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**United Kingdom Atomic Energy Authority  
Pension Schemes**

**Combined Annual Accounts  
2012-13**

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# **United Kingdom Atomic Energy Authority Pension Schemes**

## **Combined Annual Accounts 2012-13**

**(For the year ended 31 March 2013)**

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

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## Report

### Introduction

This Combined Account for the United Kingdom Atomic Energy Authority's (the Authority) defined benefit Public Service Pensions Schemes (PSPS) for the year to 31 March 2013 covers the payment of pensions and other benefits to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the Authority's Pension Schemes.

### The business, its objectives and strategy

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

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

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

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

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

### Management of the Schemes

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

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

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

### Operating review

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

## Actuary's valuation and statement

The last approved triennial actuarial valuation of the Authority Pension Schemes was completed in respect of the Schemes' positions as at 31 March 2006. The subsequent triennial valuation was due as at 31 March 2009. Formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2009, such as would have been provided for a formal valuation, with an approximate update to 31 March 2013 to reflect known changes. Discussions are continuing with the Treasury to establish the timing of the next valuation of the Authority schemes.

The Government Actuary's Department's report on the 2012-13 Accounts, based on the position as at 31 March 2013, confirmed that the Schemes' liabilities were £5,766 million discounted at a real rate of 2.4% under the Rules at the date of the valuation. The actuarial statement is reproduced on page 11. The actuary has advised that no changes to his report need to be made as a result of events since the end of the financial year.

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

## Changes in scheme rules

There have been no changes to the scheme during the period under review.

## Contributions

All contributions have been in accordance with the Rules.

## Future plans

The Authority is in discussion with HM Treasury and BIS concerning the implications of the Public Service Pensions Act 2013 for the Authority schemes.

## Financial review

The pension cost for the year was £27 million (2011-12: £28 million) a movement of £1 million. The overall pension expenditure for the year was £280 million (2011-12: £329 million) a movement of £49 million. The value of benefits payable increased by £13 million to £212 million. The increase was mainly due to the annual increase in the value of benefits, and to changes in the profile of the pensioners. The number of pensioners, deferred pensioners, and dependants decreased during the year by 474 to 31,329 as at 31 March 2013.

The value of contributions receivable increased by £3 million to £25 million. There was an increase in the number of contributing members, which increased by 159 to 2,968 as at 31 March 2013. The value of transfers in to the Schemes decreased in 2012-13 by £16 million to £2 million.

Overall, the net outgoings for the year was £254 million (2011-12: £289 million). The net outgoings include group transfers out to other schemes. On the Net Cash Requirement, outturn compared with the Estimate shows a £34 million saving this is due mainly to a £20 million transfer out not taking place in 2012-13, which will now take place in 2013-14.

The overall Scheme liability of £5,766 million increased by £499 million from last year. The main factor underlying the increase in the actuarial liability is the changes to the financial assumptions (which are largely prescribed by HM Treasury).

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



## Reporting of Personal Data Related Incidents

The Authority reported no incidents of the loss of any “Protected Personal Data” to the Information Commissioners Office in 2012-13 (or prior years). There were no “Other Protected Personal Data” incidents in 2012-13 (or prior years) such as the loss of inadequately protected or insecure disposal of electronic equipment, devices or paper documents from secured Government premises, or any other unauthorised disclosure.

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

## Benefits

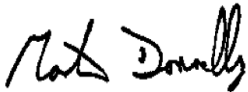
Under the rules of the scheme, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pensions Act 1995. The increase for 2012-13 was 5.2%. (2011-12 – 3.1%). Further information is given in the Report of the Managers on page 6.

## Auditors

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

## Disclosure of Audit Information

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



Martin Donnelly  
Principal Accounting Officer and Permanent Secretary

27 June 2013

## Report of the Managers

### 1 Constitution of the Schemes

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

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

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

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

### 2 Managers, Advisers and Employers

#### Managers

UK Atomic Energy Authority Responsible Officer	Eric Hollis, UK Atomic Energy Authority, Culham Science Centre, Abingdon, Oxfordshire OX14 3DB
Scheme Administration Manager	Richard Stoneham, c/o Aon Hewitt, Brims House, Forss Business & Technology Park, By Thurso, Caithness KW14 7UZ
Address for correspondence	Aon Hewitt, Brims House, Forss Business & Technology Park, By Thurso, Caithness KW14 7UZ

#### Advisers

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

Employers**The following employers participate in the Schemes:**

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

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

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

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

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

**3 Membership Statistics**

<b>Contributing Members</b>	<b>The Authority<sup>1</sup></b>	<b>CNC</b>	<b>EX BNFL</b>	<b>HPA</b>	<b>MOD</b>	<b>SERC</b>	<b>Total</b>
<b>At 1 April 2012</b>	<b>532</b>	<b>1,201</b>	<b>814</b>	<b>211</b>	<b>8</b>	<b>43</b>	<b>2,809</b>
New Entrants	58	205	55	-	-	-	318
Retirements	(13)	(18)	(11)	(8)	(2)	(9)	(61)
Deaths	(1)	-	-	(1)	-	-	(2)
Leavers	(37)	(33)	(24)	(1)	-	-	(95)
Options Pending	-	(1)	-	-	-	-	(1)
<b>At 31 March 2013</b>	<b>539</b>	<b>1,354</b>	<b>834</b>	<b>201</b>	<b>6</b>	<b>34</b>	<b>2,968</b>

<sup>1</sup> The research council members are included in the Authority figures as they are part of the Authority sub-fund.

<b>Deferred Pensioners</b>	<b>The Authority</b>	<b>CNC</b>	<b>EX BNFL</b>	<b>HPA</b>	<b>MOD</b>	<b>SERC</b>	<b>Total</b>
<b>At 1 April 2012</b>	<b>3,970</b>	<b>100</b>	<b>6,473</b>	<b>165</b>	<b>43</b>	<b>56</b>	<b>10,807</b>
New	94	18	162	1	-	-	275
Retirements	(168)	-	(252)	(3)	(10)	(5)	(438)
Deaths	(1)	-	(12)	-	-	-	(13)
Leavers	(10)	(10)	(22)	(1)	-	-	(43)
Options Pending	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>3,885</b>	<b>108</b>	<b>6,349</b>	<b>162</b>	<b>33</b>	<b>51</b>	<b>10,588</b>

<b>Active deferred <sup>2</sup></b>	<b>The Authority</b>	<b>CNC</b>	<b>EX BNFL</b>	<b>HPA</b>	<b>MOD</b>	<b>SERC</b>	<b>Total</b>
<b>At 1 April 2012</b>	<b>1,194</b>	-	<b>8,425</b>	-	-	-	<b>9,619</b>
New	1	-	-	-	-	-	1
Retirements	(30)	-	(140)	-	-	-	(170)
Deaths	(1)	-	(9)	-	-	-	(10)
Leavers	(59)	-	(100)	-	-	-	(159)
<b>At 31 March 2013</b>	<b>1,105</b>	-	<b>8,176</b>	-	-	-	<b>9,281</b>

<b>Pensioners</b>	<b>The Authority</b>	<b>CNC</b>	<b>EX BNFL</b>	<b>HPA</b>	<b>MOD</b>	<b>SERC</b>	<b>Total</b>
<b>At 1 April 2012</b>	<b>6,872</b>	<b>124</b>	<b>7,512</b>	<b>188</b>	<b>880</b>	<b>606</b>	<b>16,182</b>
New Retirements	212	18	361	11	12	14	628
Deaths	(320)	(2)	(222)	(4)	(70)	(22)	(640)
<b>At 31 March 2013</b>	<b>6,764</b>	<b>140</b>	<b>7,651</b>	<b>195</b>	<b>822</b>	<b>598</b>	<b>16,170</b>

<b>Dependants' Pensions</b>	<b>The Authority</b>	<b>CNC</b>	<b>EX BNFL</b>	<b>HPA</b>	<b>MOD</b>	<b>SERC</b>	<b>Total</b>
<b>At 1 April 2012</b>	<b>2,765</b>	<b>4</b>	<b>2,386</b>	<b>38</b>	<b>630</b>	<b>179</b>	<b>6,002</b>
New Retirements	148	1	121	3	36	12	321
Deaths	(205)	-	(162)	(5)	(61)	(12)	(445)
<b>At 31 March 2013</b>	<b>2,708</b>	<b>5</b>	<b>2,345</b>	<b>36</b>	<b>605</b>	<b>179</b>	<b>5,878</b>

#### 4 Scheme records

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

<sup>2</sup> **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.

## 5 Additional voluntary contributions

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

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

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

## 6 Rule amendments

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

## 7 Pensions review

Under the Rules of the Schemes, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1995. The increase for 2012-13 was 5.2% (2010-11: 3.1%).

## 8 Transfer values paid

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

## 9 Premature retirements

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

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

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Amount due to employers at 1 April	(129)	546
Received from employers during year	16,599	17,944
Paid to members during year	(16,010)	(18,459)
Repaid to employers during year	(264)	(160)
<b>Amount due to employers at 31 March</b>	<b>196</b>	<b>(129)</b>

The figures shown above reflect only those activities administered by Aon Hewitt, Pensions.

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

## 10 Actuarial position

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

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

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2012, such as would have been provided for a formal valuation. In undertaking this valuation, the methodology prescribed in IAS19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

## Report of the Actuary

### United Kingdom Atomic Energy Authority (“The Authority”)

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

### Accounts for the year ended 31 March 2013

#### 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 2012-13 Accounts of the United Kingdom Atomic Energy Authority’s pension schemes (‘the Schemes’).
2. The CPS and PNIS 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<sup>3</sup>. 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 2012, with an approximate update to 31 March 2013 to reflect known changes.

#### Membership data

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

**Table A1 – Active members**

Number	31 March 2012	
	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)
2,806	106.9	20.5

**Table A2 – Active deferred members**

Number	31 March 2012	
	Total salaries in membership data (pa) (£ million)	Total accrued pensions (£ million)
9,597	377.2	70.6

<sup>3</sup> <http://www.ukaeapensions.org.uk/files/downloads/download1069.pdf>

**Table B – Deferred members**

31 March 2012	
Number	Total deferred pension (pa) (£ million)
10,675	46.7

**Table C – Pensions in payment**

31 March 2012	
Number	Total pension (pa) (£ million)
22,132	198.7

**Methodology**

- The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2012-13 Accounts. The contribution rate for accruing costs in the year ended 31 March 2013 was determined using the PUCM and the principal financial assumptions applying to the 2011-12 Accounts.
- 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**

- The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2013, the assumed rate of return in excess of pension increases was decreased from 2.80% a year to 2.35% a year, and the assumed rate of return in excess of earnings was decreased from 0.60% a year to 0.15% a year. In addition, with effect from 31 March 2013, the assumed rate of future pension increases is 1.70% a year and the assumed nominal rate of salary growth is 3.95% a year (changed from 2.00% and 4.25% respectively as at 31 March 2012).

**Table D – Principal financial assumptions**

Assumption	31 March 2013	31 March 2012
Rate of return (discount rate)	4.10%	4.85%
Rate of return in excess of:		
Earnings increases	0.15%	0.60%
Pension increases	2.35%	2.80%
Expected return on assets:	n/a	n/a

- The pension increase assumption as at 31 March 2013 is based on the Consumer Price Index (CPI) expectation of inflation.



**Demographic assumptions**

9. The demographic assumptions adopted to prepare this statement were derived from recent experience analysis of the scheme membership (performed as part of the 2009 actuarial review of the Schemes). These assumptions are the same as those adopted to prepare the 2011-12 Accounts.
10. The standard mortality tables known as the 'S1' series, prepared by the Continuous Mortality Investigation (part of the Actuarial Profession), are used (but for BNFL male members an age rating of -1 applies, that is they are assumed to experience mortality rates in the standard tables but at ages one year younger than their actual age). Mortality improvements are in accordance with those incorporated in the 2010-based principal population projections for the United Kingdom (prepared by ONS).
11. Any reforms to the Schemes due to be implemented in April 2015 and the increased member contributions being phased from April 2012 may affect the behaviour of members, e.g. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Given the uncertainty surrounding these changes and their potential impact on member behaviour, the Authority has decided to make no allowance for them for the purposes of the 2012-13 Accounts.
12. The contribution rate used to determine the accruing cost in 2012-13 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2011-12 Accounts.

**Liabilities**

13. Table E summarises the assessed value as at 31 March 2013 of benefits accrued under the schemes prior to 31 March 2013 based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of Financial Position: All schemes**

£ million

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Total market value of assets	Nil	nil	nil	nil	Nil
Value of liabilities	5,766.3	5,267.0	5,127.3	5,993.6	4,691.8
Surplus/(Deficit)	(5,766.3)	(5,267.0)	(5,127.3)	(5,993.6)	(4,691.8)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

**Pension cost**

14. The cost of benefits accruing in the year ended 31 March 2013 (the Current Service Cost) is based on an average standard contribution rate of 25.0% of pensionable pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost (expressed as an average across schemes). This takes into account an estimated average rate of contributions paid by members. Individual Member contribution rates are 6.28% and 8.78% in the CPS and PNISS respectively. The corresponding figures for 2011-12 are also included in the table.

**Table F –Contribution rate: All Schemes**

	Percentage of pensionable pay	
	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
Standard contribution rate	25.0%	27.2%
Average Members' contribution rate	6.4%	5.1%
Employers' estimated share of standard contribution rate	18.6%	22.1%

For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Accounts is not the same as the actual rate of contributions payable by employers, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The actual rate paid differs for different employers. Actual rates paid by employers vary between 14.8% and 17.3% of pensionable pay. The most significant difference between the actuarial assessments for the Accounts and for scheme funding purposes is the discount rate net of pension increases, which is 2.80% a year for the 2012-13 Current Service Cost compared with 3.5% a year for the existing scheme funding rate. (Note that the discount rate for scheme funding purposes has recently been reviewed and reduced to 3% a year but this does not affect the current rate of contributions.) A higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for the Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

15. The pensionable payroll for the financial year 2012-13 was £108.1 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2012-13 (at 25.0% of pay) is assessed to be £27.0 million. There is no past service cost and so this is the total pension cost for 2012-13.



Matt Wood  
Government Actuary's Department  
7 June 2013

## Statement of Accounting Officer's Responsibilities

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

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

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

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

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

## Governance Statement

### Scope of responsibility

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

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

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

### BIS Governance Framework

BIS’s governance structure for 2012-13 is set out below.

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

The **Nominations and Governance Committee** scrutinised systems for the identification and development of talent; ensured performance is incentivised; and advised on the effectiveness of BIS’s governance structures.

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

The Departmental Board delegated some responsibilities to the **Executive Board** whose remit was ensuring effective management of BIS and Partner Organisations, and shaping the strategic direction of the Department. The decisions of the Executive Board were reviewed regularly by the Departmental Board. The Executive Board delegated more decision-making and running of the Department to three Committees chaired by Directors General, and drew their membership from BIS Directors.

- The **People Committee** ensures the delivery of people and communication strategies
- The **Operations Committee** ensures the effective management of BIS corporate services alongside Partner Organisations
- **Performance, Finance and Risk Committee** ensures effective management and control of BIS and Partner Organisation performance, finance and risks.

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

### The Schemes Governance Framework

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

- to ensure that those representatives responsible for the management and reporting of financial data for the Authority Pension Schemes have a good understanding of all the financial aspects of the Schemes;
- to ensure that future changes to the Pension Schemes are identified and the implications understood and communicated to each of the representative areas;
- to ensure that changes in personnel are managed in such a way that there is no loss of understanding and that there is continuity of financial management; and
- to manage the risks to the effective financial control of the Authority Pension Schemes.

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

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

The BIS / Authority Pension Schemes “Finance Meeting” met on the following dates: 25<sup>th</sup> June 2012 and 11<sup>th</sup> December 2012. A meeting planned for September 2012 was cancelled due to the unavailability of key personnel and a meeting initially planned for 22<sup>nd</sup> March 2013 was subsequently re-arranged and held on the 22<sup>nd</sup> April 2013. During the year, The “Finance Meeting” considered the following issues:

- Significant staff transfers affecting the current year in terms of timing and potential size of pensions costs to be funded;
- The impact of HMT changes to discount rates in the current year;
- The effect of an under issue of amounts owed by the Consolidated Fund in a prior year; and
- Proposed figures for the Supplementary Estimate which required increased cover due to some of the issues highlighted above

An Annual Report has been produced documenting the work of the “Finance Meeting during 2012-13 and evaluating its performance over the course of the year. This was discussed by members of the “Finance Meeting” on the 22<sup>nd</sup> April 2013. Members agreed with the report’s conclusion that the “Finance Meeting” was working well in meeting its objectives and that significant progress had been made in improving understanding across all the parties involved and that risks to qualified accounts or excess votes were being effectively managed down. The “Finance Meeting” agreed that it should continue to meet on a regular basis four times a year.

### **The Risk and Internal Control Framework**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Schemes’ policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

A risk register for the Schemes operated throughout the year and was reviewed and updated at the quarterly “Finance Meeting”. Each of the teams involved in operating the Schemes also maintain their own local risk register. A sub-committee of the “Finance Meeting” met on 14<sup>th</sup> January 2013 to undertake a comprehensive review and update of the risk register. This resulted in a number of strategic risks being introduced to complement operational risks already on the risk register. These risks were agreed at the “Finance Meeting” in April 2013 and relate too:

- Developing optimum arrangements for the Schemes with Treasury;

- Implementing the recommendations from the Hutton review and making appropriate changes to governance structures;
- Ensuring bulk transfers do not have an adverse impact on estimates / funding for the Schemes; and
- The next evaluation of the Scheme and its impact on contribution rate for employers.

A number of mitigating actions have been put in place to manage the above risks and progress on these will be monitored during the course of 2013-14.

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

#### Review of effectiveness

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

A significant change to the administration of the scheme occurred on 5 December 2012 following the sale of their pensions administration business by Babcock International Group to Aon Hewitt. At the point of transfer from Babcock to Aon Hewitt, there were no changes to the existing systems. Prior to the sale Babcock had introduced a new pensions administration system. It is Aon Hewitt's intention during 2013 to migrate the scheme pensioner payroll on to Aon Hewitt's established payroll product.

The transfer of the business progressed well and had no impact on the management or risks associated with the schemes. The Authority has obtained assurance from Aon Hewitt that it is their intention to continue the administration business as a going concern.

My review has provided me with assurance that the system of governance, risk management and internal control in operation for the Schemes has operated satisfactorily during 2012-13. There were no significant control issues.



Martin Donnelly  
Principal Accounting Officer and Permanent Secretary

27 June 2013

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

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority Pension Schemes for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. These comprise the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

### **Opinion on Regularity**

In my opinion, in all material respects,

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on the financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Schemes' affairs as at 31 March 2013, and of their net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## **Opinion on other matters**

In my opinion:

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

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

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

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

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

4 July 2013



## Statement of Parliamentary Supply

### Summary of Resource and Capital Outturn 2012-13

							2012-13	2011-12
							£000	£000
							Outturn	Outturn
							Voted	
							outturn	
							compared	
							with	
							Estimate:	
							saving/	
							(excess)	
Note	Voted	Non-Voted	Estimate Total	Voted	Non-Voted	Total	Total	Total
<b>Departmental Expenditure Limit</b>								
- Resource	-	-	-	-	-	-	-	-
- Capital	-	-	-	-	-	-	-	-
<b>Annually Managed Expenditure</b>								
- Resource	3 257,634	-	257,634	253,960	-	253,960	3,674	289,189
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>257,634</b>	-	<b>257,634</b>	253,960	-	<b>253,960</b>	3,674	<b>289,189</b>
<b>Non-Budget</b>								
- Resource	-	-	-	-	-	-	-	-
<b>Total</b>	3 <b>257,634</b>	-	<b>257,634</b>	253,960	-	<b>253,960</b>	3,674	<b>289,189</b>

### Net Cash Requirement 2012-13

				2012-13	2011-12
				£000	£000
				Outturn	
				compared	
				with	
				Estimate:	
				saving/	
				(excess)	
Note	Estimate	Outturn		Outturn	
<b>Net cash requirement</b>	5 <b>222,130</b>	<b>188,273</b>		33,857	159,922

### Summary of Administration Costs 2012-13

- - - -

(i) Outline figures in bold are voted totals.

(ii) All resources are classified as Annually Managed Expenditure (AME), they are all classified as Programme costs and there is no Administration Costs limit.

(iii) Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

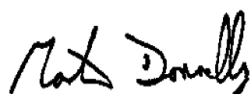
## Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012-13 £000	Restated 2011-12 £000
<b>Principal Arrangements – The Authority Pension Schemes</b>			
<b>Income</b>			
Contributions receivable	6	(24,833)	(21,986)
Transfers in	7	(1,668)	(18,058)
		<u>(26,501)</u>	<u>(40,044)</u>
<b>Expenditure</b>			
Pension cost – current service	8	27,001	27,813
Enhancements	9	785	464
Transfers in	10	1,668	18,058
Interest on scheme liabilities	11	251,007	282,884
Administration expenses		-	-
		<u>280,461</u>	<u>329,219</u>
<b>Net Expenditure</b>		<u>253,960</u>	<u>289,175</u>
<b>Other Comprehensive Net Expenditure</b>			
Recognised gains and losses for the financial year:			
- Actuarial (gain) / loss	16.7	433,687	10,576
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2013</b>		<u>687,647</u>	<u>299,751</u>

Notes 1 to 21 form part of these Accounts.

## Combined Statement of Financial Position as at 31 March 2013

	31 March 2013	Restated 31 March 2012
Note	£000	£000
<b>Principal Arrangements – The Authority Pension Schemes</b>		
<b>Current assets:</b>		
Receivables	13 1,934	1,761
Cash and cash equivalents	14 <u>10,769</u>	<u>1,242</u>
<b>Total current assets</b>	<u>12,703</u>	<u>3,003</u>
<b>Current liabilities:</b>		
Payables (within 12 months)	15 <u>(14,764)</u>	<u>(4,961)</u>
<b>Total current liabilities</b>	<u>(14,764)</u>	<u>(4,961)</u>
<b>Net current assets/(liabilities), excluding pension liability</b>	<u>(2,061)</u>	<u>(1,958)</u>
Pension liability	16.4 <u>(5,766,300)</u>	<u>(5,267,029)</u>
<b>Net liabilities, including pension liabilities</b>	<u>(5,768,361)</u>	<u>(5,268,987)</u>
<b>Taxpayers' equity:</b>		
General fund	<u>(5,768,361)</u>	<u>(5,268,987)</u>
	<u>(5,768,361)</u>	<u>(5,268,987)</u>



Martin Donnelly  
Principal Accounting Officer and Permanent Secretary

27 June 2013

Notes 1 to 21 form part of these Accounts.

### Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	<b>31 March 2013</b>	<b>Restated 31 March 2012</b>
<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	(5,268,987)	(5,132,094)
Net Parliamentary Funding – drawn down	197,800	152,851
Net Parliamentary Funding – deemed	1,242	11,249
Supply (payable)/receivable adjustment – current year	15(a) (10,769)	*(1,242)
Net Expenditure for the Year	4 (253,960)	(289,175)
Actuarial gain/(loss)	16.4 (433,687)	(10,576)
<b>Balance at 31 March</b>	<b>(5,768,361)</b>	<b>(5,268,987)</b>

As agreed with HM Treasury, the amount issued from the Consolidated Fund for Supply but not spent at year end has been restated to mirror the cash balance held by the Department, as the Department was owed funds from the Consolidated Fund for supply, which was under issued in a prior year.

Notes 1 to 21 form part of these Accounts.

## Combined Statement of Cash Flows for the year ended 31 March 2013

	Note	2012-13 £000	Restated 2011-12 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year	4	(253,960)	(289,175)
Adjustments for non-cash transactions		-	-
(Increase)/Decrease in receivables	13(a)	(173)	(123)
Increase/(Decrease) in payables: pensions Short-term payables <i>less movements in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure</i>	15(a)	9,803	(6,845)
		(9,527)	7,071
Increase in pension provision	16.4	278,008	310,697
Increase in pension provision – enhancements and transfers in	16.4	2,453	18,522
Use of provisions – pension liability	16.5	(211,082)	(197,858)
Use of provisions – refunds and transfers	16.6	(2,619)	(1,474)
Use of provisions – death in service	16.5	(1,176)	(737)
<b>Net cash Outflow from Operating Activities</b>		<u>(188,273)</u>	<u>(159,922)</u>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		197,800	152,851
<b>Net Parliamentary financing</b>		<u>197,800</u>	<u>152,851</u>
Adjustments for payments and receipts not related to Supply		-	-
<b>Net Financing</b>		<u>197,800</u>	<u>152,851</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<u>9,527</u>	<u>(7,071)</u>
<b>Net Increase/(Decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<u><b>9,527</b></u>	<u><b>(7,071)</b></u>
<b>Cash and cash equivalents at the beginning of the period</b>	14	1,242	8,313
<b>Cash and cash equivalents at the end of the period</b>	14	10,769	1,242

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 2012-13 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These Accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate.

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

The combined scheme financial statements show the financial position of the United Kingdom Atomic Energy Authority Pension Schemes at the year end and the income and expenditure during the year. The Authority acts as a principal. The combined statement of financial position shows the unfunded net liabilities of the scheme; the Combined Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. Further information about the actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

### 2 Statement of accounting policies

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

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

#### 2.1 Prior year supply from the Consolidated Fund

2.1.1 The UK Atomic Energy Authority (UKAEA) Pension Schemes were owed £2.9 million from the Consolidated Fund for supply under issued during a prior year. In agreement with HM Treasury, the amount issued from the Consolidated Fund for Supply but not spent at year end has been restated to correct the position, as it now mirrors the cash balance held by the Department as this is the total amount due to the Consolidated Fund. Both supply comparatives in the Payable and Receivable Notes to the 2012-13 Accounts have been restated, to decrease the 2012-13 closing Consolidated Fund Supply Payables position by £2.9 million.

#### 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 of 2.35% real (i.e. 4.9% 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. 4.9%.

## **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 2.35 % (2011-12: 2.8%) real (i.e. 4.10% after inflation).
- 2.10.2 Full actuarial valuations by a professionally qualified actuary are usually obtained at intervals not exceeding four years. However, the interval since the last formal valuation now exceeds four years because HM Treasury has suspended formal actuarial valuations on value for money grounds while consideration is given to the changes resulting from reforms to public service pension provision. The valuation at the Combined Statement of Financial Position date has been prepared using full membership data, such as would have been provided for a formal valuation.

## **2.11 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 Combined 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 16.



### 3. Net outturn

#### Analysis of net resource outturn by section

	2012 - 2013									2011 – 2012 Outturn
	Outturn							Estimate		
	Administration			Programme			Total	Net Total	Net total compared to Estimate	
	Gross	Income	Net	Gross	Income	Net				
Annually Managed Expenditure										
Voted										
Pensions, transfer values, repayment of contributions	-	-	-	280,461	(26,501)	253,960	253,960	257,634	3,674	289,189
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,461</b>	<b>(26,501)</b>	<b>253,960</b>	<b>253,960</b>	<b>257,634</b>	<b>3,674</b>	<b>289,189</b>

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

### 4. Reconciliation of outturn to net expenditure

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

	Note	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000
		<b>Outturn</b>	<b>Estimate</b>	<b>Outturn compared with Estimate</b>	<b>Outturn</b>
Total Resource Outturn in Statement of Parliamentary Supply - Budget	3	253,960	257,634	3,674	289,189
Total Non-Supply Expenditure		-	-	-	(14)
<b>Combined Net Expenditure</b>		<b>253,960</b>	<b>257,634</b>	<b>3,674</b>	<b>289,175</b>

With effect from 2012-13 the £14k has been classified as an administration cost and is therefore borne on the BIS Vote. It is in respect of notional fees for statutory audit services. There are no fees for non-audit services. It was included in the budget outturn in the prior year and is shown as a reconciling difference between the accounts and budgets.

## 5. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn		257,634	253,960	3,674
Capital Outturn		-	-	-
Accruals adjustments:				
Non cash items		(283,704)	(280,461)	(3,243)
Changes in working capital other than cash		3,000	(103)	3,103
Use of provision		245,200	214,877	30,323
<b>Net cash requirement</b>		<b>222,130</b>	<b>188,273</b>	<b>33,857</b>

## 6 Pension contributions receivable

	2012-13 £000	2011-12 £000
Employers:		
Normal	(17,164)	(16,261)
Augmentations	(202)	-
Employees:		
Normal	(6,884)	(5,261)
Purchase of added years	(583)	(464)
	<b>(24,833)</b>	<b>(21,986)</b>

## 7 Pension transfers-in (see also Note 10)

	2012-13 £000	2011-12 £000
Group transfers in from other schemes	-	(17,500)
Individual transfers in from other schemes	(1,668)	(558)
	<b>(1,668)</b>	<b>(18,058)</b>

## 8 Pension cost (see also Note 16.4)

	2012-13 £000	2011-12 £000
Current service cost	27,001	27,813
	<b>27,001</b>	<b>27,813</b>

**9 Enhancements (see also Note 6 and 16.4)**

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Employers:		
Augmentations	202	-
Employees:		
Purchase of added years	583	464
	<b>785</b>	<b>464</b>

**10 Transfers in (see also Note 7 and 16.4)**

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Group transfers in from other schemes	-	17,500
Individual transfers in from other schemes	1,668	558
	<b>1,668</b>	<b>18,058</b>

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

**11 Interest on scheme liabilities (see also Note 16.4)**

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Interest charge for the year	251,007	282,884
	<b>251,007</b>	<b>282,884</b>

**12 Additional Voluntary Contributions**

12.1 The Authority's pension schemes provide for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries for onward payment to one of the approved providers or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution. The Managers of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme are responsible for payments made to the Schemes' approved provider. These AVCs are not brought to account in this Combined Resource Account. Members participating in this arrangement receive an annual statement from the approved provider confirming the amounts held on their account and the movements in the year.

12.2 The aggregate amounts of AVC investments are as follows:

	2012-13 £000	2011-12 £000
<b>Movements in the year</b>		
Balance at 1 April	58,731	60,364
Adjustment to balances as at 1 April	(33)	-
New investments	266	269
Sales of investments to provide pension benefits	(4,784)	(4,238)
Changes in market value of investments	2,677	2,336
<b>Balance at 31 March</b>	<b>56,857</b>	<b>58,731</b>

During the year, £266,000 (2011-12: £269,430) was paid to the approved providers.

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

### 13 Receivables – contributions due in respect of pensions

#### 13(a) Analysis by type

	2012-13 £000	Restated 2011-12 £000
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	1	1,346
Employees' normal contributions	574	415
Group transfers	-	-
Individual transfers	-	-
Pensions	1,359	-
Amount due from the Consolidated Fund in respect of Supply	-	-
<b>Balance at 31 March</b>	<b>1,934</b>	<b>1,761</b>

As agreed with HM Treasury, the amount issued from the Consolidated Fund for Supply but not spent at year end has been restated to mirror the cash balance held by the Department, as the Department was owed funds from the Consolidated Fund for supply, which was under issued in a prior year.

#### 13(b) Intra-Government Balances

	Amounts falling due within one year	
	2012-13 £000	2011-12 £000
Balances with other Central Government bodies	1,360	1,346
Balances with Public Corporations and Trading Funds	-	-
Balances with bodies external to Government	574	415
<b>As at 31 March</b>	<b>1,934</b>	<b>1,761</b>

## 14 Cash and Cash Equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	1,242	8,313
Net change in cash balances	9,527	(7,071)
<b>Balance at 31 March</b>	<b>10,769</b>	<b>1,242</b>

The following balances at 31 March were held at:

Government Banking Service (GBS)	7,489	559
Commercial Banks and cash in hand	3,280	683
<b>Balance at 31 March</b>	<b>10,769</b>	<b>1,242</b>

## 15 Payables – in respect of pensions

### 15(a) Analysis by type

	2012-13	Restated
	£000	2011-12
		£000
<b>Amounts falling due within one year</b>		
Pensions	(230)	(172)
Lump sums	(955)	(406)
Refund of contribution	(26)	(9)
Individual transfers out to other schemes	-	-
Inland Revenue and voluntary contributions	(2,548)	(2,297)
Overpaid contributions: employers	(196)	-
Other Payables	(40)	(835)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(10,769)	*(1,242)
<b>Balance at 31 March</b>	<b>(14,764)</b>	<b>(4,961)</b>

\*As agreed with HM Treasury, the amount issued from the Consolidated Fund for Supply but not spent at year end has been restated to mirror the cash balance held by the Department, as the Department was owed funds from the Consolidated Fund for supply, which was under issued in a prior year.

### 15(b) Intra-Government Balances

	Amounts falling due within one year	
	£000	£000
	2012-13	2011-12
Balances with other Central Government bodies	(13,317)	(3,539)
Balances with Public Corporations and Trading Funds	(1,447)	(1,422)
Balances with bodies external to Government	-	-
<b>Balance at 31 March</b>	<b>(14,764)</b>	<b>(4,961)</b>

## 16 Provision for pension liabilities

### 16.1 Provision for pension liability

The United Kingdom Atomic Energy Authority pension scheme is a combination of three unfunded defined benefit public service pension schemes. The most recent completed full actuarial (funding) review of the Schemes was as at 31 March 2006 (see report dated 2 October 2008). A full actuarial (funding) review as at 31 March 2009 is currently suspended. However, the 2009 valuation data have been agreed and used here. This statement is based on an actuarial valuation of the CPS, the PNISS and the PPSS carried out as at 31 March 2006 by the Government Actuary's Department (GAD). This has been updated approximately for the subsequent financial years to reflect known changes, which have occurred over the period 31 March 2009 to 31 March 2013. The Report of the Actuary on page 11 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

The major assumptions used by the actuary were:

	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009
	%	%	%	%	%
Rate of increase in salaries	4.0	4.3	4.9	4.3	4.3
Rate of increase in pensions in payment and deferred pensions	1.7	2.0	2.7	2.8	2.8
Rate of RPI inflation*	-	3.0	3.4	2.8	2.8
Rate of CPI inflation*	2.4	2.0	2.7	-	-
Discount rate	4.1	4.9	5.6	4.6	6.0

Most pension benefits under the scheme are increased in line with inflation. The Government continues to set pension increases based on the Consumer Price Index (CPI) measure of inflation. In accordance with the Government Financial Reporting Manual, the liability at 31 March 2013 has been discounted at a real rate of 1.7%. The assumption data in the table are disclosed for comparative purposes and are rounded to one decimal place.

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

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

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions.

The Scheme managers do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the Scheme managers, the actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

### Analysis of the provision for the pension liability

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

**16.3** The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 16.4. The note also discloses "experience" gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

### 16.4 Analysis of movements in the scheme liability

		2012-13	2011-12
	Note	£000	£000
Scheme liability at 1 April		(5,267,029)	(5,127,303)
Current service cost	8	(27,001)	(27,813)
Interest on Scheme liability	11	(251,007)	(282,884)
Enhancements	9	(785)	(464)
Pension transfers in	10	(1,668)	(18,058)
Benefits payable	16.5	212,258	198,595
Pension payments to and on account of leavers	16.6	2,619	1,474
Actuarial gain/(loss)	16.7	(433,687)	(10,576)
<b>Scheme liability at 31 March</b>		<b>(5,766,300)</b>	<b>(5,267,029)</b>

### 16.5 Analysis of benefits paid

	2012-13	2011-12
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	187,815	175,717
Commutations and lump sum benefits on retirement	23,267	22,141
Death in service benefits	1,176	737
<b>Per cash flow statement</b>	<b>212,258</b>	<b>198,595</b>

**16.6 Analysis of payments to and on account of leavers**

	2012-13	2011-12
	£000	£000
Refunds to members leaving service	646	552
Group transfers to other schemes	-	-
Individual transfers to other schemes	1,973	922
<b>Per statement of Cash Flows</b>	<b>2,619</b>	<b>1,474</b>

**16.7 Analysis of actuarial gain/(loss)**

	2012-13	2011-12
	£000	£000
Experience gains/(losses) arising on the Scheme liabilities	2,102	(51,271)
Changes in assumptions underlying the present value of Scheme liabilities	(435,789)	40,695
<b>Per Statement of Changes in Taxpayers Equity</b>	<b>(433,687)</b>	<b>(10,576)</b>

**16.8 History of Experience gains/(losses)**

	2012-13	2011-12	2010-11	2009-10	2008-09
Experience gains and losses on Scheme liabilities:					
Amount (£000)	2,100	(51,271)	83,293	130,964	165,970
Percentage of the present value of the Scheme liabilities	0%	-1%	2%	(2)%	4%
Total amount recognised in statement of Changes in Taxpayers Equity:					
Amount (£000)	(433,687)	(10,576)	389,871	(1,181,012)	422,859
Percentage of the present value of the Scheme liabilities	(7.5)%	-0.2%	8%	20%	(9)%

**17 Financial Instruments**

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

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

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

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

The Pension Schemes have no exposure to exchange rate risk.

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



## **18 Contingent liabilities disclosed under IAS 37**

There are no Contingent Liabilities at 31 March 2013.

## **19 Related-party transactions**

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

## **20 Losses and special payments**

There are no losses or special payments in excess of £250,000 which would require separate disclosure during the year to 31 March 2013, or that have been recognised since that date.

## **21 Events after the Reporting Period**

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

The Accounting Officer of the Department has authorised these Accounts to be issued On 4 July 2013.



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