# Department for International Development

# Overseas Superannuation Resource Accounts 2009-10

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

LONDON: The Stationery Office
25 November 2010
HC 432
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# Department for International Development

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**(For the year ended 31 March 2010)**

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# Contents

# Report of the Managers

## Introduction

These accounts are a scheme statement for Overseas Superannuation payments made by the Department for International Development (DFID). They conform as far as possible to the provisions of the Statement of Recommended Practice for Financial Reports of Pension Schemes (revised May 2007).

Overseas Pensions Department (OPD), an executive department of DFID, is responsible for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service. OPD is also responsible for the formulation of the British Government's policy on overseas pensions and UK pension increase supplements.

All payments are treated as Annually Managed Expenditure.

The Minister with responsibility for pensions is Alan Duncan, Minister of State for International Development. The Scheme Manager is Peter Brough, Head of OPD.

OPD produces an Annual Report of its business at the end of June each year. This is available via DFID's website, www.dfid.gov.uk.

## Management Commentary

The activities reported on in these accounts mainly derive from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions to certain former colonial civil servants; and a 1970 announcement that the British Government would assume responsibility from overseas governments for the payment of pensions due to expatriate colonial civil servants who had mainly been appointed by or on behalf of the Secretary of State for the Colonies.

The element of these pensions arising from service after independence, together with certain widows' pensions, are financed from capital sums which were paid over to the British Government by the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element, and the cost of those widows' and dependants' pensions that do not derive from a funded scheme.

Pensions and related benefits included in these statements are paid in sterling from over one hundred different pension schemes that have been set up under the following Acts of Parliament:

- Overseas Pensions Act 1973;
- Pensions (Increase) Act 1971, as amended;
- Hong Kong (Overseas Public Servants) Act 1996; and
- UK Police and Firemen Acts.

All but one of the schemes are non-contributory: the Indian Military Widows' and Orphans' Scheme, still receives contributions from its members. There are now 40 officers with a registered interest for a potential 41 beneficiaries.

### *Change in member numbers*

The schemes managed by OPD are all closed to new members; the number of pensioners falls each year. **Table 1** below shows the number of pensioners, pensions and the total number of payments made during the last three years.

**Table 1**

| | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|
| No. of Service Pensioners | 8,351 | 9,030 | 9,708 |
| No. of Dependants | 7,946 | 8,240 | 8,495 |
| Total No. of Pensioners | 16,297 | 17,270 | 18,203 |
| Total No. of Pensions | 34,456 | 36,570 | 38,646 |
| Total No. of Payments | 175,903 | 186,695 | 200,336 |

**Table 2** shows the percentage change in pensioner numbers and payments in the last three years

**Table 2**

| | 2009-10 % Change | 2008-09 % Change | 2007-08 % Change |
|---|---|---|---|
| No. of Service Pensioners | -7.5% | -7.0% | -6.5% |
| No. of Dependants | -3.6% | -3.0% | -3.6% |
| Total No. of Pensioners | -5.6% | -5.1% | -5.2% |
| Total No. of Pensions | -5.8% | -5.4% | -5.3% |
| Total No. of Payments | -5.8% | -6.8% | -4.4% |

Of the current 16,297 pensioners:

- 49 per cent are male;
- 68 per cent live in the UK; the remainder in 98 other countries;
- 87 per cent are paid monthly; 13 per cent quarterly;
- 99 per cent of those living in the UK – 95 per cent of pensions by value – are paid by Bankers Automated Clearing Service;
- Of the pensions paid overseas, 81 per cent by value are paid through automatic bank credit transfer, where that option is available;
- The average age of service pensioners is 81 years;
- The average age of dependent pensioners is 83 years; and
- The oldest pensioner is now 108 years of age, and there are 80 other centenarians on OPD's books.

Projections of pensioner numbers estimate that the life expectancy of the final pensioner will be until the middle of the century.

### *Service Standards*

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA). The SLA came into force in 1993 and was updated in 2007. OPD's aim is that its service should always be:

- Prompt;
- Efficient;
- Accurate;
- Helpful and courteous; and
- Responsive to those with special needs.

**Table 3** below shows performance against service standards. These figures are obtained from data held on our computer systems.

**Table 3**

| | SLA Target % | 2009-10 achieved % | 2008-09 achieved % |
|---|---|---|---|
| Accuracy of initial payment calculations | 97.50 | 99.95 | 100.00 |
| Accuracy of initial calculation of new and revised awards | 95.00 | 100.00 | 99.58 |
| Number of new awards put into payment within 2 weeks | 97.50 | 100.00 | 99.71 |
| Timeliness of payments by due date | 99.00 | 100.00 | 100.00 |
| Response to enquiries within 2 weeks of receipt | 99.00 | 100.00 | 100.00 |
| Response to complaints within 2 weeks of receipt | 95.00 | 100.00 | 100.00 |

OPD received a total of 17 complaints during 2009 -10 from pensioners or their agents, 1 of which was deemed by the Complaints Officer to have valid criticisms about OPD's service. In July 2009, a pensioner complained that she had received a reminder to return her Annual Declaration, whereas she had already done so. OPD had overlooked the processing of her form and had not registered its return on their internal database on a timely basis. OPD subsequently apologised to the pensioner and refunded £4.95 for the cost of sending the reminder declaration to OPD.

We investigate customer satisfaction with OPD's service through a questionnaire issued to every new pensioner within six months after his or her first payment. During 2009-10, OPD issued 310 questionnaires of which 133 (43 per cent) were returned. The main conclusions were that:

- 96 per cent of respondents rated OPD's service as either very good (78 per cent) or good;
- 95 per cent described OPD staff as helpful; and
- 99 per cent as efficient service (accurate and timely payment of benefit).

OPD keeps in contact with pensioners by means of an annual newsletter issued to all pensioners and issues an information booklet to every new pensioner.

### *Efficiency*

Our main measure of efficiency is the cost of OPD administration for each unit of activity. Targets are set in the SLA. The aim is to reduce running costs in line with the continuing reduction in pensioner numbers. Savings are calculated over a three-year period and based on those OPD costs which are directly associated with the award and payment of pensions. **Table 4** below shows performance against SLA target unit costs.

**Table 4**

| | 2009-10 Target Unit Cost | 2009-10 Actual | 2008-09 Actual |
|---|---|---|---|
| Per pensioner | £37.06 | £32.43 | £35.95 |
| Per pension | £17.51 | £15.34 | £16.98 |
| Per payment | £3.43 | £3.00 | £3.33 |

On average, unit costs were about 12.5 per cent inside target for this year.

***Information assurance***

Compared to some other Government departments, DFID does not normally manage large quantities of personal or sensitive data, but does so for Overseas Superannuation. When we do need to manage this data, we take our responsibilities very seriously, and have done so for many years. In 2007, we established a new governance structure within DFID for information security, assessed and monitored our information risks at Board level, and ensured compliance with relevant guidance and instructions from elsewhere in Government. DFID has had a secure remote working system based on encrypted laptop computers for home workers and travelling staff since 2003.

In March 2008, DFID achieved accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management. This was the result of a sustained effort over past years to improve our information security management.

DFID reported no incidents of the loss of any personal data to the Information Commissioner's Office in 2009/10 and the Information Commissioner made no findings against DFID for breach of Data Protection principles. No such incidents were reported in the previous five years.

***Financial Review***

The main factors affecting amounts paid to pensioners are centrally-determined decisions on indexation: about 92 per cent of total amounts paid are for index-linked increases and supplements on the basic pensions. Most pensions were increased by 5.0 per cent from 6 April 2009 in line with the increases paid on other UK public service pensions under the provisions of the Pension Increase Act 1971, as amended. Pensions paid in 2009-10 were £105.0 million (2008-09: £107.2 million). The Net Cash Requirement was £105.0 million (2008-09: £107.4 million).

Under IAS 19 *Employee Benefits*, a resource expense is shown in the Summary of Resource Outturn and the Revenue Account for the interest cost, increasing the discounted liabilities, because future benefit payments are one year closer to settlement. The interest cost is determined by the chosen discount rate and assumptions about price inflation. For 2009-10 liabilities were discounted at a nominal rate of 6.04 per cent based on the real discount rate of 3.2 per cent. The interest cost was £69.9 million (2008-09: £67.7 million). The assumptions used in the calculation of the interest cost reflect the financial basis which was applicable at the start of the financial year. As discussed below, the financial basis used for resource accounting purposes changed with effect from 31 March 2010, but this does not affect the calculation of the interest cost for 2009-10. Following the last full scheme valuation in March 2006, experience gains of £79.2m have accumulated over the period to 31 March 2010. As permitted under IAS19, we have recognised the element of the gain estimated to have accumulated over the period from March 2006 to March 2009 (£31.5m) at the start of this accounting period.

On 31 March 2010, the discount rate used to measure the scheme's liabilities was reduced from 3.2 per cent real to 1.8 per cent real. This resulted in an increase in the provision of £156.5 million (2008-09 reduction £74.5m). In line with guidance from HM Treasury, this is included as a movement in the Statement of Recognised Gains and Losses only, and does not affect the Statement of Parliamentary Supply or the Revenue Account.

Inflation assumptions were revised at 31 March 2010, resulting in a reduction in the provision for pension liabilities of £79.2 million (2008-09 increase £29.3 million). This is included as a movement in the Statement of Recognised Gains and Losses only, and does not affect the Statement of Parliamentary Supply or the Revenue Account.

DFID management have reviewed the assumptions used in the latest actuarial valuation update and are content that the assumptions are reasonable. Taking account of movements in the year the liability at 31 March 2010 was valued as £1,293 million (2008-09 : £1,241 million).

Primarily due to the pension provision, at 31 March 2010 the statement of financial position shows negative taxpayers' equity of £1,293 million (2008-09 : £1,242 million). In common with other obligations of government departments, the future financing of pension liabilities will be met from grants of Supply approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

OPD costs for managing pensions are part of DFID administrative expenditure and are included in the main DFID Departmental Resource Account. In 2009-10 administration costs were £833,330 (2008-09: £872,558).

The figure for the Net Cash Requirement was 4.5 per cent lower than the Estimate. The variance in the Net Cash Requirement from Estimate reflects the lower than forecast payments to pensioners in the year.

**Table 5** below shows a reconciliation of resource expenditure outturn between Estimates, Accounts and Budgets.

| **£000** | **2009-10** | **2008-09** |
|---|---|---|
| **Net Resource Outturn (Estimates)** | **71,414** | **67,701** |
| Savings on actual outturn compared with Estimate | (1,494) | - |
| **Net Operating Cost (Accounts) and Resource Budget Outturn (Budget)** | **69,920** | **67,701** |
| *of which:* | | |
| Departmental Expenditure Limit (DEL) | - | - |
| Annually Managed Expenditure (AME) | **69,920** | **67,701** |

***Audit arrangements***

The accounts are audited by the Comptroller and Auditor General. Through her staff, DFID's 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 auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

### *Management Board*

The Management Board of DFID has the responsibility for the governance and control of the Overseas Superannuation Scheme.

DFID currently has a seven member Management Board:

- Nemat Shafik, Chair (appointed to current position in March 2008; appointed to Board in September 2002);
- Mark Lowcock, Director General, Country Programmes (appointed to current position in April 2008; appointed to Board in April 2003);
- Richard Calvert, Director General, Corporate Services (appointed to current position in August 2009, appointed to Board in August 2009);
- Michael Anderson, Director General, Policy and Research (appointed to current position in April 2010; appointed to Board in April 2010);
- David MacLeod, Non-Executive Director (appointed to Board in November 2007); and
- Doreen Langston, Non-Executive Director and chair of Audit Committee (appointed to Board in January 2008).

On 31 March 2010 Andrew Steer left his position as Director General, Policy and Research and in May 2010 Martin Dinham left his position as Director General, International. In August 2010 Sam Sharpe left his position as Director, Finance and Corporate Performance.

The Permanent Secretary appoints members to the Management Board. Those who are also civil servants serve under the terms of the Senior Civil Service Contract.

### *Principal risks and uncertainties*

The key risk which the Superannuation Scheme faces is the continued (unauthorised) payout of pension benefits after a member has died. To mitigate against this risk, the Scheme requires all members to complete and return a signed annual declaration confirming their identity. Further details are provided in the Statement of Internal Control.

### *Events after the reporting period*

The Department for International Development Overseas Superannuation Resource Accounts are laid before the Houses of Parliament by HM Treasury. IAS 10 *Events after the reporting period* requires the Department for International Development Overseas Superannuation Resource Accounts to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are certified by the Comptroller and Auditor General.

### *Non adjusting events after the reporting period*

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Overseas Superannuation Pension Scheme.

## Managers and Advisers

| | |
|---|---|
| ***Accounting Officer*** | Nemat Shafik<br>Accounting Officer for the Overseas Pension Schemes<br>Department for International Development<br>1 Palace Street<br>London SW1 5HE |
| ***Managers*** | Overseas Pensions Department (OPD)<br>Department for International Development (DFID)<br>East Kilbride G75 8EA |

### *Advisers*

| | |
|---|---|
| Pension Scheme Actuary: | Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB |
| Bankers: | Office of Paymaster General, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH |
| | Royal Bank of Scotland plc, London Corporate SC, PO Box 39952, 2 1/2 Devonshire Square London EC2M 4XJ |
| | Citibank, N A Citigroup Centre, Canada Square, Canary Wharf, London E15 5LB |
| Legal Advisers: | Office of the Solicitor to the Advocate General for Scotland, Victoria Quay, Edinburgh EH6 6QQ |

### *Auditors*

| | |
|---|---|
| Auditors: | The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP |

## Further Information

An explanatory booklet "A Guide to Your Pension" is issued to all new pensioners. The booklet contains details of the standard of service they can expect to receive from Overseas Pensions Department and general information on the administration of their pensions, including dispute resolution procedures. A copy of the Guide and other general information is found on DFID's web site, www.dfid.gov.uk.

Any enquiries about the Overseas Superannuation Resource Account can be addressed to:

The Scheme Manager
Overseas Pensions Department
Department for International Development
East Kilbride
G75 8EA

*Nemat Shafik*
Principal Accounting Officer for the Department for International Development and Accounting Officer for the Overseas Pension Schemes

12 November 2010

# Report of the Actuary

## Pension Schemes administered by the Department for International Development

Accounts for the year ended 31 March 2010

### 1. Liabilities

The capitalised value as at 31 March 2010 of expected future benefit payments under the Department for International Development (DFID) pension schemes has been assessed using the methodology and assumptions described in Sections 3 and 4 below. The current liabilities for benefits accrued in respect of employment (or former employment) prior to 31 March 2010 (and in respect of future benefit accruals of active members) are estimated to be £1,293 million. The contingent liabilities are estimated to be £128 million.

### 2. Accruing costs

There are few active members in the schemes, and the schemes are closed to new entrants. The value of the liabilities includes allowance for the future service of active members up to retirement age and so there is no additional annual accrual in respect of active members.

### 3. Methodology

The value of liabilities has been obtained by discounting the expected future pension payments, allowing for assumed pension increases and mortality.

### 4. Assumptions

The principal financial assumption adopted to assess the liabilities is a discount rate of 1.80 per cent per year in excess of price increases (most pension benefits under the scheme are increased annually in line with price changes). The assumed nominal discount rate is 4.60 per cent. The mortality assumptions are based on standard UK mortality tables for pensioners, allowing for future improvements in line with expected population trends.

### 5. Notes

(1) The results in this report are based on an actuarial valuation using individual membership data as at 31 March 2010.

(2) The membership data taken into account in this assessment are those provided by DFID, the scheme administrators. No data was provided for contingent pensions which are associated with pensions currently in payment – an approximate allowance has been made for these liabilities. No data was provided for contingent pensions not associated with a pension currently in payment – such liabilities have not been valued.

***Stephen Humphrey***
***Actuary***

Government Actuary's Department
London
4 June 2010

# Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The financial statements are prepared on an accruals basis and must show a true and fair view of the financial transactions of the combined schemes during the year and the disposition, at the end of the financial year, of the combined 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 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 me, as Permanent Secretary, Principal Accounting Officer of the Department and also Accounting Officer for the Overseas 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 Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

*Nemat Shafik*
Principal Accounting Officer for the Department for International Development and Accounting Officer for the Overseas Pension Schemes

12 November 2010

# Statement on Internal Control

## 1. Scope of Responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Department for International Development (DFID) whilst safeguarding the public funds for which I am personally responsible in accordance with the responsibilities assigned to me in Managing Public Money. As Accounting Officer for the Overseas Pensions Scheme I have particular responsibility for the activities carried out through DFID's Overseas Pensions Department (OPD).

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental 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 in DFID and OPD for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and accords with Treasury Guidance.

## 3. Capacity to handle risk

DFID's capacity to handle risk is set out in the Statement on Internal Control in DFID's Departmental Resource Account. This includes the overall responsibility of the Management Board in respect of risk management, and details of the integration of risk management throughout the Department.

## 4. The risk and control framework

DFID's processes for identifying, evaluating and managing risk are set out in the Statement on Internal Control in DFID's Departmental Resource Account. These processes include the identification, evaluation and review of risk by the Management Board. Risks associated with the work of OPD do not figure among the strategic and policy risks monitored by the Board.

The Director, Financial and Corporate Performance Division (FCPD), is accountable to the Management Board for the work of OPD and for associated risks. He has prepared an annual delivery plan which includes consideration of these risks.

Control of risk is partly exercised through setting of performance standards for OPD in a Service Level Agreement (SLA). The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review.

In OPD, consistent compliance with prescribed procedures is promoted and supported through general and OPD-specific guidance manuals, training programmes, help desks and central scrutiny and checks. OPD has in place controls to address the risk that pensions continue in payment after the death of beneficiaries. OPD also has contingency plans in place to respond to threats to key information systems and, where possible, to maintain continuity of operations.

In relation to information assurance and personal data security, DFID has maintained its accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management. DFID complies with the mandatory minimum measures for data handling in Government. DFID has a Senior Information Risk Owner who reports to the Management Board on information risk, and monitors those risks at least quarterly through the Information Security Management Group. There were no incidents of the loss of any personal data to report to the Information Commissioner's Office in 2009/10, although we recognise that there is a continuing need to maintain a high level of staff awareness of the Data Protection Act and their responsibilities.

### 5. 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 DFID, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in the management letter and other reports.

A key risk that Overseas Superannuation Pension Scheme faces is making continued pension payments following the death of a pensioner. To mitigate against this risk the scheme requires all members / beneficiaries to complete and return a signed annual declaration confirming their identity. During the year, one case of suspected fraud has been identified. DFID was notified in April 2009 of the death of a pensioner who was resident in Spain. Following a request for the Death Certificate it was subsequently discovered by DFID that the date of death was actually December 2007 and that a fraud appears to have been perpetrated whereby a 3rd party had forged the 2008 annual declaration in order to continue receiving payments. The 3rd party died in March 2009 and following this, the pensioner's partner informed DFID of the death of the pensioner in April 2009. The amount overpaid between December 2007 and March 2009 was £26,644. DFID is actively pursuing recovery from the estate of the third party and the matter has been notified to Internal Audit and the Police.

The Director, Finance and Corporate Performance Division (FCPD) has provided me with an annual assurance certificate covering identification and management of risk and an assurance on compliance with management and control systems within his Division. His assurance statement is informed by my review of OPD systems for performance management and compliance with control systems.

Over the course of the year, the internal audit function of DFID selects a random sample of departments to review. OPD was not selected during 2009-10.

### 6. Significant internal control issues

The Audit Committee have advised me on the implications of the results of my review of the effectiveness of the system of internal control in DFID. In 2009-10 the Overseas Superannuation Pension Scheme potentially had an Excess Vote of expenditure over the amount estimated for the pension scheme interest expense. An Excess Vote occurs where expenditure for the year exceeds the limit imposed by Parliament. The limit on expenditure is approved through the Estimate agreed by Parliament each year. The approved expenditure limit reflected in the Parliamentary Estimate for 2009-10 was based on a projected interest expense determined in April 2009, prior to finalising the value of the pension liabilities at 31 March 2009. The liabilities at 31 March 2009, when finalised, were higher than had been projected when the Parliamentary Estimate was agreed and consequently the interest on scheme liabilities for 2009-10 was £409,000 higher than the approved Parliamentary Estimate. DFID did not have systems or controls in place to detect this issue during the 2009-10 year.

After the issue was identified during the preparation of the 2009-10 accounts, DFID requested the scheme actuary to determine if any actuarial gains had arisen in the period from the last full valuation at 31 March 2006 to 31 March 2009. The actuary's review identified that there were £79 million of experience gains for the period from 1 April 2006 to 31 March 2010 of which £31.5 million had been achieved by 31 March 2009. The experience gains arose due to differences between the actual scheme membership at 31 March 2009 compared to projected membership based on the actuarial assumptions applied in the years since the last full scheme valuation. The actuary recognised these experience gains achieved in calculating the valuation of scheme liabilities at 1 April 2009. The valuation of scheme liabilities was then incorporated into the interest expense calculation for 2009-10 and had the effect of reducing the interest expense for 2009-10 from £71.8 million to £69.9 million which was less than the Parliamentary Estimate.

In order to avoid this risk in future we plan to amend the Estimate monitoring process to ensure that the future risk of excess expenditure over the gross Estimate provision is minimised. This will include attributing a greater level of potential sensitivity to actuarial assumptions when determining the amount entered on the Main Estimate and Supplementary Estimates as Overseas Superannuation Pension Scheme's requirement for resource to meet the interest expense on liabilities. In addition we will monitor the deviation from planned actuarial assumptions to actual assumptions in the intermittent periods between full valuations.

*Nemat Shafik*
Principal Accounting Officer for the Department for International Development and Accounting Officer for the Overseas Pension Schemes

12 November 2010

## 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 Department for International Development Overseas Superannuation Account for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Statement of Financial Position, the 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 Report of the Managers and the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.
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 Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2010 and of the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on other matters

In my opinion:

- the information given in Management Commentary contained in the Report of the Managers for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or 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 18 November 2010

Comptroller and Auditor General
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

**Statement of Parliamentary Supply**
**Summary of Resource Outturn 2009-10**

| | Estimate | | | 2009-10 £000 Outturn | | | | 2008-09 £000 Outturn |
|---|---|---|---|---|---|---|---|---|
| | Gross Expenditure | A in A | Net Total | Gross Expenditure | A in A | Net Total | Net total compared with Estimate: saving/ (excess) | Net Total |
| **Request for Resources Overseas Superannuation** | | | | | | | | |
| Pensions expense | 71,419 | 5 | 71,414 | 69,925 | 5 | 69,920 | 1,494 | 67,701 |
| **Total (Note 4)** | **71,419** | **5** | **71,414** | **69,925** | **5** | **69,920** | **1,494** | **67,701** |

**Summary of net cash requirement 2009-10**

| | Estimate | Outturn | 2009-10 £000 Outturn Net total compared with Estimate: saving/ (excess) | 2008-09 £000 Outturn |
|---|---|---|---|---|
| Net Cash Requirement (Note 5) | 109,995 | 105,042 | 4,953 | 107,405 |

**Summary of income payable to the Consolidated Fund**

In addition to appropriations-in-aid the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics):

| | Forecast 2009-10 | | Outturn 2009-10 | |
|---|---|---|---|---|
| | £000 Income | £000 *Receipts* | £000 Income | £000 *Receipts* |
| Total (Note 6) | - | - | - | - |

Explanations of variances against Estimate are provided in the Financial Review within the Report of the Managers.

The Notes on pages 19-26 form part of these accounts

## Revenue Account
## for the year ended 31 March 2010

| | Note | 2009-10 £000 | 2008-09 £000 |
|---|---|---|---|
| **Income** | | | |
| Other receipts | | (5) | (5) |
| **Total income** | | (5) | (5) |
| **Outgoings** | | | |
| Interest on scheme liabilities | 11a | 69,924 | 67,705 |
| Other expenditure | | 1 | - |
| **Total outgoings** | | 69,925 | 67,705 |
| **Net outgoings for the year** | 4 | **69,920** | **67,700** |

All expenditure is classified as Grants from Annually Managed Expenditure

## Statement of Recognised Gains and Losses
## for the year ended 31 March 2010

| | | 2009-10 £000 | 2008-09 £000 |
|---|---|---|---|
| (Loss) / gain due to change in discount rate | 11 b | (156,509) | 74,457 |
| Loss due to change in mortality assumptions | 11 b | (9,465) | - |
| Experience gain / (loss) arising on scheme liabilities | 11 b | 79,206 | (29,293) |
| **Recognised (losses) / gains for the financial year** | | **(86,768)** | **45,164** |

**Statement of Financial Position**
**as at 31 March 2010**

| | *Note* | **2010 £000** | **2009 £000** | **2008 £000** |
|---|---|---|---|---|
| **Current assets** | | | | |
| Receivables | 8 | 310 | 213 | 183 |
| Cash and cash equivalents | 9 | 3,122 | 3,004 | 2,329 |
| **Total** | | **3,432** | **3,217** | **2,512** |
| **Payables – amounts falling due within one year** | | | | |
| Payables | 10 | (1,142) | (1,118) | (1,310) |
| Consolidated fund for unused supply | 10 | (3,122) | (3,004) | (2,329) |
| **Total** | | (4,264) | (4,122) | (3,639) |
| **Net current liabilities, excluding pension liability** | | **(832)** | **(905)** | **(1,127)** |
| Pension Liability | 11a | (1,292,622) | (1,240,903) | (1,325,549) |
| **Net liabilities** | | **(1,293,454)** | **(1,241,808)** | **(1,326,676)** |
| **Taxpayers' equity** | | | | |
| **General fund** | 12 | (1,293,454) | (1,241,808) | (1,326,676) |
| | | **(1,293,454)** | **(1,241,808)** | **(1,326,676)** |

**Nemat Shafik** **12 November 2010**
**Accounting Officer for the Overseas Pension Schemes**

**Statement of Cash Flows**
**for the year ended 31 March 2010**

| | Note | 2009-10 £000 | 2008-09 £000 |
|---|---|---|---|
| Cash flows from operating activities | 13(a) | (105,042) | (107,404) |
| Receipts due to the Consolidated Fund outside the scope of the Department's activities | | - | - |
| Cash Flows from Net Parliamentary Financing | 13(b) | 105,160 | 108,080 |
| Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | 118 | 676 |
| Payments of amounts due to the Consolidated Fund | | - | (1) |
| **Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund** | 13(c) | **118** | **675** |
| **Cash and cash equivalents at the beginning of the period** | 9 | 3,004 | 2,329 |
| **Cash and cash equivalents at the end of the period** | 9 | 3,122 | 3,004 |

**Notes to the Scheme Statements**
**for the year ended 31 March 2010**

## 1 Basis of preparation and coverage

1.1 This is the first year the resource accounts have been prepared under International Financial Reporting Standards (IFRS). The adoption of IFRS has not resulted in any changes to the figures reported in the prior years' resource accounts. The scheme statements have been prepared in accordance with the relevant provisions of the 2009-10 International Government Financial Reporting Manual (FReM) issued by HM Treasury which reflects the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These accounts also follow the provisions of the Government Resources and Accounts Act 2000.

1.2 Following the adoption of IFRS, management has taken the decision to recognise actuarial gains, relating to the opening liability, at start of the financial period, rather than at the end, in line with IAS 19 *Employee benefits*. There have been no other changes in accounting treatment from last year. In addition to the primary statements prepared under IFRS, the FreM also requires the scheme to prepare an additional statement – a Statement of Parliamentary Supply. This, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.3 The scheme statements summarise the transactions of the superannuation scheme which acts as a principal. The Statement of Financial Position shows the deficit on the scheme; the Revenue Account shows, amongst other things, the movements in the liability analysed between the pension cost and the interest on the scheme liability. A full actuarial valuation of the schemes is carried out every four years and a summary of the actuarial position of the pension scheme is set out in the Report of the Actuary on page 8. The scheme statement should be read in conjunction with that report.

1.4 The statements are mostly non-contributory defined benefit pension schemes, for colonial civil and military officers and their dependants, managed by Overseas Pensions Department (OPD) of the Department for International Development (DFID). A fuller description of the schemes is in the Report of the Managers on pages 1 to 7.

1.5 The administration costs of OPD are part of those of the Department for International Development and are included in the DFID Departmental Resource Account, as is the cost of audit of these statements by the Comptroller and Auditor General. The Report of the Managers includes information on administration costs and efficiency.

## 2. First time adoption of IFRS

This is the first year the resource accounts have been prepared under International Financial Reporting Standards. No adjustments were required to the last published Resource Accounts, prepared in accordance with UK GAAP. In addition, the adoption of IFRS has not resulted in any changes to the cash flow statement reported in the prior years' Resource Accounts.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in Spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to changes other than IFRS were included in the Estimates in line with conventional arrangements.

| | General Fund £000 |
|---|---|
| Taxpayers' equity at 31 March 2009 under UK GAAP | 1,241,808 |
| Taxpayers' equity at 1 April 2009 under IFRS | **1,241,808** |

| | £000 |
|---|---|
| Net operating cost for 2008-09 under UK GAAP | 67,700 |
| Net operating cost for 2008-09 under IFRS | **67,700** |

## 3 Accounting Policies

3.1 Provision is made for liabilities to pay pensions and other benefits in the future. The schemes' liabilities are measured on an actuarial basis using the projected unit method and are discounted at 3.2 per cent real. The discounted rate is determined by HM Treasury. On 31 March 2010, the discount rate was reduced from 3.2 per cent real to 1.8 per cent real. The increase in the pension liability as a result of this change was recognised as a movement in reserves in the Statement of Recognised Gains and Losses.

3.2 The discount rate is reviewed annually by HM Treasury using market conditions at 31 January of the current financial year. The rate of 1.8 per cent is based on advice from the Government Actuary's Department (GAD) on the real yield implied from AA corporate bond rates as at 29th January 2010.

3.3 The Revenue Account recognises the change in the scheme liability during the year other than from payment of pensions. The charge is calculated as 6.04 per cent (3.2 per cent real plus inflation) of the opening balance, plus 6.04 per cent of the movements in the year (assumed to accrue evenly during the year), including liabilities assumed in the year but excluding the interest charge and any actuarial gains and losses.

3.4 Pension benefits payable are accounted for as a decrease in the schemes' liabilities on an accruals basis.

3.5 Full actuarial valuations of the schemes' liabilities are prepared every four years by GAD. Between these valuations the Actuary reviews the most recent valuation at the Statement of Financial Position date and updates it as necessary to reflect current conditions. Actuarial gains and losses arising from valuations and reviews are recognised in the Statement of Recognised Gains and Losses for the year.

3.6 DFID acts as an agent in making certain payments to pensioners using funds provided by other Government. Liability remains with the governments and is not part of the Statement of Financial Position pension liability.

3.7 DFID becomes the Police Authority for the purposes of the Police Pensions Scheme for police officers seconded from their home forces to police services of UK Overseas Territories. At the end of secondments, transfer values representing the cost of the police officers' accrued pension entitlements during the secondment period may be payable to seconding forces and are claimable from the overseas government. Claims and liabilities are recognised on a provisional basis in the Statement of Financial Position at the end of secondments and adjusted when final settlements are paid or received.

3.8 Cash balances held in an account at the Paymaster General, Royal Bank of Scotland plc and Citibank for payover to HMRC for pensioners' tax liabilities are included in cash balances (Note 9).

## 4 Reconciliation of net resource outturn to net outgoings

| | | | 2009-10 | 2008-09 |
|---|---|---|---|---|
| | | | £000 | £000 |
| | Supply Estimate | Outturn | Outturn compared with Estimate | Outturn |
| Net resource outturn | 71,414 | 69,920 | 1,494 | 67,701 |
| Income not resource A-in-A | - | - | - | (1) |
| **Net Outgoings** | **71,414** | **69,920** | **1,494** | **67,700** |

For accounting purposes, the effects of the change in the discount rate are reflected through reserves and not recognised in the Revenue account.

## 5 Reconciliation of resources to cash requirement

| | Note | Estimate | Outturn | 2009-10 £000 Net total Outturn compared with Estimate | 2008-09 £000 Outturn |
|---|---|---|---|---|---|
| **Net resource outturn** | | 71,414 | 69,920 | 1,494 | 67,701 |
| Accruals adjustments: | | | | | |
| Addition to pension provision | 11a | (71,419) | (69,924) | (1,495) | (67,705) |
| Use of pension provision | 11a | 110,000 | 104,973 | 5,027 | 107,187 |
| Changes in working capital other than cash | | - | 73 | (73) | 222 |
| **Net cash requirement** | | **109,995** | **105,042** | **4,953** | **107,405** |

## 6 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)

| | Forecast 2009-10 £000 | | Outturn 2009-10 £000 | |
|---|---|---|---|---|
| | Income | *Receipts* | Income | *Receipts* |
| Operating income and receipts - excess A-in-A | - | - | - | - |
| Other operating income and receipts not classified as A-in-A | - | - | - | - |
| | - | - | - | - |
| Other amounts collectable on behalf of the Consolidated Fund | - | - | - | - |
| Excess cash receipts to be surrendered | - | - | - | - |
| **Total income payable to the Consolidated Fund** | **-** | **-** | **-** | **-** |

## 7 Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

| | 2009-10 £000 | 2008-09 £000 |
|---|---|---|
| Operating income | 5 | 5 |
| Income authorised to be appropriated in aid | (5) | (4) |
| **Operating income payable to the Consolidated Fund** | - | **1** |

## 8 Receivables - contributions due in respect of pensions

| | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|
| **Analysis by type** | **£000** | **£000** | **£000** |
| **Amounts falling due within one year:** | | | |
| Other receivables (non-government) | 310 | 213 | 183 |
| | **310** | **213** | **183** |

| 9 | **Cash and cash equivalents** | **2009-10 £000** | **2008-09 £000** | **2007-08 £000** |
|---|---|---|---|---|
| | Balance at 1 April | 3,004 | 2,329 | 1,477 |
| | Net change in cash balances | 118 | 675 | 852 |
| | **Balance at 31 March** | **3,122** | **3,004** | **2,329** |
| | The following balances at 31 March were held at: | | | |
| | Office of HM Paymaster General | 3,122 | 3,004 | 2,329 |
| | **Balance at 31 March** | **3,122** | **3,004** | **2,329** |
| | Analysis of cash balances | | | |
| | Consolidated Fund for unspent supply (Note 10(b)) | 3,122 | 3,004 | 2,329 |
| | | **3,122** | **3,004** | **2,329** |

| 10 | **Payables - in respect of pensions** | **2009-10 £000** | **2008-09 £000** | **2007-08 £000** |
|---|---|---|---|---|
| 10(a) | **Analysis by type** | | | |
| | **Amounts falling due within one year:** | | | |
| | **Payables:** | | | |
| | Inland Revenue (other central government) | (1,077) | (1,053) | (1,245) |
| | Other payables (non-government) | (65) | (65) | (65) |
| | | **(1,142)** | **(1,118)** | **(1,310)** |
| | **Consolidated Fund (CF) payables:** | | | |
| | Supply issued and not used (Note 10(b)) | (3,122) | (3,004) | (2,329) |
| | | **(3,122)** | **(3,004)** | **(2,329)** |
| | **Total: Operating and Consolidated Fund** | **(4,264)** | **(4,122)** | **(3,639)** |
| 10(b) | **CF Creditor for unused Supply** | | | |
| | 2009-10 Supply drawn down | (105,160) | (108,080) | (113,026) |
| | "Deemed" supply (retained from the previous year) | (3,004) | (2,329) | (1,477) |
| | | (108,164) | (110,409) | (114,503) |
| | Net Cash Requirement (Note 5) | 105,042 | 107,405 | 112,174 |
| | **Supply payable** | **(3,122)** | **(3,004)** | **(2,329)** |
| | ***Actual Supply payable*** | ***£3,121,911.69*** | ***£3,003,548.15*** | ***£2,328,920.18*** |
| 10(c) | **Other Consolidated Fund Extra Receipt (CFER) items** | | | |
| | Held at 1 April | - | - | - |
| | Arising during the year | - | (1) | (1) |
| | Paid over during the year | - | 1 | 1 |
| | **Held at 31 March** | - | - | **-** |
| | ***Actual other CF payable / (receivable)*** | ***£343.28*** | ***£91.24*** | ***(£75.57)*** |

## 11 Provisions for Pension Liabilities

### 11(a) Analysis of movements in scheme liabilities

| | 2009-10 £000 | 2008-09 £000 | 2007-08 £000 |
|---|---|---|---|
| **Scheme liability at 1 April** | **(1,240,903)** | **(1,325,549)** | **(1,323,099)** |
| Interest on scheme liability | (69,924) | (67,705) | (58,324) |
| Benefits payable | 104,973 | 107,187 | 111,635 |
| Actuarial (loss) / gain | (86,768) | 45,164 | (55,761) |
| **Scheme liability at 31 March** | **(1,292,622)** | **(1,240,903)** | **(1,325,549)** |

### 11(b) Analysis of actuarial (loss) / gain

| | 2009-10 £000 | 2008-09 £000 | 2007-08 £000 |
|---|---|---|---|
| Experience gain / (loss) arising on scheme liabilities (6.13% of year end liability ; 2008-09 2.36% of year end liability) | 79,206 | (29,293) | (14,843) |
| Loss due to change in mortality assumptions | (9,465) | - | (94,418) |
| (Loss) / gain due to change in discount rate | (156,509) | 74,457 | 53,500 |
| **Per Statement of Recognised Gains and Losses** | **(86,768)** | **45,164** | **(55,761)** |

### 11(c) History of experience gains / (losses)

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Experience gains / (losses) on the scheme liabilities | | | | | |
| Amount (£m) | 79 | (29) | (15) | (14) | 3 |
| Percentage of the present value of the scheme liabilities | 6.13% | 2.36% | 1.12% | 1.05% | 0.26% |
| Total amount recognised in statement of recognised gains and losses | | | | | |
| Amount (£m) (1) | 79 | (29) | (15) | (14) | 3 |
| Percentage of the present value of the scheme liabilities | 6.13% | 2.36% | 1.12% | 1.05% | 0.26% |

(1) Following finalisation of the 31 March 2010 actuarial valuation, the interest expense for 2009-10 was £409,000 higher than originally forecast at the beginning of the year. The inclusion of the higher expense would have led to expenditure in excess of the expenditure limit approved by Parliament for 2009-10. Following an investigation by the scheme actuary of the reasons for the variation in interest expense it was identified that £31.5 million of the experience gain of £81 million for the period from 1 April 2006 to 31 March 2010, shown above, had occurred by 31 March 2009. This was due to differences between the actual membership data at 31 March 2009 compared to the projected scheme membership based on the actuarial assumptions applied in the years since the last full scheme valuation. It was agreed that the £31.5 million actuarial gain should be recognised on 1 April 2009 rather than all the gain being recognised at the end of the year. Accordingly, the scheme actuary used the revised estimate of opening scheme liabilities as the basis for the calculation of the 2009-10 interest on scheme liabilities. This had the impact of reducing the interest expense for 2009-10 from £71.8 million to £69.9 million, as shown above.

The Statement on Internal Control explains this issue in more detail and also highlights how DFID aims to prevent this issue reoccurring.

**11(d) Actuarial assumptions and valuation**

The schemes included in these statements are unfunded defined benefit schemes. The Government Actuary's Department carried out a full actuarial valuation of the schemes as at 31 March 2010. The major financial assumptions used by the Actuary were:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Rate of increase in salaries | n/a | n/a | n/a | n/a | n/a |
| Rate of increase in pensions in payment and deferred pensions (%) | 2.75 | 2.75 | 2.75 | 2.75 | 3.40 |
| Inflation assumption (long term) (%) | 2.75 | 2.75 | 2.75 | 2.75 | 3.40 |
| Inflation assumption (short term) (%) | 2.75 | 2.75 | 2.75 | 2.75 | 2.50 |
| Discount | 1.80 | 3.20 | 2.50 | 1.80 | 2.80 |

Current baseline mortality rates have been assumed to be in line with the standard mortality tables listed below. The PMA92 and PFA92 mortality tables (for males and females respectively) are published by Continuous Mortality Investigation Bureau (CMIB) of the Institute of Actuaries and the Faculty of Actuaries.

Mortality tables
Member pensioners - men PMA92
Member pensioners - women PFA92
Dependant pensioners - men PMA92
Dependant pensioners - women PFA92

The current baseline rates of mortality are assumed to improve in future in line with the central projections for population mortality published by the Office for National Statistics. The effect of the change in mortality assumptions on the pension liabilities is shown above.

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 *Employee Benefits* , 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 Government Actuary's Department. The inflation assumption reflects the long-term assumption for RPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the rate 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.

The scheme managers are responsible for providing the Actuary with the information he needs to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership data, including age and gender profiles;
- the benefit payable, including the member's pension and any spouse's pension;
- the scheme's income and expenditure; 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.

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 far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about future mortality.

The value of the liability included 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 rate of inflation, then the value of the pension scheme 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 above. This also reports “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.

## 12 General Fund

| | | 2009-10 £000 | 2008-09 £000 | 2007-08 £000 |
|---|---|---|---|---|
| **Balance At 1 April** | | **1,241,808** | **1,326,676** | **1,324,771** |
| Outgoings for the year (Revenue Account) | | 69,920 | 67,700 | 58,317 |
| Actuarial gains and losses (SRGL) | | 86,768 | (45,164) | 55,761 |
| Financing | | | | |
| Supply issued in 2009-10 | (105,160) | | (108,080) | (113,026) |
| Supply re-issued (Note 10) | (3,004) | | (2,329) | (1,477) |
| *Less:* Supply creditor (Note 10) | 3,122 | | 3,004 | 2,329 |
| Net Financing in the year | | (105,042) | (107,405) | (112,174) |
| Operating income payable to the Consolidated Fund | | - | 1 | 1 |
| Change in General Fund during the year | | 51,646 | (84,868) | 1,905 |
| **Balance at 31 March** | | **1,293,454** | **1,241,808** | **1,326,676** |

## 13 Notes to the cash flow statement

### 13(a) Reconciliation of net outgoings to operating cash flows

| | 2009-10 £000 | 2008-09 £000 |
|---|---|---|
| Net outgoings for the year | (69,920) | (67,700) |
| Increase / ( decrease) in long term pension liability | 69,924 | 67,705 |
| Benefits paid and payable | (104,973) | (107,187) |
| (Increase) / decrease in receivables | (97) | (30) |
| *less: movements in receivables for items not passing through the revenue account* | - | - |
| Increase/ (decrease) in payables | 142 | 483 |
| *less: movements in payables for items not passing through the revenue account* | (118) | (675) |
| **Net cash outflow from operating activities** | **(105,042)** | **(107,404)** |

### 13(b) Analysis of Net Parliamentary financing

| | 2009-10 £000 | 2008-09 £000 |
|---|---|---|
| From the Consolidated Fund (Supply) - current year | 105,160 | 108,080 |
| **Net Parliamentary financing** | **105,160** | **108,080** |

### 13(c) Reconciliation of net cash requirement to increase / (decrease) in cash

| | 2009-10 £000 | 2008-09 £000 |
|---|---|---|
| Net cash requirement | (105,042) | (107,405) |
| From the Consolidated Fund (Supply) - current year | 105,160 | 108,080 |
| **Increase / (decrease) in cash** | **118** | **675** |

## 14 Third Party Repayments

| | 2009-10 £000 | 2008-09 £000 |
|---|---|---|
| Balances due as at 1 April | (6) | **(5)** |
| Received | (112) | (211) |
| Paid | 205 | 210 |
| **Balances held as at 31 March** | **87** | **(6)** |

As at 31 March 2010 pensions had been paid by the Superannuation Scheme amounting to £86,324 and were due to be reimbursed by the Government of Kenya. These amounts were received in full during May 2010.

## 15 Financial Instruments

As the cash requirements of the schemes are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to cash and the corresponding supply creditor, so the Department is therefore exposed to little credit, liquidity or market risk.

The carrying amounts of financial instruments as at 31 March 2010 were as follows:

| | 2009-10<br>£000 | 2008-09<br>£000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | 310 | 213 |
| Cash and cash equivalents | 3,122 | 3,004 |
| | **3,432** | **3,217** |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | (4,264) | (4,122) |
| | **(4,264)** | **(4,122)** |

## 16 Contingent Liabilities disclosed under IAS 37

Under the Hong Kong (Overseas Public Servants) Act 1996 - Sterling Safeguard Scheme for value of public service pensions - £125.8m (2008-09 £124.5m). The contingent safeguard is the amount by which a member's safeguard pension exceeds the current level of UK pension increases payable under Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. DFID pays the balance over the sterling level of each member's Hong Kong pension up to the greater of the safeguard pension or the UK pension increases. This is valued assuming that members' Hong Kong pensions ceased on 1 April 2006 (either because of default by the government of the Hong Kong Special Administrative Region or because of a fall in the value of the Hong Kong dollar).

Transfer value settlements: £93,814 (2008-09 £93,814). £64,568 is included in creditors for settlement values due to be paid to the Government of Hong Kong. The Government has claimed an additional £93,814. DFID does not believe this further amount is due and regards this as a contingent liability only.

In the unlikely event of a default by certain overseas governments, OPD will guarantee pension payments under the Carr/Robertson Assurance of 1964 £2.0m (2008-09 £2.5m).

## 17 Related party transactions

None of the managers of the schemes, key managerial staff or other related parties has undertaken any transactions with the schemes during the year.

## 18 Losses and special payments

| | 2009-10<br>£000 | 2008-09<br>£000 |
|---|---|---|
| Losses | | |
| Total (67 cases, 2008-09: 82 cases) | 87 | 109 |
| ***Of which:*** | | |
| Marked time payments | | |
| Total (30 cases, 2008-09: 30 cases) | 31 | 38 |
| Special payments (2 cases, 2008-09: 2 cases) | 35 | 33 |

## 19 Events after the reporting period

The Department for International Development Overseas Superannuation Resource Accounts are laid before the Houses of Parliament by HM Treasury on 25 November 2010.

These accounts have been authorised for issue by the Accounting Officer on 12 November 2010. No events have been identified between this date and the end of reporting period requiring adjustment to these Resource Accounts.

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