2.9%) real (i.e. 4.85% after inflation).

2.9.2 Full actuarial valuations by a professionally qualified actuary are usually obtained at intervals not exceeding four years. However, the interval since the last formal valuation now exceeds four years because HM Treasury has suspended formal actuarial valuations on value for money grounds while consideration is given to the changes resulting from reforms to public service pension provision. The valuation at the Combined Statement of Financial Position date has been prepared using full membership data, such as would have been provided for a formal valuation.

2.10 Pension benefits payable

2.10.1 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

2.11.1 Where a retiring member of a pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

2.11.2 Where a retiring member of a pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Scheme liability on a cash basis.

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

2.12.1 Where a member of a pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

2.12.2 Where a member of a pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the Scheme liability on a cash basis.

2.13 Injury benefits

2.13.1 Injury benefits are accounted for on an accruals basis. They are not funded through the normal pension contributions (accruing pension liability contributions) and are in respect of injuries sustained. The amounts payable are a charge on a pension scheme and shown in the Combined Statement of Comprehensive Net Expenditure. Those payable after that date are recoverable from employers.

2.14 Lump sums payable on death in service

2.14.1 Lump sum payments payable on death in service are accounted for on an accruals basis. They are a direct charge to a pension scheme as they are not funded through the normal pension contributions.

2.15 Actuarial gains / losses

2.15.1 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 Statement of Other Comprehensive Net Expenditure.

2.16 Additional Voluntary Contributions

2.16.1 Additional Voluntary Contributions ('AVCs') are deducted from employees' salaries and are paid over directly by the employing departments to the approved AVC providers.

2.17 Significant estimates and judgements

2.17.1 The key estimates and judgements relate to the valuation of the pensions liability and these have been documented in full in the report of the Actuary and Note 16.

3. Net outturn

Analysis of net resource outturn by section

	2011 - 2012									2010 – 2011 Outturn
	Outturn							Estimate		
	Administration			Programme			Total	Net Total	Net total compared to Estimate	Total
	Gross	Income	Net	Gross	Income	Net				
Annually Managed Expenditure										
Voted										
Pensions, transfer values, repayment of contributions	-	-	-	329,233	(40,044)	289,189	289,189	289,500	311	(296,969)
Total	**-**	**-**	**-**	**329,233**	**(40,044)**	**289,189**	**289,189**	**289,500**	**311**	**(296,969)**

(i) There is no Departmental Expenditure Limit (DEL), Capital or Non-voted Annually Managed Expenditure (AME).

4. Reconciliation of outturn to net expenditure and against Administration Budget

4(a) Reconciliation of net resource outturn to combined net expenditure

				2011-12	2010-11
				£000	£000
	Note	Outturn	Estimate	Outturn compared with Estimate	Outturn
Total Resource Outturn in Statement of Parliamentary Supply - Budget	3	289,189	289,500	311	(296,969)
Total Resource Outturn in Statement of Parliamentary Supply – Non-Budget		-	-	-	-
Combined Net Expenditure		**289,189**	**289,500**	**311**	**(296,969)**

4(b) Cost of administering the schemes

The costs of administering the schemes, with the exception of notional audit fees of £14,000 (£12,000 in 2010-

5. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

		£000	£000
Net Cash requirement		(159,922)	(179,194)
From the Consolidated Fund (Supply) –current year		152,851	185,600
Amounts due to the Consolidated Fund received in prior year and paid over		-	(217)
Increase/(decrease) in cash held by scheme		(7,071)	6,189
Net Increase/(decrease) in cash held by scheme group	*From the Consolidated Statement of Cash Flows*	**(7,071)**	**6,189**

6 Pension contributions receivable

	2011-12	2010-11
	£000	£000
Employers	(16,261)	(15,834)
Employees:		
Normal	(5,261)	(5,120)
Purchase of added years	(464)	(524)
	(21,986)	**(21,478)**

7 Pension transfers-in (see also Note 10)

	2011-12	
	£000	
Group transfers in from other schemes	(17,500)	
Individual transfers in from other schemes	(558)	
	(18,058)	**(760)**

8 Pension cost (see also Note 16.4)

	2011-12	2010-11
	£000	£000
Current service cost	27,813	31,638
Past service cost	-	(560,285)
	27,813	**(528,647)**

(i) The move to CPI from RPI as a result of the Government announcement in the Budget on 22 June 2010, for the purposes of uprating indexation of pensions was recognised in the 2010-11 Accounts as a negative past service cost of £560.3 million in accordance with IAS 19.

9 Enhancements (see also Note 6 and 16.4)

	2011-12	2010-11
	£000	£000
Employees:		
Purchase of added years	464	524
	464	**524**

10 Transfers in (see also Note 7 and 16.4)

	2011-12	2010-11
	£000	£000
Group transfers in from other schemes	17,500	-
Individual transfers in from other schemes	558	760
	18,058	**760**

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

11 Interest on scheme liabilities (see also Note 16.4)

	2011-12	2010-11
	£000	£000
Interest charge for the year	282,884	252,620
	282,884	**252,620**

12 Additional Voluntary Contributions

12.1 The Authority's pension schemes provide 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 one of the approved providers or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution. The Managers of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme are responsible for payments made to the Schemes' approved provider. These AVCs are not brought to account in this Combined Resource Account. Members participating in this arrangement receive an annual statement from the approved provider confirming the amounts held on their account and the movements in the year.

12.2 The aggregate amounts of AVC investments are as follows:

	2011-12	2010-11
	£000	£000
Movements in the year		
Balance at 1 April	60,364	63,870
Adjustment to balances as at 1 April	-	-
New investments	269	395
Sales of investments to provide pension benefits	(4,238)	(6,697)
Changes in market value of investments	2,336	2,796
Balance at 31 March	**58,731**	**60,364**

During the year, £269,430 (2010-11: £394,739) was paid to the approved providers.

In the unlikely event of a default by the approved AVC provider, the Department has no liability to guarantee pension payments. Under the United Kingdom Atomic Energy Authority arrangement with Prudential Assurance Company Ltd, the Schemes are classified as "insured" for the purposes of the Policyholders Protection Act 1975, which requires 90% of the value of the policy payable to the policy holders as determined by the Insurance Companies (Winding-Up) Rules 1985.

13 Receivables – contributions due in respect of pensions

13(a) Analysis by type

	2011-12	2010-11
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	1,346	1,206
Employees' normal contributions	415	419
Group transfers	-	-
Individual transfers	-	13
Amount due from the Consolidated Fund in respect of Supply	2,936	-
Balance at 31 March	**4,697**	**1,638**

13(b) Intra-Government Balances

	Amounts falling due within one year	
	2011-12	2010-11
	£000	£000
Balances with other Central Government bodies	4,282	1,014
Balances with Public Corporations and Trading Funds	-	609
Balances with bodies external to Government	415	15
As at 31 March	**4,697**	**1,638**

.

14 Cash and Cash Equivalents

	2011-12	2010-11
	£000	£000
Balance at 1 April	8,313	2,124
Net change in cash balances	(7,071)	6,189
Balance at 31 March	**1,242**	**8,313**

The following balances at 31 March were held at:		
Government Banking Service (GBS)	559	7,545
Commercial Banks and cash in hand	683	768
Balance at 31 March	**1,242**	**8,313**

15 Payables – in respect of pensions

15(a) Analysis by type

	2011-12 £000	2010-11 £000
Amounts falling due within one year		
Pensions	(172)	(141)
Lump sums	(406)	(281)
Refund of contribution	(9)	(11)
Individual transfers out to other schemes	-	(221)
Inland Revenue and voluntary contributions	(2,297)	(2,289)
Overpaid contributions: employers	-	(546)
Other Payables	(835)	(4)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(4,178)	(11,249)
Balance at 31 March	**(7,897)**	**(14,742)**

15(b) Intra-Government Balances

	Amounts falling due within one year	
	£000 2011-12	£000 2010-11
Balances with other Central Government bodies	(6,475)	(14,195)
Balances with Public Corporations and Trading Funds	(1,422)	(544)
Balances with bodies external to Government	-	(3)
Balance at 31 March	**(7,897)**	**(14,742)**

16 Provision for pension liabilities

16.1 Provision for pension liability

The United Kingdom Atomic Energy Authority pension scheme is a combination of three unfunded defined benefit public service pension schemes. The most recent completed full actuarial (funding) review of the Schemes was as at 31 March 2006 (see report dated 2 October 2008). A full actuarial (funding) review as at 31 March 2009 is currently suspended. However, the 2009 valuation data have been agreed and used here. This statement is based on an actuarial valuation of the CPS, the PNISS and the PPSS carried out as at 31 March 2006 by the Government Actuary's Department (GAD). This has been updated approximately for the subsequent financial years to reflect known changes, which have occurred over the period 31 March 2009 to 31 March 2012. The Report of the Actuary on page 11 sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme managers together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme managers should make available to the actuary in order the 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:

	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008
	%	%	%	%	%
Rate of increase in salaries	4.3	4.9	4.3	4.3	4.3
Rate of increase in pensions in payment and deferred pensions	2.0	2.7	2.8	2.8	2.8
Rate of RPI inflation*	3.0	3.4	2.8	2.8	2.8
Rate of CPI inflation*	2.0	2.7	-	-	-
Discount rate	4.8	5.6	4.6	6.0	5.3

* Most pension benefits under the scheme are increased in line with inflation. The Government continues to set pension increases based on the Consumer Price Index (CPI) measure of inflation. In accordance with the Government Financial Reporting Manual, the liability at 31 March 2012 has been discounted at a real rate of 2.8%. The assumption data in the table are disclosed for comparative purposes and are rounded to one decimal place.

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

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long-term assumption for the CPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

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

Analysis of the provision for the pension liability

16.2 Pension Scheme liabilities accrue over employee's periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

16.3 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 managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 16.4. The note also discloses "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.

16.4 Analysis of movements in the scheme liability

	Note	2011-12 £000	2010-11 £000
Scheme liability at 1 April		(5,127,303)	(5,993,645)
Current service cost	8	(27,813)	(31,638)
Past service cost	8	-	560,285
Interest on Scheme liability	11	(282,884)	(252,620)
Enhancements	9	(464)	(524)
Pension transfers in	10	(18,058)	(760)
Benefits payable	16.5	198,595	195,144
Pension payments to and on account of leavers	16.6	1,474	6,584
Actuarial gain/(loss)	16.7	(10,576)	389,871
Scheme liability at 31 March		**(5,267,029)**	**(5,127,303)**

16.5 Analysis of benefits paid

	2011-12 £000	2010-11 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	175,717	168,245
Commutations and lump sum benefits on retirement	22,141	26,177
Death in service benefits	737	722
Per cash flow statement	**198,595**	**195,144**

16.6 Analysis of payments to and on account of leavers

	2011-12 £000	2010-11 £000
Refunds to members leaving service	552	594
Group transfers to other schemes	-	3,619
Individual transfers to other schemes	922	2,371
Per statement of Cash Flows	**1,474**	**6,584**

16.7 Analysis of actuarial gain/(loss)

	2011-12 £000	2010-11 £000
Experience gains/(losses) arising on the Scheme liabilities	(51,271)	83,293
Changes in assumptions underlying the present value of Scheme liabilities	40,695	306,578
Per Statement of Changes in Taxpayers Equity	**(10,576)**	**389,871**

16.8 History of Experience gains/(losses)

	2011-12	2010-11	2009-10	2008-09
Experience gains and losses on Scheme liabilities:				
Amount (£000)	(51,271)	83,293	130,964	165,970
Percentage of the present value of the Scheme liabilities	-1%	2%	(2)%	4%
Total amount recognised in statement of Changes in Taxpayers Equity:				
Amount (£000)	(10,576)	389,871	(1,181,012)	422,859
Percentage of the present value of the Scheme liabilities	-0.2%	8%	20%	(9)%

17 Financial Instruments

IAS 39 - *Financial Instruments: Recognition and Measurement,* IAS 32 - *Financial Instruments: Presentation and* IFRS 7- *Financial Instruments: Disclosures,* requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which Government Departments are financed, the Authority Pension Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which the financial reporting standards mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Pension Schemes in undertaking its activities.

The Pension Scheme’s financial instruments comprise of cash, receivables, and payables. Details of these can be found in the relevant notes.

Resources voted annually by Parliament finance the Pension Scheme’s net revenue resource requirements and its capital expenditure and there is, therefore, no exposure to significant liquidity risks. The Pension Schemes do not access funds from commercial sources and so they are not exposed to significant interest rate risk.

The Pension Schemes have no exposure to exchange rate risk.

There is no material difference between the fair values and carrying values of the Pension Scheme’s financial instruments.

18 Contingent liabilities disclosed under IAS 37

There are no Contingent Liabilities at 31 March 2012.

19 Related-party transactions

The Authority Pension Schemes fall within the ambit of the Department for Business, Innovation and Skills, which is regarded as a related party with which the Authority has had various material transactions during the year. In addition, the Schemes have had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes. None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year.

20 Losses and special payments

There are no losses or special payments in excess of £250,000 which would require separate disclosure during the year to 31 March 2012, or that have been recognised since that date.

21 Events after the Reporting Period

With effect from 1 April 2012, member contribution rates to the Authority Schemes have increased. The increase from 1 April 2012 is the first of three separate increases to member contributions which like other public service schemes, will increase member contributions by an average of 3.2% of pensionable earnings over the three year period. Increases due in 2013 and 2014 will be the subject of further discussions.

The Accounting Officer of the Department has authorised these Accounts to be issued on 13th July 2012.

TSO
information & publishing solutions

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

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square
London SW1A 2JX
Telephone orders/General enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: http://www.bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-298003-5

9 780102 980035