United Kingdom Atomic Energy Authority Pension Schemes

Combined Annual Accounts 2010-11

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(For the year ended 31 March 2011)

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Report

Introduction

This Combined Resource Account for the United Kingdom Atomic Energy Authority's (the Authority) defined benefit Public Service Pensions Schemes (PSPS) for the year to 31 March 2011 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 Request for Resources, 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 Government Actuary's Department (independent actuaries of the Schemes) completed their actuarial valuation, based on the value of the fund at 31 March 2006 in May 2007. The next triennial valuations will be based on the scheme's position at 31 March 2009. Following on from the Hutton review of Public Sector Pension Schemes, and a review of the discount rate to be used for public sector funding valuations, HMT have suspended work on valuations, including the triennial valuation of the Authority's Schemes as at 31 March 2009. The Government Actuary's Department's report, based on the position as at 31 March 2006, confirmed that the Schemes' liabilities were £5,127 million discounted at a real rate of 2.9% under the Rules at the date of the valuation and that the contribution rate was sufficient to provide for benefits in the future. 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.

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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 will with BIS and HM Treasury be working 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 a credit of £529 million (2009-10: £30 million expense) a decrease of £559 million. The overall pension expenditure for the year was a credit of £275 million (2009-10: £313 million expense) a decrease of £587 million. Both decreases 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 Prices Index (RPI), for the indexation of public service pensions. The change represents a change in benefits giving rise to negative past service costs, which is reflected in the financial statements and accompanying notes. The value of benefits payable, increased by £8 million to £195 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 increased during the year by 1,295 to 33,249 at 31 March 2011.

The value of contributions receivable, decreased by £6 million to £21 million. There was a decrease in the number of contributing members, which fell by 10 to 2,687 at 31 March 2011. The value of transfers in to the Schemes decreased in 2010-11 to £760 thousand.

Overall, the net outgoings for the year decreased by £578 million from last year's net outgoings of £281.5 million to a credit of £297 million. The net outgoings include group transfers out to other schemes.

The overall Scheme liability of £5,127 million decreased by £866 million from last year. The main factor underlying the decrease 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 22 to 39 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 2010-11 (or prior years). There were no “Other Protected Personal Data” incidents in 2010-11 (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

There was no increase to benefits in 2010-11 (2009-10 reduction of 5.0%). 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 20. The notional cost of the audit is £12,000. This notional fee reflects only those costs that are directly associated with the audit of the Combined Resource 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
7 July 2011

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 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 2006:

The Authority	16.2%
NNL	15.0%
INS	15.0%
Civil Nuclear Constabulary	16.2%
HPA (formerly NRPB)	17.3%
Research Councils	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 Laboratory Culham Oxfordshire OX14 3DB
Scheme Administration Manager	Richard Stoneham, Babcock International Group, 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, 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, BK2, UK Atomic Energy Authority, Culham Laboratory Culham 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) employers - National Nuclear Laboratory (NNL) and International Nuclear Services Limited (INS Ltd)
- 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 2010	**588**	**964**	**847**	**232**	**12**	**54**	**2,697**
New Entrants	17	86	25	-	--	-	128
Retirements	(18)	(17)	(9)	(5)	(3)	(7)	(59)
Deaths	-	-	(2)	(2)	-	-	(4)
Leavers	(35)	(16)	(18)	-	(1)	-	(70)
Options Pending	(1)	(4)	(1)	-	-	-	(6)
Opening Adjustments	-	-	-	-	-	1	1
At 31 March 2011	**551**	**1,013**	**842**	**225**	**8**	**48**	**2,687**

[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 2010	**4,193**	**60**	**5,311**	**169**	**67**	**66**	**9,866**
New	70	10	1,492	2	1	-	1,575
Retirements	(153)	-	(171)	(6)	(13)	(6)	(349)
Deaths	(11)	(2)	(9)	(2)	-	-	(24)
Leavers	(42)	-	(18)	-	-	-	(60)
Options Pending	1	6	(1)	-	-	-	6
At 31 March 2011	**4,058**	**74**	**6,604**	**163**	**55**	**60**	**11,014**

Active deferred [2]	**The Authority**	**CNC**	**EX BNFL**	**HPA**	**MOD**	**SERC**	**Total**
At 1 April 2010	**1,364**	**-**	**10,450**	**-**	**-**	**-**	**11,814**
New	-	-	1	-	-	-	1
Retirements	(35)	-	(357)	-	-	-	(392)
Deaths	(2)	-	(9)	-	-	-	(11)
Leavers	(56)	-	(1,471)	-	-	-	(1,527)
At 31 March 2011	**1,271**	**-**	**8,614**	**-**	**-**	**-**	**9,885**

Pensioners	**The Authority**	**CNC**	**EX BNFL**	**HPA**	**MOD**	**SERC**	**Total**
At 1 April 2010	**7,033**	**89**	**7,106**	**173**	**972**	**616**	**15,989**
New Retirements	207	18	541	11	17	14	808
Pensions Sharing	-	-	-	-	-	-	-
Deaths	(270)	-	(226)	(2)	(63)	(19)	(580)
Transfer Out/Refund/Not in Scheme	(6)	-	-	-	-	-	(6)
At 31 March 2011	**6,964**	**107**	**7,421**	**182**	**926**	**611**	**16,211**

Dependants' Pensions	**The Authority**	**CNC**	**EX BNFL**	**HPA**	**MOD**	**SERC**	**Total**
At 1 April 2010	**2,838**	**4**	**2,372**	**37**	**673**	**175**	**6,099**
New Retirements	131	-	140	2	35	9	317
Deaths	(183)	-	(144)	(1)	(50)	(11)	(389)
Transfer Out/Refund/Not in Scheme	(3)	-	-	-	-	-	(3)
At 31 March 2011	**2,783**	**4**	**2,368**	**38**	**658**	**173**	**6,024**

4 Scheme records

[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.

Records are maintained in separate parts for the Authority, CNC, former BNFL companies, HPA, MOD, and SERC 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 1993. There was no increase for 2010-11 (2009 – 5.0%).

8 Transfer values paid

Individual transfer values paid have been calculated using either "a cash equivalent method", in accordance with the Pension Schemes Act 1993 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, bulk 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:

	2010-11	2009-10
	£000	**£000**
Amount due to employers at 1 April	108	1,658
Received from employers during year	22,191	22,140
Paid to members during year	(21,683)	(23,505)
Repaid to employers during year	(70)	(185)
Amount due to employers at 31 March	**546**	**108**

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

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 Actuary recommended a change to some employer contribution rates from 1 April 2006. The next triennial valuation is due to be based on the Schemes' position as at 31 March 2009.

Following the introduction of SCAPE, participating employers pay contributions 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.

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 2011

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 2010-11 Resource 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 2011 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 A – Active members

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

Table B – 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 C – Deferred members

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

Table D – 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 2010-11 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2011 was determined using the Projected Unit Credit Method and the principal financial assumptions applying to the 2009-10 Resource 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 2011, the assumed rate of return in excess of pension increases was increased from 1.8% a year to 2.9% a year, and the assumed rate of return in excess of earnings was increased from 0.3% a year to 0.7% a year. In addition, with effect from 31 March 2011, the assumed rate of future pension increases is 2.65% a year and the assumed nominal rate of salary growth is 4.9% a year (changed from 2.75% and 4.29% respectively as at 31 March 2010).

Table D – Principal financial assumptions

Assumption	31 March 2011	31 March 2010
Rate of return (discount rate)	5.6%	4.60%
Rate of return in excess of:		
Earnings increases	0.7%	0.3%
Pension increases	2.9%	1.8%*
Expected return on assets:	n/a	n/a

* Increased to 2.5% from 22 June 2010 following the Government's announcement that future pension increases would be based on CPI.

8. The pension increase assumption as at 31 March 2011 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Prices Index (RPI). This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

Demographic assumptions

9. The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

10. The demographic assumptions (excluding mortality) adopted for the assessment of the liabilities as at 31 March 2011 are those adopted for the 2006 actuarial valuation of the Authority's pension schemes.

11. For the purposes of the 2010-11 Resource Accounts, I have therefore used mortality assumptions in accordance with the standard tables known as PMA92 (men) and PFA92 (women) projected to 2008 (but with BNFL members assumed to experience the mortality rates provided in the standard table for one year of age older than their actual age), with future improvements to mortality rates in accordance with those incorporated in the 2008-based principal population projections for the United Kingdom.

12. The contribution rate used to determine the accruing cost in 2010-11 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2009-10 Resource Accounts.

Liabilities

13. Tables E1 to E4 summarise the assessed value as at 31 March 2011 of benefits accrued under the scheme prior to 31 March 2011 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the tables.

Table E1 – Statement of Financial Position: Combined Pension Scheme

£ million

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	4,777.2	5,579.2	4,315.2	4,557.2	4,478.5
Surplus/(Deficit)	(4,777.2)	(5,579.2)	(4,315.2)	(4,557.2)	(4,478.5)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Table E2 – Statement of Financial Position: Principal Non-Industrial Superannuation Scheme

£ million

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	332.1	390.9	353.3	364.5	358.0
Surplus/(Deficit)	(332.1)	(390.9)	(353.3)	(364.5)	(358.0)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Table E3 – Statement of Financial Position: Protected Persons Superannuation Scheme

£ million

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	18.0	23.6	23.3	23.9	25.1
Surplus/(Deficit)	(18.0)	(23.6)	(23.3)	(23.9)	(25.1)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Table E4 – Statement of Financial Position: All schemes

£ million

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	5,127.3	5,993.6	4,691.8	4,945.6	4,861.6
Surplus/(Deficit)	(5,127.3)	(5,993.6)	(4,691.8)	(4,945.6)	(4,861.6)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2011 (the Current Service Cost) is based on standard contribution rates as shown in tables F1 to F5. Tables F1 to F5 also show the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 5% and 7.5% in respect of CPS and PNISS respectively. The corresponding figures for 2009-10 are also included in the tables. There are no active members in the PPSS, and the Scheme is closed. Therefore, there are no further benefits accruing. There were no contributions to the Scheme in 2009-10 and 2010-11.

Table F1 –Contribution rate: CPS – UKAEA

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	**1 April 2010 to 21 June 2010**	**1 April 2009 to 31 March 2010**
Standard contribution rate	31.1%	34.9%	23.5%
Members' contribution rate	5.0%	5.0%	5.0%
Employers' estimated share of standard contribution rate	26.1%	29.9%	18.5%
Actual rate charged to employer	16.2%	16.2%	16.2%

Table F2 –Contribution rate: CPS - BNFL

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	1 April 2010 to 21 June 2010	1 April 2009 to 31 March 2010
Standard contribution rate	30.1%	33.8%	22.6%
Members' contribution rate	5.0%	5.0%	5.0%
Employers' estimated share of standard contribution rate	25.1%	28.8%	17.6%
Actual rate charged to employer	15.0%	15.0%	15.0%

Table F3 –Contribution rate: CPS – HPA

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	1 April 2010 to 21 June 2010	1 April 2009 to 31 March 2010
Standard contribution rate	31.3%	34.9%	24.1%
Members' contribution rate	5.0%	5.0%	5.0%
Employers' estimated share of standard contribution rate	26.3%	29.9%	19.1%
Actual rate charged to employer	17.3%	17.3%	17.3%

Table F4 –Contribution rate: PNISS – Research Councils

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	1 April 2010 to 21 June 2010	1 April 2009 to 31 March 2010
Standard contribution rate	31.1%	33.5%	26.1%
Members' contribution rate	7.5%	7.5%	7.5%
Employers' estimated share of standard contribution rate	23.6%	26.0%	18.6%
Actual rate charged to employer	15.8%	15.8%	15.8%

Table F5 –Contribution rate: PNISS – MOD

	Percentage of pensionable pay		
	22 June 2010 to 31 March 2011	**1 April 2010 to 21 June 2010**	**1 April 2009 to 31 March 2010**
Standard contribution rate	28.7%	31.4%	24.7%
Members' contribution rate	7.5%	7.5%	7.5%
Employers' estimated share of standard contribution rate	21.2%	23.9%	17.2%
Actual rate charged to employer	14.8%	14.8%	14.8%

15. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource 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 most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.8% pa for the 2010-11 Current Service Cost up to 22 June 2010 and 2.5% thereafter (3.2% pa for 2009-10) 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% 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 Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

16. The pensionable payroll for the financial year 2010-11 was £99.8 million (derived from contributions payable by employers over the year).

17. The move to CPI (rather than RPI) indexation of pensions from April 2011 results in a (negative) past service cost of -£560.3 million. The total pension cost (the current service cost plus the past service cost) for 2010-11 is therefore -£528.7 million.

Sandra Bell FFA
Government Actuary's Department
14 June 2011

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.

Statement on Internal Control

Scope of responsibility

1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the United Kingdom Atomic Energy Authority ("the Authority") Pensions 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 United Kingdom Atomic Energy Authority and funded through the Department. The administration of the schemes is carried out by UKAEA Ltd 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 three separate audited Accounts for the Schemes and the Department prepares this Resource 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 purpose of the system of internal control

2. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

3. 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. 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.

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.

The risk and control framework

4. 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.

Review of effectiveness

5. 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 department 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 Management Board, the Audit & Risk Committee and mechanisms are in place to ensure continuous improvement of the system is in place.

The establishment of quarterly finance meeting has helped strengthen the risk and control environment operating over the Schemes. However, there is still a need to improve the governance processes operating over the Schemes to 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.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2011

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 31st March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Combined Statement of Comprehensive Net Expenditure, the Combined Statement of Financial Position, the Combined Statement of Changes in Taxpayer's Equity, the Combined Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities**,** the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the 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 United Kingdom Atomic Energy Authority Pension 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 and the Statement on Internal Control to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31st March 2011, and of its net cash requirement, net resource outturn, and net expenditure for the year then ended; and

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

Opinion on other matters

In my opinion, the information given in the Report and the Report of the Managers 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 Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

14 July 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

								2010-11 £000	2009-10 £000
		Estimate			Outturn			Outturn	Outturn
Request for Resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total
RfR 1 Civil Superannuation		312,835	23,946	288,889	(274,731)	22,238	(296,969)	585,858	281,492
Total Resources	3	**312,835**	**23,946**	**288,889**	**(274,731)**	**22,238**	**(296,969)**	**585,858**	**281,492**

The majority of savings compared to Estimate arose because of the adoption of Consumer Price Index (CPI) rather than the Retail Prices Index (RPI), for the indexation of public service pensions, as announced by the Government in the Budget on 22 June 2010. The change represents a change in benefits giving rise to negative past service costs. See Note 9 for further details.

Summary of net cash requirement 2010-11

			2010-11 £000		2009-10 £000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	**192,408**	**179,411**	**12,997**	**160,525**

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Pension Schemes and is payable to the Consolidated Fund (cash receipts being shown in italics):

		Forecast 2010-11 £000		Outturn 2010-11 £000	
	Note	Income	*Receipts*	Income	*Receipts*
Total	5	-	-	-	-

Notes 1 to 21 form part of these Accounts.

Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Principal Arrangements – The Authority Pension Schemes			
Income			
Contributions receivable	7	(21,478)	(27,469)
Transfers in	8	(760)	(3,715)
		(22,238)	**(31,184)**
Expenditure			
Pension cost – current service	9	31,638	29,677
- past service	9	(560,285)	-
Enhancements	10	524	675
Transfers in	11	760	3,715
Interest on scheme liabilities	12	252,620	278,597
Administration expenses	3(b)	12	12
		(274,731)	**312,676**
Net Expenditure		**(296,969)**	**281,492**

Other

Other Comprehensive Net Expenditure		2010-11 £000	2009-10 £000
Actuarial gain / (loss)	17.4	389,871	**(1,181,012)**
Recognised gains/ (losses) for the financial year		**389,871**	(1,181,012)

Notes 1 to 21 form part of these Accounts.

Combined Statement of Financial Position
as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Principal Arrangements – The Authority Pension Schemes			
Current assets:			
Receivables	14	1,638	1,234
Cash and cash equivalents	15	8,313	5,466
		9,951	6,700
Payables (within 12 months)	16	(14,742)	(11,412)
Net current liabilities, excluding pension liability		(4,791)	(4,712)
Pension liability	17.1	(5,127,303)	(5,993,645)
Net liabilities, including pension liabilities		**(5,132,094)**	**(5,998,357)**
Taxpayers' equity:			
General fund		(5,132,094)	(5,998,357)
		(5,132,094)	**(5,998,357)**

Martin Donnelly
Principal Accounting Officer and Permanent Secretary

7 July 2011

Notes 1 to 21 form part of these Accounts.

Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Balance at 1 April		(5,998,357)	(4,696,390)
Net Parliamentary Funding – drawn down		185,600	156,700
Net Parliamentary Funding – deemed		5,060	8,885
Supply payable/(receivable) adjustment		(11,249)	(5,060)
Excess vote – Prior Year		-	-
Extra receipts payable to the Consolidated Fund		-	-
Combined Net Expenditure for the Year		296,969	(281,492)
Actuarial gain/(loss)		389,871	(1,181,012)
Notional Audit Fee		12	12
Balance at 31 March		**(5,132,094)**	**(5,998,357)**

Notes 1 to 21 form part of these Accounts.

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

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Combined net expenditure for the year		296,969	(281,492)
Adjustments for non-cash transactions		12	12
(Increase)/Decrease in receivables	14a	(404)	1,895
less movements in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure		-	-
Increase/(Decrease) in payables: pensions Short-term payables	16a	3,330	(2,064)
less movements in payables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure		(2,630)	483
Decrease in pension provision	17.1	(276,027)	308,274
Increase in pension provision – enhancements and transfers in	17.1	1,284	4,390
Use of provisions – pension liability	17.2	(194,422)	(186,163)
Use of provisions – refunds and transfers	17.3	(6,584)	(4,378)
Use of provisions – death in service	17.2	(722)	(1,265)
Net cash Outflow from Operating Activities		(179,194)	(160,308)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		185,600	156,700
From the Consolidated Fund (Supply) – prior year		-	-
Net Parliamentary financing		185,600	156,700
Adjustments for payments and receipts not related to Supply		-	-
Net Financing		185,600	156,700
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		6,406	(3,608)
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		**6,189**	**(3,608)**
Cash and cash equivalents at the beginning of the period	15	2,124	5,732
Cash and cash equivalents at the end of the period	15	8,313	2,124

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 2010-11 *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 GAAP, 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 scheme statement summarises the transactions of the United Kingdom Atomic Energy Authority Pension Schemes, which acts as a principal. The statement of financial position shows the deficit on the scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. In line with HM Treasury guidance this change has been taken into account for accounting purposes as a past service cost. More details are given in Note 9. 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 GAAP) 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 Change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) for uprating benefits

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

2.1.2 The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

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

2.2 Pension contributions receivable

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

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

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

2.2.4 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).

2.3 Transfers in and out

2.3.1 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.

2.4 Income received in respect of enhancements

2.4.1 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.

2.5 Other income

2.5.1 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.

2.6 Current service cost

2.6.1 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. On 22 June 2010, the Government announced the adoption of the Consumer Price Index (CPI), rather than Retail Prices Index (RPI), for the indexation of public service pensions from April 2011. Therefore, up to 22 June 2010, the cost is based on a discount rate of 1.8% real (i.e. 4.6% including RPI inflation). From 22 June 2010, the date at which the change to benefit indexation was announced, the cost is based on a discount rate of 2.5% real (i.e. 4.6% including CPI inflation).

2.7 Past service costs

2.7.1 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.

2.7.2 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.

2.8 Interest on scheme liabilities

2.8.1 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. 4.6%.

2.9 Other payments

2.9.1 Other payments are accounted for on an accruals basis.

2.10 Scheme liability

2.10.1 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 2.9 % real (i.e. 5.6% after inflation).

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

2.11 Pension benefits payable

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

2.12 Pension payments to those retiring at their normal retirement age

2.12.1 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.

2.12.2 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.

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

2.13.1 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.

2.13.2 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.

2.14 Injury benefits

2.14.1 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.

2.15 Lump sums payable on death in service

2.15.1 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.

2.16 Actuarial gains / losses

2.16.1 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.

2.17 Additional Voluntary Contributions

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

2.18 Significant estimates and judgements

2.18.1 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 17.

3. Reconciliation of Estimates, accounts and budgets

3(a) Reconciliation of net resource outturn to combined net outgoings

				2010-11	2009-10
				£000	**£000**
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	**Outturn**
Net Resource Outturn		(296,969)	288,889	585,858	281,492
Non-supply Income (CFERs)	5	-	-	-	-
Combined Net Outgoings		**(296,969)**	**288,889**	**585,858**	**281,492**

3(b) Outturn against final Administration Budget

The administration costs of the schemes, with the exception of notional audit fees of £12,000 (2009-10 £12,000) are borne by the UKAEA who recover the appropriate proportion of the costs from the other participating employers. Audit fees were in respect of statutory services only, there are no fees for non-audit services.

4. Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
		£000	£000	£000
Net Resource Outturn	3(a)	288,889	(296,969)	585,858
Accruals adjustments:				
Non cash items		(312,835)	274,731	(587,566)
Changes in working capital other than cash		6,914	(79)	6,993
Use of provision:				
Pension		209,440	201,728	7,712
Net cash requirement		192,408	179,411	12,997

5. Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2010-11		Outturn 2010-11	
			£000		£000
		Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	-	-
Total income payable to the Consolidated Fund		-	-	-	-

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010-11	2009–10
		£000	£000
Operating income		(22,238)	(31,184)
Income authorised to be Appropriated-in-Aid		22,238	31,184
Operating income payable to the Consolidated Fund	5	-	-

7 Pension contributions receivable

	Note	2010-11 £000	2009-10 £000
Employers		(15,834)	(20,233)
Employees:			
Normal		(5,120)	(6,561)
Purchase of added years		(524)	(675)
		(21,478)	**(27,469)**

8 Pension transfers-in (see also Note 11)

	2010-11 £000	2009-10 £000
Group transfers in from other schemes	-	(1,371)
Individual transfers in from other schemes	(760)	(2,344)
	(760)	**(3,715)**

9 Pension cost (see also Note 17.1)

	2010-11 £000	2009-10 £000
Current service cost	31,638	29,677
Past service cost	(560,285)	-
	(528,647)	**29,677**

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

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

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

10 Enhancements (see also Note 7 and 17.1)

	2010-11	2009-10
	£000	£000
Employees:		
Purchase of added years	524	675
	524	**675**

11 Transfers in (see also Note 8 and 17.1)

	2010-11	2009-10
	£000	£000
Group transfers in from other schemes	-	1,371
Individual transfers in from other schemes	760	2,344
	760	**3,715**

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.

12 Interest on scheme liabilities (see also Note 17.1)

	2010-11	2009-10
	£000	£000
Interest charge for the year	252,620	278,597
	252,620	**278,597**

13 Additional Voluntary Contributions

13.1 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.

13.2 The aggregate amounts of AVC investments are as follows:

	2010-11	2009-10
	£000	£000
Movements in the year		
Balance at 1 April	63,870	63,873
Adjustment to balances as at 1 April	-	1
New investments	395	892
Sales of investments to provide pension benefits	(6,697)	(3,966)
Changes in market value of investments	2,796	3,070
Balance at 31 March	**60,364**	**63,870**

During the year, £394,739 (2009-10: £891,950) 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.

Statement of Financial Position: United Kingdom Atomic Energy Authority

14 Receivables – contributions due in respect of pensions

14(a) Analysis by type

	2010-11	2009-10
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	1,206	921
Employees' normal contributions	419	313
Group transfers	-	-
Individual transfers	13	-
Balance at 31 March	**1,638**	**1,234**

Nothing is due to the Consolidated Fund for the receivables in respect of this financial year.

14(b) Intra-Government Balances

	Amounts falling due within one year	
	2010-11	2009-10
	£000	£000
Balances with other Central Government bodies	1,014	822
Balances with Public Corporations and Trading Funds	609	99
Balances with bodies external to Government	15	313
As 31 March	**1,638**	**1,234**

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15 Cash and Cash Equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	2,124	5,732
Net change in cash balances	6,189	(3,608)
Balance at 31 March	**8,313**	**2,124**

The following balances at 31 March were held at:

	2010-11	2009-10
Government Banking Service (GBS)	7,545	1,532
Commercial Banks and cash in hand	768	3,934
Balance at 31 March	**8,313**	**5,466**
HM Paymaster General (OPG)	-	(3,342)
Total	**8,313**	**2,124**

16 Payables – in respect of pensions

16(a) Analysis by type

	2010-11	2009-10
	£000	£000
Amounts falling due within one year		
Pensions	(141)	(105)
Lump sums	(281)	(288)
Refund of contribution	(11)	(19)
Individual transfers out to other schemes	(221)	-
Inland Revenue and voluntary contributions	(2,289)	(2,246)
Overpaid contributions: employers	(546)	(108)
Other Payables	(4)	(27)
Bank Overdraft	-	(3,342)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(11,249)	(5,060)
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	(217)
Receivable	-	-
Balance at 31 March	**(14,742)**	**(11,412)**

16(b) Intra-Government Balances

	Amounts falling due within one year	
	£000	£000
	2010-11	2009-10
Balances with other Central Government bodies	(14,195)	(10,865)
Balances with Public Corporations and Trading Funds	(544)	-
Balances with bodies external to Government	(3)	(547)
As at 31 March	**(14,742)**	**(11,412)**

17 Provision for pension liabilities

The United Kingdom Atomic Energy Authority pension scheme is a combination of three unfunded defined benefit public service pension schemes. This statement is based on a full actuarial valuation of the CPS, the PNISS and the PPSS carried out as at 31 March 2006 by the Government Actuary's Department (GAD), updated approximately for the subsequent financial years to reflect known changes, which have occurred over the period 31 March 2006 to 31 March 2011. 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 to 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 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007
	%	%	%	%	%
Rate of increase in salaries	4.9	4.3	4.3	4.3	4.3
Rate of increase in pensions in payment and deferred pensions	2.7	2.8	2.8	2.8	2.8
Rate of RPI inflation*	3.4	2.8	2.8	2.8	2.8
Rate of CPI inflation*	2.7	-	-	-	-
Discount rate	5.6	4.6	6.0	5.3	4.6

* Most pension benefits under the scheme are increased in line with inflation. On 22 June 2010 The Government announced that future pension increase would be based on the Consumer Price Index (CPI) measure of inflation.

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

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.

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 17.4. 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.

17.1 Analysis of movements in the scheme liability

		2010-11	2009-10
	Note	**£000**	**£000**
Scheme liability at 1 April		(5,993,645)	(4,691,775)
Current service cost	9	(31,638)	(29,677)
Past service cost	9	560,285	-
Interest on Scheme liability	12	(252,620)	(278,597)
Enhancements	10	(524)	(675)
Pension transfers in	11	(760)	(3,715)
Benefits payable	17.2	195,144	187,428
Pension payments to and on account of leavers	17.3	6,584	4,378
Actuarial gain/(loss)	17.4	389,871	(1,181,012)
Scheme liability at 31 March		**(5,127,303)**	**(5,993,645)**

17.2 Analysis of benefits paid

	2010-11	2009-10
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	168,245	164,993
Commutations and lump sum benefits on retirement	26,177	21,170
Death in service benefits	722	1,265
Per cash flow statement	**195,144**	**187,428**

17.3 Analysis of payments to and on account of leavers

	2010-11	2009-10
	£000	£000
Refunds to members leaving service	594	685
Group transfers to other schemes	3,619	771
Individual transfers to other schemes	2,371	2,922
Per statement of Cash Flows	**6,584**	**4,378**

17.4 Analysis of actuarial gain/(loss)

	2010-11	2009-10
	£000	£000
Experience gains/(losses) arising on the Scheme liabilities	83,293	130,964
Changes in assumptions underlying the present value of Scheme liabilities	306,578	(1,311,976)
Per Statement of Changes in Taxpayers Equity	**389,871**	**(1,181,012)**

17.5 History of Experience gains/(losses)

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

18 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 is 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.

19 Contingent liabilities disclosed under IAS 37

There are no Contingent Liabilities at 31 March 2011.

20 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.

21 Events after the Reporting Period

As outlined in note 9, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

The Accounting Officer of the Department has authorised these Accounts to be issued on 14 July 2011.

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