

Presented to Parliament pursuant to Science and Technology Act 1965, c.4, s.2(2)

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# Research Councils' Pension Scheme Account 2008-2009

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# Research Councils' Pension Scheme Account 2008-2009

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# Report of the Manager

## Statutory background

The schemes' statements have been prepared in accordance with the relevant provisions of the 2008-2009 Government Financial Reporting Manual (FReM) [www.financial-reporting.gov.uk/](http://www.financial-reporting.gov.uk/) issued by the Treasury.

## Description of Pension Schemes

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

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

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

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

The final emolument and career average schemes are operated on a pay-as-you-go basis, and are principally funded by employers' contributions from member Research Councils. The employers' contribution rate is currently 21.3 per cent (2007-2008: 21.3 per cent). Any annual shortfall forecast between cash outgoings and cash contribution received is met by grant-in-aid from Request for Resources 2 (RfR2) received through the Research Councils' sponsoring body, the Department for Innovation, Universities and Skills (DIUS).

## Eligible staff

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

## Information for members

The JSS website <http://jsspensions.org.uk> gives more information.

## Accounting Officer

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

## Administrators

The schemes are administered by the Research Councils' Joint Superannuation Service (JSS) – a unit within BBSRC.

## Actuaries

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

## Bankers

Banking services for the Pension schemes are provided by Paymaster, HM Paymaster General's Office and Barclays Bank plc.

## Auditors

The accounts of the Research Councils' Pension Schemes are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965. The audit fee payable is £35,000 (2007-2008: £42,000). In so far as the Accounting Officer is aware, there is no relevant audit information of which the Research Councils' Pension Schemes' auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Research Councils' Pension Schemes' auditors are aware of that information.

No non-audit work, other than that due as part of the final audit, was performed by the auditors on behalf of the Research Councils' Pension Schemes during the year. No audit work was required during 2008-2009 with regard to converting the Research Councils' Pension Schemes to International Financial Reporting Standards (IFRS), as such no audit costs for this have been incurred.

## Employers

During 2008-2009 the following employers have had members in the Research Councils' Pension Schemes

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

## Changes during 2008-2009

A number of Institutes transferred into the university sector during 2008-2009 resulting in the Research Councils' Pension Schemes' members leaving active membership of the scheme and being given the option of bulk transferring their accrued benefits. The Institutes involved were

- IGER Aberystwyth, who TUPE transferred their remaining staff (177 members) on 31 March 2008, 29 Principal Investigators having been earlier transferred on 7 October 2007. The 177 transferees were included as current members in the scheme membership numbers as at 1 April 2008 as the TUPE transfer had not been fully completed at the time of signing the 2007-2008 accounts.

- Roslin Institute and the Neuropathogenesis Unit, who TUPE transferred their remaining staff (195 members) on 1 May 2008, 24 Principal Investigators having been earlier transferred on 30 September 2007.
- Rowett Research Institute, who TUPE transferred all of their staff (175 members), on 1 July 2008.

These transfers reduced the Research Councils' Pension Schemes Employer and Employee contributions received in 2008-2009. The 'Bulk' transfer of the members accrued benefits required the Research Councils' Pension Schemes to receive a one off Annual Managed Expenditure (AME) adjustment to the 2008-2009 grant-in-aid of £35.3 million from DIUS, in respect of the transfer of these members benefits. Additional funding of £3.5 million from the Biotechnology and Biological Sciences Research Council (BBSRC) and £0.8 million from the Rural and Environmental Research and Analysis Directorate (RERAD), formerly the Scottish Executive Environmental and Rural Affairs Department (SEERAD), was also received as contribution toward the payment of the accrued benefits under the bulk transfers.

Although IGER staff formally transferred to the employment of the University of Aberystwyth on 31 March 2008, the TUPE transfer has been accounted for in 2008-2009. Under the pensions SORP, the TUPE transfer is not deemed to have been conducted until the option to transfer has been signed by members. All formal IGER employees completed this option in 2008-2009.

From 1 March 2008 Partial Retirement has been introduced for all schemes. This is where a member can access all or part of their pension whilst remaining in employment, provided they reduce their earnings by at least 20 per cent. This can be achieved by a reduction in hours and/or salary. Normal abatement rules apply and access to pension before pension age results in an actuarial reduction in benefits. There have been 52 actual cases of Partial Retirement during 2008-2009, with each member having an entry in both current membership and pensioners numbers until they finally retire.

## Changes during 2009-2010 and beyond

From 1 April 2010 the Arts & Humanities Research Council (AHRC) will join the Research Councils' Pension Schemes. AHRC staff will be offered the opportunity to Bulk Transfer their former accrued Principal Civil Service Pension Scheme benefits into the Research Councils Pension Schemes.

From 1 April 2010 26 members of the University of Southampton staff will be TUPE transferred to the Natural Environment Research Council (NERC) and become members of the Research Councils' Pension Schemes. The members involved will be given the opportunity to transfer their accrued benefits in their former scheme to the Research Councils' Pension Schemes.

Administration of the Research Councils' Pensions Schemes transactional processing is to move from the BBSRC Joint Superannuation Services unit to the RCUK Shared Services Centre Ltd (SSC). The SSC is being established by the Research Councils to provide transactional services. The costs of setting up the SSC are incurred by the Research Councils and not by the Research Councils' Pensions Schemes. The current plan has the transition scheduled for December 2009.

## Additional Voluntary Contributions

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

## Pension Scheme Membership

	<b>31 March 2009 No</b>	31 March 2008 No
<b>New Schemes</b>		
Current Members in service	<b>8,363</b>	8,865
Pensions in payment	<b>5,469</b>	5,098
Early retirements	<b>541</b>	573
Preserved pensions	<b>6,930</b>	6,575
<b>Total</b>	<b>21,303</b>	21,111
<b>Old schemes</b>		
Pensions in payment	<b>5,396</b>	5,436
Preserved pensions	<b>2,117</b>	2,259
<b>Total</b>	<b>7,513</b>	7,695
<b>Grand total</b>	<b>28,816</b>	28,806
	<b>2008-2009 No</b>	2007-2008 No
<b>Members in Service at 1 April</b>	<b>8,865</b>	8,933
Adjustment resulting from changes notified in current year	<b>(202)</b>	37
Adjusted figure for 1 April	<b>8,663</b>	8,970
New Members in year	<b>804</b>	817
Leavers and Retirements in year	<b>(1,104)</b>	(922)
<b>Members in Service at 31 March</b>	<b>8,363</b>	8,865
	<b>31 March 2009 No</b>	31 March 2008 No
Classic Scheme	<b>4,152</b>	4,835
Classic Plus Scheme	<b>354</b>	417
Premium Scheme	<b>2,736</b>	3,151
Nuvos Scheme	<b>1,121</b>	462
<b>Members in Service at 31 March</b>	<b>8,363</b>	8,865
Holders of Partnership Pension Accounts	<b>140</b>	151

## Guaranteed Minimum Pension (GMP) Data

During 2007-2008 a problem with the late notification of GMP data was identified, which the Scheme became aware of in 2008-2009. The JSS has commenced working with HMRC to assess the number of cases, and the value of any overpayments, which are deemed to be irrecoverable. At the date of signing these accounts the number and value of any overpayments is unknown. We expect to report the final position in respect of any overpayments in the 2009-2010 accounts.



## Events since the end of the financial year

On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills which brings together the Department for Business Enterprise and Regulatory Reform (BERR) and DIUS. Although sponsorship responsibility for the BBSRC passed from DIUS to BIS at that date, this is not expected to have any impact on the Pensions scheme operation. There were no other reportable post balance sheet events between the balance sheet date and the date that these accounts have been signed.

## Enquiries

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

*Professor Douglas Kell*  
Chief Executive and  
Accounting Officer of BBSRC

8 July 2009

# Actuarial Statement for the Research Council Pension Scheme for Accounts for the year ended 31 March 2009

## A Liabilities

The capitalised value as at 31 March 2009 of expected future benefit payments under the Research Council Pension Scheme (RCPS), for benefits accrued in respect of employment (or former employment) prior to 31 March 2009, has been assessed to be £2,648 million, using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members and the active and closed schemes, as follows

<b>RCPS</b>	<b>£ million</b>
Active members	935
Deferred members	450
Current pensioners	828
<b>Total</b>	<u>2,213</u>
<b>Closed schemes</b>	<b>£ million</b>
Deferred members	67
Current pensioners	368
<b>Total</b>	<u>435</u>

## B Accruing costs

The cost of benefits accruing for each year is met partly by a contribution of either 1.5 per cent from members who remained in the Classic scheme, or a contribution of 3.5 per cent from those who opted for the Premium/Classic Plus scheme and for members of Nuvos, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2008-2009 has been assessed as follows

### % of FTE Pensionable pay

Employer's share of standard cost	24.2 per cent
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The standard cost is the ongoing (long term) cost of the scheme calculated on the actuarial assumptions before adjustment for any surplus/deficit in the scheme.

The Employer's share of the standard cost above is calculated on the accounting basis at the beginning of the accounting year.

In relation to the pensionable payroll for the financial year 2008-2009 and using the rates of contribution described the employer's charges in cash terms are £65 million.

## C Methodology

The benefits valued are those accrued up to 31 March 2009. The assessment of the liabilities of the active staff have been assessed by summing the present value of all the benefits accrued at the valuation date based on earnings projected to retirement, or earlier exit, and pension increases thereafter. For pensions in payment and deferred pensions a similar calculation has been carried out making allowance for future pension increases.

## D Assumptions

The assessments have been prepared in accordance with the Finance Reporting Manual requirements as set out by HM Treasury. These include a discount rate net of price increases of 3.2 per cent p.a. (pension benefits under the scheme are increased in line with the Retail Price Index).

In addition I have assumed that investment return in excess of earnings increases is 1.7 per cent p.a. The main financial assumptions expressed in nominal terms are

- A rate of earnings increases will be 4.3 per cent p.a. excluding promotional and performance increments;
- A long term nominal discount rate of 6.04 per cent p.a.; and
- A rate of long-term inflation and pensions increases of 2.75 per cent p.a.

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

## E Notes

- 1 This assessment is based on the data provided by JSS as at 31 December 2008 on 2 February 2009, together with the subsequently agreed amendments.
- 2 Full details of the assumptions and methodology used in this assessment are outlined in the Actuary's report issued on 22 April 2009.

*Sandra Bell*  
Fellow of the Faculty of Actuaries

22 April 2009

## Statement of Accounting Officer's responsibilities

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

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

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

- Observe the accounts direction issued by the Secretary for Innovation, Universities and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

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

## Statement by Chief Executive on Internal Control

### Scope of responsibility

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of BBSRC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and realising their impact only then, and to manage them efficiently, effectively and economically. By extension, this process will include the principal risks that may apply to the Research Councils' Pension Schemes. The system of internal control has been in place in the Research Councils' Pension Schemes for the year ended 31 March 2009 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

### Capacity to handle risk

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

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

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

### The risk and control framework

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

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

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

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the Research Councils' Pensions Schemes and the research councils who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Research Councils' Pensions Schemes Management Board and the BBSRC Audit Board and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

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

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

*Professor Douglas Kell*  
Chief Executive and Accounting Officer of BBSRC

8 July 2009

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

I certify that I have audited the financial statements of the Research Councils' Pension Schemes for the year ended 31 March 2009 under the Science and Technology Act 1965. These comprise the Combined Revenue Account and Statement of Recognised Gains and Losses, the Combined Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Report of the Manager and the financial statements in accordance with the Science and Technology Act 1965 and Secretary of State for the Department for Innovation, Universities and Skills directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Secretary of State for Department for Innovation, Universities and Skills directions issued under the Science and Technology Act 1965. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Biotechnology and Biological Science Research Council (BBSRC), who administer the scheme, have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

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

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

## Basis of audit opinion

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

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

## Opinions

In my opinion

- the financial statements give a true and fair view in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Department for Innovation, Universities and Skills, of the amount and disposition of the scheme's assets and liabilities as at 31 March 2009, the net outgoings, recognised gains and losses and cashflows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Secretary of State for Trade and Industry directions issued under the Science and Technology Act 1965.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

16 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SP



## Combined Revenue Account for the year ended 31 March 2009

	Notes	2008-2009 £000	2008-2009 £000	2007-2008 £000
<b>Principal Arrangements – Research Councils' Pension Schemes</b>				
<b>Income</b>				
Contributions receivable	3		<b>63,886</b>	64,908
Transfers in: individuals			<b>4,074</b>	4,101
Other pension income			<b>144</b>	137
			<b>68,104</b>	69,146
<b>Outgoings</b>				
Pension cost	4	<b>73,000</b>		83,000
Transfers out	5	<b>44,397</b>		4,799
Interest on scheme liabilities		<b>151,000</b>		125,000
Administration costs	6	<b>878</b>		734
			<b>(269,275)</b>	(213,533)
<b>Net Income/(outgoings) for the year</b>			<b>(201,171)</b>	(144,387)
<b>Agency arrangements</b>				
Early retirement lump sum payments		<b>3,332</b>		3,276
<i>Less recoveries</i>		<b>(3,332)</b>		(3,276)
<b>Combined net outgoings for the year</b>			<b>(201,171)</b>	(144,387)

All activities are regarded as continuing.

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

	Notes	2008-2009 £000	2008-2009 £000	2007-2008 £000
Deficit for the year			<b>(201,171)</b>	(144,387)
Recalculation of closing provision	10.9	<b>371,000</b>		173,000
Actuarial (losses)/gains	10.8	<b>(46,893)</b>		4,572
Net bulk staff transfer in		<b>0</b>		(432,000)
Net bulk staff transfers out	10.10	<b>40,000</b>		0
			<b>364,107</b>	(254,428)
<b>Total recognised losses for the year</b>			<b>162,936</b>	(398,815)

The notes on pages 17 to 24 form an integral part of these accounts.

## Combined Balance Sheet as at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 £000
<b>Current assets and liabilities</b>			
Debtors	7	643	2,761
Cash at bank and in hand	8	10,598	1,932
		<u>11,241</u>	<u>4,693</u>
<i>Less: Creditors (amounts falling due within one year)</i>	9	<u>(7,383)</u>	<u>(1,781)</u>
<b>Net current assets, excluding pension liability</b>		<b>3,858</b>	2,912
Pension liability	10	<u>(2,648,000)</u>	<u>(2,887,000)</u>
<b>Net liabilities, including pension liabilities</b>		<b>(2,644,142)</b>	(2,884,088)
<b>Agency arrangements – Early retirement lump sums</b>			
Debtors	11	<u>212</u>	<u>587</u>
Combined schemes - total net liabilities		<u>(2,643,930)</u>	<u>(2,883,501)</u>
<b>Taxpayers' equity</b>			
General fund	12	<u>(2,643,930)</u>	<u>(2,883,501)</u>

Professor Doug Kell  
Chief Executive BBSRC, Accounting Officer

8 July 2009

*The notes on pages 17 to 24 form an integral part of these accounts*

## Cash Flow Statement for the year ended 31 March 2009

	Notes	<b>2008-2009</b> £000	2007-2008 £000
Net cash outflow from operating activities	13	<b>(67,969)</b>	(27,599)
Net central funding	12	<b>76,635</b>	27,345
Increase/(decrease) in cash		<b>8,666</b>	(254)

*The notes on pages 17 to 24 form an integral part of these accounts.*

# Notes to the Schemes' Statement

## 1 Basis of preparation of the schemes' statement

The schemes' statements have been prepared in accordance with the relevant provisions of the 2008-2009 Government Financial Reporting Manual (FRM) [www.financial-reporting.gov.uk/](http://www.financial-reporting.gov.uk/) issued by the Treasury which reflect the requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Science and Technology Act 1965.

### *a Research Councils' Pension Schemes - principal arrangements*

The schemes' statement summarises the transactions of the RCPS which acts as a principal. The Balance Sheet shows the deficit on the scheme; the Revenue Account shows, inter alia, the movements in the liability analysed between the pension cost 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.

### *b Early Retirement Lump Sums - agency arrangements*

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

## 2 Accounting policies

### *a Income*

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

### *b Pension cost and interest on scheme liabilities*

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

### *c Transfers out*

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

### *d Administration costs*

The schemes pay for the Joint Superannuation Services (JSS) unit hosted by BBSRC. The accrued costs of JSS are charged as an administration expense in the schemes' Combined Revenue Account. Any amounts owing to BBSRC are included in creditors. Any amounts owed by BBSRC are included in debtors.

### *e Agency Arrangements – Early retirement lump sums*

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

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

*f Debtors and creditors*

Debtors and Creditors are the result of timing differences between the accrued amounts in the Revenue Account and cash being received or paid.

*g Pension liability*

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

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

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

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

*h General fund*

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

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

**3 Contributions receivable**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
Employers' contributions	<b>55,271</b>	56,818
Employees' contributions: normal	<b>6,443</b>	6,296
Employees' contributions: purchase of added years and added pension	<b>2,089</b>	1,794
Employers' contributions: purchase of added years and added pension	<b>83</b>	0
	<b><u>63,886</u></b>	<u>64,908</u>

**4 Pension cost**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
Current service cost	<b>73,000</b>	83,000
	<b><u>73,000</u></b>	<u>83,000</u>

**5 Transfers out**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
Individual transfers out to other schemes	<b>4,753</b>	4,799
Bulk scheme transfers out	<b>39,644</b>	0
	<b>44,397</b>	4,799

During 2008-2009, 315 members of the RCPS transferred out of the schemes as a result of their employer transferring to the university sector. Additional grant funding was received to cover the payment of the bulk transfers, which is taken directly to reserves. Please see notes 10.10, 12, 14 and 15 for further details.

**6 Administration costs**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
Total running costs	<b>429</b>	466
Pensioner payroll agency fees	<b>157</b>	153
Auditors' remuneration	<b>35</b>	42
Actuarial charges	<b>257</b>	72
Bank charges	<b>1</b>	1
	<b>879</b>	734

**7 Debtors – contributions due in respect of pensions**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
<i>7a Analysis by type</i>		
Trade debtors	<b>47</b>	44
Accrued income and prepaid expenditure	<b>596</b>	2,717
	<b>643</b>	2,761
<i>7b Analysis by receipt type</i>		
Pension contributions due from employers	<b>540</b>	1,774
Prepaid benefits	<b>24</b>	796
Employees' normal contributions	<b>5</b>	151
Other debtors	<b>74</b>	40
	<b>643</b>	2,761
<i>7c Intra-Government balances</i>		
Research Councils	<b>631</b>	44
Other organisations	<b>12</b>	2,717
	<b>643</b>	2,761

## 8 Cash

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
<i>8a Analysis by type</i>		
HM Paymaster general's Office	<b>5,710</b>	351
Barclays Bank plc	<b>4,888</b>	1,581
	<b>10,598</b>	1,932

## 9 Creditors - in respect of pensions

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
<i>9a Analysis by type</i>		
Trade creditors	<b>7,077</b>	1,231
Accrued expenditure and prepaid income	<b>306</b>	550
	<b>7,383</b>	1,781

The £7,077 trade creditor relates to benefit payments made by the Natural Environment Research Council (NERC) on behalf of the scheme, that had not been reimbursed to them as at 31 March 2009.

### *9b Analysis by expenditure type*

Pensions	<b>7,077</b>	1,231
Overpaid contributions: employers	<b>158</b>	0
Overpaid contributions: employees	<b>39</b>	36
Other including administration expenses	<b>73</b>	471
Audit fee	<b>36</b>	43
	<b>7,383</b>	1,781

### *9c Intra-Government balances*

Research Councils	<b>7,308</b>	1,702
Other organisations	<b>75</b>	79
	<b>7,383</b>	1,781

## 10 Provisions for pension liabilities

10.1 The Research Councils' Pension Schemes are unfunded defined benefit schemes. An actuarial valuation was carried out at 31 March 2009 by the Government Actuary's Department. The major assumptions used by the Actuary were

	<b>At 31 March</b>	At 31 March	At 31 March	At 31 March
	<b>2009</b>	2008	2007	2006
Price inflation	<b>2.75%</b>	2.75%	2.75%	2.50%
Earnings increase	<b>4.30%</b>	4.30%	4.30%	4.00%
Rate used to discount the Schemes' liabilities	<b>3.20%</b>	2.50%	1.80%	2.80%
Increase for pensions in payment and deferred pensions in line with increases in Retail Price Index	<b>2.75%</b>	2.75%	2.75%	2.50%

10.2 The Schemes' administrators are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of

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

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

10.4 The value of the liability on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The administrators of the schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 10.5. Note 10.8 analyses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

10.5 Analysis of movements in the scheme liability

	Notes	2008-2009 £000	2008-2009 £000	2007-2008 £000
Scheme liability at 1 April			<b>2,887,000</b>	2,515,000
Current service cost	4	<b>73,000</b>		83,000
Interest on scheme liabilities		<b>151,000</b>		125,000
Benefit payments	10.6	<b>(98,341)</b>		(89,910)
Payments to or on account of leavers	10.7	<b>(552)</b>		(518)
Analysis of actuarial losses/(gains) on the scheme liabilities	10.8	<b>46,893</b>		(4,572)
			<b>172,000</b>	113,000
			<b>3,059,000</b>	2,628,000
Recalculation of closing provision	10.9		<b>(371,000)</b>	(173,000)
Net bulk staff transfer in			<b>0</b>	432,000
Net bulk staff transfer out	10.10		<b>(40,000)</b>	0
Scheme liability at 31 March			<b>2,648,000</b>	2,887,000

10.6 Analysis of benefits paid

	2008-2009 £000	2007-2008 £000
Pensions to retired employees and dependents (net of recoveries or overpayments)	<b>(83,908)</b>	(77,748)
Commutations and lump sum benefits on retirement or death	<b>(14,433)</b>	(12,162)
As per cash flow (note 13)	<b>(98,341)</b>	(89,910)



10.7 Analysis of payments to or on account of leavers

	<b>2008-2009</b> <b>£000</b>	2007-2008 £000
Refunds to members leaving service	<b>(552)</b>	(518)
As per cash flow note (note 13)	<b>(552)</b>	(518)

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

	<b>2008-2009</b> <b>£000</b>	2007-2008 £000
Experience losses/(gains) arising on the scheme liabilities	<b>47,000</b>	(3,000)
Other (see note 2g)	<b>(107)</b>	(1,572)
	<b>46,893</b>	(4,572)

10.9 Recalculation of closing provision

The overnight reduction in scheme liabilities at 31 March 2009 was £371m. This was as a result of an increase in the rate used to discount the provision from 2.5 per cent to 3.2 per cent and a reduction in life expectancy, reducing the liability by £326m and £67m respectively. This reduction was partially offset (£22m increase) by a change in the Government Actuary's Department (GAD) methodology to update their calculations to ensure they were consistent with the most recent actuarial valuation.

10.10 Net bulk staff transfer out

During 2008-2009 315 members transferred out of the RCPS as a result of the transfer of the Rowett, Roslin and IGER institutes to the university sector, as follows

To	University superannuation scheme	University of Aberdeen superannuation and life assurance scheme	Edinburgh University staff benefit scheme	Aberystwyth pension and assurance scheme
Rowett Institute	43	16	0	0
Roslin Institute	88	0	42	0
IGER Institute	106	0	0	20
	<u>237</u>	<u>16</u>	<u>42</u>	<u>20</u>

GAD valued the pension liabilities of these members at a total of £40m. Additional funding was received from DIUS, BBSRC and RERAD to fully compensate the university schemes for the transfer of the liability (see note 5, 12, 14 and 15).

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

See note 10.08	Experience gains / (losses)	Percentage of the Schemes' Liabilities at 31 March
<b>2008-2009</b>	<b>(47,000)</b>	<b>-1.8%</b>
2007-2008	3,000	0.1%
2006-2007	(50,000)	-2.0%
2005-2006	34,000	1.7%

**11 Debtors – Agency arrangements**

	<b>2008-2009</b>	2007-2008
	<b>£000</b>	£000
<i>11a Analysis by type</i>		
Trade debtors	<b>0</b>	48
Accrued income and prepaid expenditure	<b>212</b>	539
	<b>212</b>	587
<i>11b Analysis by receipt type</i>		
ERLS Recoverable	<b>212</b>	587
<i>11c Intra-Government balances</i>		
Research Councils	<b>212</b>	587

**12 General Fund**

	Notes	<b>2008-2009</b>	2007-2008
		<b>£000</b>	£000
Balance at 1 April		<b>(2,883,501)</b>	(2,512,031)
Parliamentary funding: drawn down	14	37,000	27,400
Scheme transfer additional funding	15	39,674	
Interest payable to the DIUS		(39)	(55)
Net central funding		<b>76,635</b>	27,345
Combined net outgoings		<b>(201,171)</b>	(144,387)
Actuarial (losses)/gains	10.8	<b>(46,893)</b>	4,572
Recalculation of closing provision	10.9	<b>371,000</b>	173,000
Bulk staff transfer in		<b>0</b>	(432,000)
Bulk staff transfer out	10.10	<b>40,000</b>	0
Balance at 31 March		<b>(2,643,930)</b>	(2,883,501)

**13 Notes to the Cash Flow Statement**

	Notes	<b>2008-2009</b>	2007-2008
		<b>£000</b>	£000
Net outgoings for the year		<b>(201,171)</b>	(144,387)
Decrease/(increase) in debtors - principal arrangements		<b>2,118</b>	(2,413)
Decreases in debtors - agency arrangements		<b>375</b>	65
Increases in creditors		<b>5,602</b>	1,564
Increase in provision			
Current service cost	4	<b>73,000</b>	83,000
Interest cost		<b>151,000</b>	125,000
Use of provisions			
Benefit payments	10.6	<b>(98,341)</b>	(89,910)
Payments to or on account of leavers	10.7	<b>(552)</b>	(518)
Net cash outflow from operating activities		<b>(67,969)</b>	(27,599)

## 14 Grant-in-aid

Grant-in-Aid is provided from the Department for Innovation, Universities and Skills (DIUS) Request for Resources 2 to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the schemes' finances. The allocation for 2008-2009 was £37,000,000 (2007-2008: £27,400,000) all of which was drawn down by the Pension Schemes.

Additional grant-in-aid funding was agreed with DIUS to part fund the bulk scheme transfer out of the former BBSRC institutes, IGER and Roslin Institute, to the University Superannuation Scheme (USS). Additional grant funding was also received from the Scottish Executive Environment and Rural Affairs Department (SEERAD) to fund the bulk staff transfer out of the Rowett Research Institute to the USS. Note 15 details the additional grant-in-aid funding received.

## 15 Scheme transfers additional funding

	2008-2009 £000	2007-2008 £000
DIUS additional funding	35,340	0
BBSRC additional funding	3,520	0
SEERAD additional funding	814	0
	<u>39,674</u>	<u>0</u>

## 16 Related party transactions

'The Research Councils are Non-Departmental Public Bodies sponsored by the Department for Innovation, Universities and Skills (DIUS). The DIUS is regarded as a related party. During the period the Research Councils' Pension Schemes had various material transactions with DIUS and with other entities for which DIUS is regarded as the parent Department. (These were the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council, the Science and Technology Facilities Council, and the Technology Strategy Board.)'

'During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the Research Councils' Pension Schemes.'

## 17 Losses and special payments

'No losses were incurred, or special payments made, during the year. At the date of signing these accounts the number and value of any overpayment cases arising from late notification of GMP is unknown, but any overpayments are deemed to be irrecoverable. We expect to report the final position in respect of any overpayments in the 2009-2010 accounts.'

## 18 Post Balance Sheet Events

'On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills which brings together the Department for Business Enterprise and Regulatory Reform (BERR) and DIUS. Although sponsorship responsibility for the BBSRC has passed from DIUS to BIS at that date, this is not expected to have any impact on the Pensions scheme operation. The Accounting Officer approved the accounts for issue on 16 July 2009. The financial statements do not reflect events after this date.'

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