Royal Mail
Statutory Pension Scheme

Annual accounts 2013-14

HC 49

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Annual accounts 2013-14
(For the year ended 31 March 2014)

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

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HC 49

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Report

Introduction

This account for the Royal Mail Statutory Pension Scheme (RMSPS) for the year ended 31 March 2014 covers the payment of pensions, pension related expenditure and other benefits to retired members or their dependants and transfer values for members transferring to other schemes.

The business, its objectives and strategy

With effect from 1 April 2012 and under the provisions of the Postal Services Act 2011, which received Royal Assent on 13 June 2011, the Government assumed responsibility for both the Royal Mail Pension Plan (RMPP) deficit and the majority of the plan's liabilities. Following this transfer of responsibility to the Government, RMSPS was established to provide for pensions or other benefits to be payable to or in respect of persons who are or have been qualifying members of the RMPP.

The RMSPS is a statutory scheme as defined under Section 26(1) of the Finance Act 1970 and is a registered scheme under the Finance Act 2004.

There are no investment arrangements within RMSPS to meet the liabilities of the scheme. The Government does not maintain a separate fund to provide for the scheme's future liabilities and future benefits will be paid out of the consolidated fund, to the extent that Parliament votes the necessary funds as requested by the Cabinet Office.

Main features of the scheme

RMSPS is an unfunded defined benefit scheme providing pension and lump sum benefits on retirement and death to members and former members of the Royal Mail Pension Plan (RMPP), and their dependants, in respect of their service up to 31 March 2012. The scheme is closed and has only pensioner and deferred members. As this is a closed scheme, there are no employer or employee contributions, the on-going pension payments and other payments are funded from the consolidated fund.

There are two primary benefit structures within RMSPS; section A&B members are entitled to a pension and an automatic lump sum on retirement (with the option to exchange pension for additional lump sum or vice versa subject to Her Majesty's Revenue and Customs (HMRC) limits). Section C members are entitled to a pension on retirement, with the option to exchange pension for a lump sum up to HMRC limits.

Within the scheme there are three main categories of membership: pensioners (those members who are receiving a pension); deferred members (those members who have left pensionable service with RMPP but are not yet receiving their pension) and 'active deferred' members (those members who remain in pensionable service with RMPP). Active deferred members differ from deferred members in that their pension entitlements receive revaluation based on the Retail Prices Index (RPI). Once they leave RMPP service and become deferred members, revaluation is based on the Consumer Prices Index (CPI).

Changes in benefits

For section A&B members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased by 2.2% in April 2013 reflecting the change in CPI for the year ended September 2012. No discretionary increases were awarded. For section C members, in accordance with scheme regulations, eligible pensions in payment were increased by 2.6% in April 2013 reflecting the change in RPI for the year ended September 2012 capped at 5.0%. No discretionary increases were awarded.

Management of the scheme

In April 2013, the scheme transferred to the Cabinet Office to be located alongside the Principal Civil Service Scheme. Responsibility for the management of the RMSPS within the 2013-14 financial year rested with the Permanent Secretary of the Cabinet Office. A Transfer of Functions Order came into force on 2 April 2014 that would enable the Minister for the Civil Service to make any future legislative changes to the rules of the scheme if required.

RMSPS is a statutory pension scheme and there are no trustees. The administration of the scheme is undertaken by the Royal Mail Pension Service Centre.

Actuary’s valuation and statement

The scheme’s liabilities as at 31 March 2014, on an accounting basis, were calculated by the Government Actuary’s Department (the appointed actuary to the scheme) based on a full actuarial assessment. This was completed in December 2012 using full member data as at 31 March 2012. The next full actuarial assessment of the scheme’s liabilities is expected to be based on the scheme’s position as at 31 March 2015.

Changes in scheme rules

There have been no changes to the rules affecting the benefits structure since the inception of the scheme.

Financial review

The total pension liability at 31 March 2014 was £36.805 billion (31 March 2013: £33.378 billion) and relates to benefits accrued up to the date of transfer into the RMSPS.

The net expenditure for the year was £1.343 billion (31 March 2013: £1.453 billion). The primary component of the total pension expenditure was the pension financing cost. Total benefits of £1.210 billion were payable in the year in respect of pensions or annuities, commutations and lump sums and death benefits payable (31 March 2013: £1.160 billion). Total transfers out of £27.680 million were payable in the year to 31 March 2014 (31 March 2013: £20.687 million).

During the year a net actuarial loss of £3.321 billion was incurred and has been included within other Comprehensive Net Expenditure (31 March 2013: £2.559 billion).

The notional cost of the audit is £70,000 (31 March 2013: £95,000). This notional fee reflects only those costs that are directly associated with the audit of these financial statements. The cost is borne by the vote of the Cabinet Office.

The total number of members (pensioners, dual status and deferred/active deferred members) decreased from 420,261 at 1 April 2013 to 414,473 at 31 March 2014 (425,823 at 1 April 2012).

The financial statements and accompanying notes provide an overview of the scheme’s expenditure for the year ended 31 March 2014.

Reporting of personal data related incidents

There was one incident of the loss of “Protected Personal Data” reported to the Information Commissioners Office in 2013-14. They decided it did not require any further action as the data was recovered. There were no “Other Protected Personal Data” incidents in 2013-14 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 RMSPS team will continue to monitor and assess its information risks, in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Auditor

These financial statements have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on pages 18 and 19.

Disclosure of audit Information

As far as I am aware, there is no relevant audit information of which the scheme's auditor is 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 scheme's auditor is aware of that information.

Richard Heaton
Principal accounting officer and Permanent Secretary

23 June 2014

Report of the managers

1 Managers, advisors and employers

Managers

Principal accounting officer of the scheme	Richard Heaton
Scheme manager at the Cabinet Office	Catriona Flear
Address for correspondence with the scheme manager and principal accounting officer	Cabinet Office, 70 Whitehall, London, SW1A 2AS
Royal Mail responsible officer at the Royal Mail Pensions Service Centre	Duncan Codling
Address for correspondence	Royal Mail Pensions Service Centre, PO Box 500, Chesterfield, S49 1WX

Advisors

Scheme actuary	The Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
Principal bankers	Citibank, 7 Floor, 51137, PO BOX 4365, Cardiff, CF14 8JH
Legal advisors	Treasury Solicitors, 1 Horse Guards Road, SW1A 2HQ
Auditor	The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP

Employers

Prior to 1 April 2012 and the transfer of the pension scheme liabilities from RMPP to RMSPS the following employer participated in the scheme:

- Royal Mail Group plc

2 Membership statistics

Deferred pensioners (including active deferred – single status only)	31 March 2014	31 March 2013
At 1 April	228,745	**235,837**
Full retirements	(5,661)	(4,569)
Deaths	(285)	(286)
Transfers	(540)	(396)
Partial retirements (i.e. from single to dual status)	(2,404)	(1,841)
At 31 March	**219,855**	**228,745**

Dual status pensioners – deferred members with part benefits in payment	31 March 2014	31 March 2013
At 1 April	7,718	**6,157**
Full retirements	(426)	(253)
Deaths	(32)	(27)
Partial retirements (i.e. from single to dual status)	2,404	1,841
At 31 March	**9,664**	**7,718**

Pensioners – Royal Mail	31 March 2014	31 March 2013
At 1 April	183,798	**183,829**
Full retirements/new pensioners	8,582	7,279
Deaths	(7,426)	(7,310)
At 31 March	**184,954**	**183,798**

3 Scheme records

Records are maintained by the Royal Mail Pensions Service Centre at PO Box 500, Chesterfield, S49 1WX.

4 Additional voluntary contributions (AVCs)

There are no additional voluntary contributions within RMSPS.

5 Rule amendments

We ensured that the changes to legislation as a result of the Marriage (same sex couples) Act 2013 were reflected in the rules, by their inclusion in a Gender Equalities Office order which covered multiple schemes and organisations. There were no other changes to the rules of the scheme affecting the benefits structure of the scheme.

6 Pensions review

For section A&B members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased by 2.2% in April 2013 reflecting the change in CPI for the year ended September 2012. No discretionary increases were awarded. For section C members, in accordance with scheme regulations, eligible pensions in payment were increased by 2.6% in April 2013 reflecting the change in RPI for the year ended September 2012 capped at 5.0%. No discretionary increases were awarded.

7 Transfers

During the year to 31 March 2014, 540 members (2012-13: 396) transferred out of the scheme. Transfer values in respect of withdrawing members were calculated and verified in the manner prescribed by legislation. No allowance has been made for discretionary pension increases in respect of those sections of the scheme which do not guarantee pension increases fully in line with inflation.

8 Retirements

Total new retirements in the year were 8,582 (2012-13: 7,279) of which a total of 2,498 (2012-13: 2,457) new pensioners received benefits in respect of a dependant pension. The rules of the scheme 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 chargeable to the scheme's accounts. No top-up payments are required by the scheme in respect of early retirements as the benefits payable are actuarially reduced for early payment.

9 Actuarial position

The last full actuarial assessment of the liabilities of the Royal Mail Statutory Pension Scheme was completed in respect of the scheme's position as at 31 March 2012. The next full actuarial assessment is due to be based on the scheme's position as at 31 March 2015.

Report of the actuary

Royal Mail Statutory Pension Scheme

Accounts for the year ended 31 March 2014

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Cabinet Office. It summarises the pensions disclosures required for the 2013-14 Resource Accounts of the Royal Mail Statutory Pension Scheme ('the scheme').

2. RMSPS is a closed defined benefit scheme, the rules of which are set out in the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012 (SI 2012/687). The scheme is 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 calculation of the pension liability is based on a full actuarial valuation of the scheme, carried out as at 31 March 2012, updated to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012 used in the full actuarial assessment of RMSPS's liabilities, and the membership movements and benefit payment details for 2012-14 used in updating the assessment to 31 March 2014. (Note that the membership numbers at 31 March 2012 in Table A do not reconcile precisely with the membership movements in Table B as they come from separate extracts provided for different purposes and using different approaches).

Table A – Summary of membership data extract underlying full actuarial assessment as at 31 March 2012

Category	Number of members (single + dual) at 31 March 2012	Total pension as at 31 March 2012 (£million)
Active deferred	116,409 + 5,103	595
Deferred pensioner	119,200 + 1,054	314
Pensioner	183,827 + 6,157	976

Table B – Summary of membership movements for 2012-14

Number of members	Deferred pensioners (inc. active deferred) – single status only	Dual status **	Pensioners – single status only
Total at 31 March 2012	**235,837**	**6,157**	**183,829**
Full retirements / new pensioners	(4,569)	(253)	7,279
Deaths	(286)	(27)	(7,310)
Transfers out	(396)	-	-
Partial retirements (ie from single to dual status)	(1,841)	1,841	-
Total at 31 March 2013	**228,745**	**7,718**	**183,798**
Full retirements / new pensioners	(5,661)	(426)	8,582
Deaths	(285)	(32)	(7,426)
Transfers out	(540)	-	-
Partial retirements (ie from single to dual status)	(2,404)	2,404	-
Total at 31 March 2014	**219,855**	**9,664**	**184,954**

** Dual status members meaning those that have drawn part of their benefits under flexible retirement provisions.

Table C – Benefits paid

	2013-14 £billion	**2012-13 £billion**
Pensions	1.012	0.986
Retirement lump sums	0.182	0.156
Death lump sums	0.016	0.018
Transfers out - individual	0.028	0.021
Total	**1.238**	**1.181**

Methodology

5. The present value of the liabilities has been determined using the projected unit credit method, with the principal financial assumptions applying to the 2013-14 resource accounts.

6. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member.

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2014, the assumed rate of return in excess of RPI inflation was reduced from 1.35% a year to 0.80% a year, and the assumed rate of return in excess of CPI inflation was reduced from 2.35% a year to 1.80% a year. With effect from 31 March 2014, the

assumed rate of future RPI inflation is 3.50% a year and the assumed rate of future CPI inflation is 2.50% a year (changed from 2.70% and 1.70% respectively as at 31 March 2013).

Table D – Principal financial assumptions as at 31 March 2014

Assumption	31 March 2014 % a year	31 March 2013 % a year
Rate of return (discount rate)	4.35%	4.10%
Rate of return in excess of:		
Pension increases (RPI)	0.80%	1.35%
Pension increases (CPI)	1.80%	2.35%

8. Benefits in RMSPS increase annually with price inflation. The measure of inflation used to increase pensions depends on the section of the scheme and whether the member has retired, remains in active service in RMPP or is a deferred pensioner that has left active service in RMPP.

Demographic assumptions

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

10. The scheme commenced on 1 April 2012. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2013 and 31 March 2014 are based on the analysis of experience of the scheme's predecessor arrangement, RMPP, as part of its most recent completed triennial valuation as at 31 March 2009.

11. Baseline mortality has been set by reference to the 'S1' series of standard tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession), as set out in the table below.

Table E – baseline mortality

	Amount of pension in 2012 terms	*Base table*
Male members	Less than £4,802 pa	127% S1PMA
Male members	£4,802 - £7,995 pa	120% S1PMA
Male members	£7,995 - £15,280 pa	105% S1PMA
Male members	Over £15,280 pa	94% S1PMA_L
Male dependants	All pension amounts	107% S1PMA
Female members	All pension amounts	101% S1DFA
Female dependants	All pension amounts	112% S1DFA

12. Mortality improvements up to 2009 are in line with 'medium cohort' improvement tables with a 1.5% per annum minimum rate of improvement (floor) from the date of the tables up to 2009.

13. From 2009 to 2012, mortality improvements are in line with ONS UK population experience. From 2012, mortality improvements are in line with ONS 2012-based principal population projections for the UK.

Liabilities

14. Table F summarises the assessed value as at 31 March 2014 of benefits payable from the scheme based on the data, methodology and assumptions described in paragraphs 4 to 13. The corresponding figure for 1 April 2013 is also included in the table.

Table F – statement of financial position

£billion	31 March 2014	31 March 2013	31 March 2012
Value of liabilities	36.805	33.378	30.547

Accruing costs

15. The scheme is closed and has no active members so there are no accruing costs or contributions.

Sensitivity analysis

16. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2014 of changes to significant actuarial assumptions.

17. The most significant financial assumption is the real rate of return in excess of pension increases. The assumed nominal rate of return does not have a significant impact on the overall liability, although it does have a small effect on the past service liability in respect of guaranteed minimum pensions (GMPs) built up before 6 April 1988. The most significant demographic assumption is pensioner mortality.

18. Table G shows indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

Table G
Sensitivity to significant assumptions

Change in assumption *	Approximate effect on total liability	
Rate of return in excess of pension increases		
(i) Reduction of ½% a year	+ 8.7%	+ £3.2 billion
Pensioner mortality		
(ii) pensioners subject to longevity of an individual 1 year younger than assumed	+ 3.1%	+ £1.1 billion

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

Alan Dorn FIA
Government Actuary's Department

29 April 2014

Statement of accounting officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Cabinet Office to prepare for each financial year a statement of accounts for the Royal Mail Statutory Pension Scheme 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 financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the pension scheme during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Statement of 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 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 Cabinet Office as accounting officer for the Royal Mail Statutory Pension Scheme. 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 *Managing Public Money* published by HM Treasury.

Governance Statement

Scope of responsibility

As accounting officer for the RMSPS, I have responsibility for maintaining a sound system of governance, risk and internal control that supports the achievement of the Royal Mail Statutory Pension Scheme's ("the scheme") 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". The reporting period covers the year from 1 April 2013 to 31 March 2014.

Scheme governance

The governance arrangements of RMSPS have been devised to achieve the following objectives:

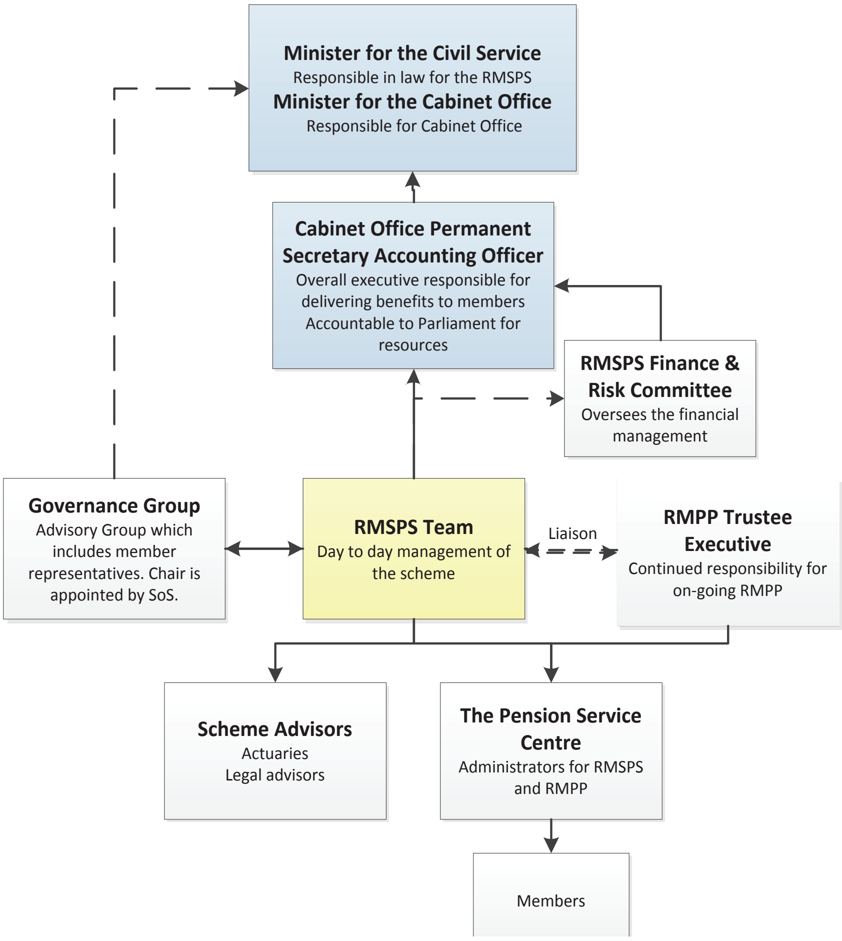
- be efficient and cost effective with clear separation from the existing Royal Mail Pension Plan;
- be based on a transparent and robust structure which is compliant with legislative provisions in the Postal Service Act ('the Act');
- ensure seamless member experience; and
- be compliant with relevant best practice and policy for public service schemes across Government.

The main features of the RMSPS governance arrangements are as follows:

- ultimate responsibility for RMSPS rests with the Minister for the Civil Service;
- the accounting officer for the RMSPS is the Permanent Secretary of Cabinet Office;
- there is continued oversight by the Cabinet Office Audit and Risk Committee;
- day to day management of the scheme sits in the Cabinet Office and will be undertaken by the RMSPS management team;
- an advisory Governance Group has been established as part of the RMSPS scheme governance;
- a finance and risk committee has been set up to ensure compliance with good financial management practices and to ensure that adequate internal controls and risk management procedures are in place; and
- the administration of RMSPS will be carried out by the Royal Mail Pensions Service Centre at Chesterfield. An agreement between the Royal Mail Group Ltd and the Cabinet Office covers this arrangement.

Structure of the RMSPS scheme governance

The governance arrangements are summarised in the diagram below:



The governance group

The RMSPS governance group is an advisory group established as part of the RMSPS scheme governance. Its chair has been appointed by the Secretary of State for the Cabinet Office and its membership is based on nominations from a range of stakeholders including HM Treasury, the Royal Mail Group plc, Post Office Limited, the Postal Unions, the National Federation of Occupational Pensioners, and a representative of the Secretary of State for the Cabinet Office.

The governance group has four primary functions:

- it oversees the administration of RMSPS and reports on its efficiency;
- it oversees and inputs into communications with the scheme membership and other stakeholders;
- it monitors cross-scheme issues to ensure consistency and a seamless service for members; and
- it develops co-operative working relationships with all of the stakeholders of the RMSPS and provides feedback to them on the operation of the scheme.

The governance group meets every quarter and is presented with reports highlighting the activities of the preceding three months. These reports include:

- actual pension payments made against forecasts;
- a scheme report highlighting significant activity in the reporting period;
- the number of overpayments made; and

- the performance of the Royal Mail Pensions Service Centre against agreed targets.

The RMSPS finance and risk committee

The finance and risk committee is responsible for monitoring the financial activities of the scheme. Its members include the HM Treasury, the head of plan finance at the Royal Mail Pensions Service Centre, internal audit, external audit, GAD and the deputy director of finance within the Cabinet Office, who also chairs the committee.

The membership of the RMSPS Finance and Risk Committee

Members
- Jerry Page (Chair)
- Alan Dorn – GAD
- David Marshall (Accounts)

Attendees
- Catriona Flear – RMSPS Scheme Manager
- Tim Le Mare – Internal Audit
- Keith Osborn – NAO (observer status only)
- Adrian Moss (PSC)
- Paul Williams (BIS SCS who links to governance group)
- Mark Lyseight – HMT
- Ash Vara (RMSPS Governance and Secretariat)

The purpose of the committee is to ensure that:

- financial management of the scheme is robust and that all financial procedures are complied with;
- there is an appropriate system of risk management and internal control for the RMSPS;
- the estimate is calculated correctly, in time and the vote amounts are not exceeded;
- the programme budget is correctly forecast and that the forecast is not exceeded;
- committee members are provided with an understanding of all aspects of the pension schemes finances;
- there is effective communication between members who input into the financial running of the scheme;
- any changes in personnel are managed to provide financial continuity for the scheme; and
- the scheme's finances including estimate, budgets and accounts are being managed effectively and that all risk is properly considered.

The committee has met four times in the year to 31 March 2014.

The Cabinet Office Audit and Risk Committee (COARC)

The RMSPS Annual Report and Accounts, NAO Audit Planning Report, and NAO Audit Completion Report are submitted to the Finance and Risk Committee for review and onward submission to the Cabinet Office Audit and Risk Committee, who advise the Principal Accounting Officer on signing the RMSPS Annual Report and Accounts."

Risk and internal control

The RMSPS has a risk register in place to ensure key risks are noted and effective measures are in place to mitigate any risks that materialise. The main risks identified and monitored on an ongoing basis are:

- failure of the Royal Mail Pension Service Centre to process pension payments and lump sums on time;
- insufficient funds to meet liabilities as they fall due; and
- the inability to keep service going due to loss of office, computer system or key members of staff.

A review of these and other risks are carried out regularly by the RMSPS management team who report their findings to the finance and risk committee.

Issues

The scheme had one incident of a loss of “Protected Personal Data”’. The issue was confined to a small number of members, all of the data was recovered and steps were taken to ensure the issue does not happen again. The incident was reported to the Information Commissioners Office who decided that it did not require any further action from them.

There are no major issues identified which would affect the future of the scheme.

Review of effectiveness

As accounting officer, I have responsibility for reviewing the effectiveness of the governance structures, risk management and system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the RMSPS managers within the department who have responsibility for the development and maintenance of the internal control framework, and also by comments made by the external auditors in their management letter and other reports.

I received assurances from the department’s Audit and Risk Committee that, following an internal audit, the level of integration to the Cabinet Office and the compliance to controls was excellent and mechanism are in place to ensure continuous improvements of the system.

Richard Heaton
Principal Accounting Officer and Permanent Secretary

23 June 2014

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 Royal Mail Statutory Pension Scheme for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the 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 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 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 read all the financial and non-financial information in the report of the manager, governance statement and the report of the actuary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly 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), non-budget (resource) 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 recorded in the financial statements 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 2014 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 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 2014 and of its net operating cost 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 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 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 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 and 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

30 June 2014

Statement of Parliamentary Supply
Summary of resource and capital outturn 2013-14

								2013-14 £000	2012-13 £000
				Estimate					Outturn
	SOPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted outturn compared with estimate: saving	Total
Departmental expenditure limit									
- Resource		-	-	-	-	-	-	-	-
- Capital		-	-	-	-	-	-	-	-
Annually managed expenditure									
- Resource	3	1,354,920	-	1,354,920	1,343,066	-	1,343,066	11,854	1,453,061
- Capital		-	-	-	-	-	-	-	-
Total budget		1,354,920	-	1,354,920	1,343,066	-	1,343,066	11,854	1,453,061
Non-budget									
- Resource		-	-	-	-	-	-	-	-
Total	3	1,354,920	-	1,354,920	1,343,066	-	1,343,066	11,854	1,453,061

Net cash requirement 2013-14

				2013-14	2012-13
				£000	£000
	Note	Estimate	Outturn	Outturn compared with estimate: saving	Outturn
Net cash requirement	3	1,446,000	1,235,711	210,289	1,159,496

Administration costs 2013-14		-	-		-

Figures in the area outlined in bold are voted totals subject to Parliamentary control.

All outturn figures are classified as voted annually managed expenditure (AME) items.

Explanations of variances between Estimate and outturn are given in SoPS Note 2.

The notes on pages 21 to 22 form part of these financial statements.

SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government’s objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

• ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and

• support and improve the effectiveness of monetary policy in stabilising economic fluctuations

SOPS2. Reconciliation of net resource outturn to net expenditure

There are no reconciling differences between net resource outturn and net expenditure.
There are no transactions that are treated differently in these National Accounts and IFRS-based accounts.

No expenditure is classified as administration and therefore no reconciliation against administration budget has been provided. All expenditure is classified as programme expenditure.

There is a £210.289m variance from the estimated cash requirement of £1446.0m to the outturn of £1235.711m. This is primarily due to the estimate incorporating cover for the risk of fluctuation in the incidence of retirements from month to month.

The notional audit cost of £70,000 (2012-13: £95,000) is payable to the scheme’s auditor in respect of the audit of the scheme and its financial statements for the year ended 31 March 2014. The cost is borne by the Vote of the Cabinet Office and is therefore not a reconciling item in the note below.

SOPS3. Reconciliation of net resource outturn to net cash requirement

		2013-14			2012-13
	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net resource outturn		1,354,920	1,343,066	11,854	1,453,061
Accruals adjustments:					
Non-cash item – pension financing cost	7.3	(1,355,420)	(1,343,000)	(12,420)	(1,453,000)
Changes in working capital other than cash:					
Increase in receivables		-	5	(5)	2,093
(Increase)/ decrease in payables (within 12 months)		-	75,367	(75,367)	(119,074)
Less movements consolidated fund and scheme manager payables		-	(77,181)	77,181	95,518
Use of provision:					
Pension		1,446,500	1,237,454	209,046	1,180,898
Net cash requirement		**1,446,000**	**1,235,711**	**210,289**	**1,159,496**

SOPS4. Analysis of income payable to the consolidated fund

There are no income amounts payable to the consolidated fund (31 March 2013 - £Nil).

Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Principal Arrangements – Royal Mail Statutory Pension Scheme			
Expenditure			
Pension financing cost	3	1,343,000	1,453,000
Related pension expenditure		66	61
Net (Expenditure)		**1,343,066**	**1,453,061**

	Note	2013-14 £000	2012-13 £000
Other Comprehensive Net Expenditure			
Net actuarial loss	7.6	3,321,454	2,558,898
Total Comprehensive Net Expenditure for the year ended 31 March		**4,664,520**	**4,011,959**

The notes on pages 27 to 35 form part of these financial statements.

Statement of Financial Position
as at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Principal Arrangements – Royal Mail Statutory Pension Scheme			
Current assets:			
Receivables	4	2,098	2,093
Cash and cash equivalents	5	18,337	95,518
Total current assets		20,435	97,611
Current liabilities:			
Payables (within 12 months)	6	(43,707)	(119,074)
Total current liabilities		**(43,707)**	**(119,074)**
Net current liabilities, excluding pension liability		**(23,272)**	**(21,463)**
Pension liability	7.3	(36,805,000)	(33,378,000)
Net liabilities, including pension liabilities		**(36,828,272)**	**(33,399,463)**
Taxpayers' equity:			
General fund		(36,828,272)	(33,399,463)
		(36,828,272)	**(33,399,463)**

Richard Heaton
Principal accounting officer and Permanent Secretary

23 June 2014

The notes on pages 27 to 35 form part of these financial statements.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Balance as at 1 April		(33,399,463)	-
Balance transferred in at 1 April 2012		-	(30,547,000)
Net Parliamentary funding – drawn down		1,158,536	1,255,000
Net Parliamentary funding – deemed		95,504	-
Supply payable – current year adjustment	6	(18,329)	(95,504)
Net expenditure for the year		(1,343,066)	(1,453,061)
Net actuarial loss	7.6	(3,321,454)	(2,558,898)
Balance as at 31 March		**(36,828,272)**	**(33,399,463)**

The notes on pages 27 to 35 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net expenditure for the year		(1,343,066)	(1,453,061)
Adjustments for non-cash transactions – pension financing cost		1,343,000	1,453,000
(Increase) in receivables		(5)	(2,093)
(Decrease)/Increase in payables (within 12 months)		(75,367)	119,074
less movements in consolidated fund and scheme manager payables		77,181	(95,518)
Use of provisions – pensions or annuities to retired employees and dependants	7.4	(1,011,909)	(986,216)
Use of provisions – commutations and lump sum payments	7.4	(182,063)	(156,351)
Use of provisions – death benefits payable	7.4	(15,802)	(17,644)
Use of provisions – refunds and transfers	7.5	(27,680)	(20,687)
Net cash outflow from operating activities		**(1,235,711)**	**(1,159,496)**
Cash flows from financing activities			
From the consolidated fund (supply) – current year		1,158,536	1,255,000
Net Parliamentary financing		**1,158,536**	**1,255,000**
Adjustments for payments and receipts not related to supply		-	-
Net financing		**1,158,536**	**1,255,000**
Net (decrease)/ increase in cash and cash equivalents in the year before adjustment for receipts and payments to the consolidated fund		**(77,175)**	**95,504**
(Decrease)/increase of monies that are payable to the scheme manager as they are outside the scope of the scheme's activities		(6)	14
Net (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the consolidated fund		**(77,181)**	**95,518**
Cash and cash equivalents at 1 April	5	95,518	-
Cash and cash equivalents at 31 March	5	18,337	**95,518**
Net (decrease)/ increase in cash and cash equivalents		**(77,181)**	**95,518**

The notes on pages 27 to 35 form part of these financial statements.

Notes to the scheme's financial statements

1. Basis of preparation of the scheme financial statements

The financial statements of the scheme have been prepared in accordance with the relevant provisions of the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM apply to International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, 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.

These financial statements set out the RMSPS transactions and balances relating to scheme members; all of whom transferred into the scheme as at 1 April 2012. As this is a closed scheme, there are no employer or employee contributions, the on-going pension and other payments are funded from the consolidated fund.

The Statement of Comprehensive Net Expenditure shows income and expenditure during the year. The main expenditure items are the actuary's estimates of the interest on the scheme's on-going liabilities and actuarial loss for the year. The Statement of Financial Position includes the actuary's estimate of the unfunded future pension costs of scheme members. These financial statements should be read in conjunction with the actuary's report.

2 Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards 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 scheme financial statements. Where transactions are accounted for on a cash basis this is specifically stated in the notes below.

2.1 Accounting convention

2.1.1 These financial statements have been prepared under the historical cost convention.

2.2 Pension contributions receivable

2.2.1 There are no employees or employers contributions made into this scheme.

2.3 Transfers in

2.3.1 There are no transfers in as the scheme is closed to new members.

2.4 Transfers out

2.4.1 Transfers out represent capital sums paid to other pension schemes for members who have left the scheme. Transfers out are normally accounted for as use of provision; whereby payments in relation to transfers out decrease the total pension scheme liability.

2.5 Pension financing cost

2.5.1 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 Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate (including inflation) at start of the year, i.e. 4.10% for 2013-14 (4.85% for 2012-13).

2.6 Scheme liability

2.6.1 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 the assumptions set out in note 7.1.

2.6.2 Full actuarial assessments by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent full actuarial assessment at the Statement of Financial Position date and updates it to reflect current conditions and significant recent developments.

2.7 Pension benefits payable

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

2.8 Pension payments to those retiring at their normal retirement age

2.8.1 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.

2.8.2 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 an accruals basis.

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

2.9.1 Where a member of a pension scheme has the option of a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.10 Injury benefits

2.10.1 There are no injury benefits payable by the scheme.

2.11 Lump sums payable on death in service

2.11.1 Any lump sum payments payable on death in service by pension members is split between RMPP and RMSPS, in line with agreed upon calculations. Any lump sums payable on death in service are accounted for as a decrease in the scheme liability on an accruals basis.

2.12 Actuarial gains / losses

2.12.1 Actuarial gains or losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Statement of Financial Position date are recognised in the Statement of Comprehensive Net Expenditure.

2.13 Additional voluntary contributions

2.13.1 There are no additional voluntary contributions (AVCs) directly within the scheme. AVC funds were not transferred into the RMSPS as part of the transfer of liabilities from RMPP to RMSPS. Any AVC contracts entered into with third party financial institutions in respect of AVCs are by RMPP. However, when the scheme is obliged to do so, it pays certain benefits arising from the disinvestment of AVCs to the relevant scheme members. The scheme then recovers all payments, in respect of any AVC benefit payments, from RMPP. Where AVCs are still to be recovered at the year end this is included as a receivable balance.

2.14 Significant estimates and judgements

2.14.1 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 in note 7.

3 Pension financing cost (see also Note 7)

	2013-14	2012-13
	£000	£000
Net interest on defined benefit liabilities	1,343,000	1,453,000
	1,343,000	**1,453,000**

4 Receivables

4(a) Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Amounts due from RMPP	2,098	2,072
Sundry debtors	-	21
Balance at 31 March	**2,098**	**2,093**

4(b) Analysis by organisation

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Balances with other Central Government bodies	-	21
Balances with bodies external to Government	2,098	2,072
Balance at 31 March	**2,098**	**2,093**

5 Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	95,518	-
Net change in cash balances	(77,181)	95,518
Balance at 31 March	**18,337**	**95,518**

The following balances at 31 March were held at:

Government Banking Service (GBS)	18,333	95,517
Commercial banks and cash in hand	4	1
Balance at 31 March	**18,337**	**95,518**

6 Payables – in respect of pensions

6(a) Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Pensions payable	(8,779)	(7,182)
Lump sums payable	(7,135)	(7,605)
Tax deductions payable	(9,443)	(8,765)
Amounts issued from the consolidated fund for supply but not spent at year end	(18,329)	(95,504)
Amounts payable to the scheme manager	(8)	(14)
Other payables	(13)	(4)
Balance at 31 March	**(43,707)**	**(119,074)**

6(b) Analysis by organisation

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Balances with other Central Government bodies	(27,793)	(104,283)
Balances with bodies external to Government	(15,914)	(14,791)
Balance at 31 March	**(43,707)**	**(119,074)**

7 Provision for pension liabilities

7.1 Assumptions underlying the pension liability

RMSPS is a closed defined benefit scheme and is wholly unfunded. The calculation of the pension liability is based on a full actuarial assessment of the scheme carried out as at 31 March 2012, updated approximately (by the Government Actuary's Department) to reflect known changes which have occurred from 1 April 2012 to 31 March 2014. The report of the actuary in these financial statements sets out the scope, methodology and results of the work the actuary has carried out.

The scheme manager together with the actuary and the auditor have drafted 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 and deferred members 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, including mortality assumptions, are described in the report of the actuary.

The 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 primary financial assumptions used by the actuary are detailed below:

	At 31 March 2014	**At 31 March 2013**
	%	%
Rate of return (discount rate)	4.35	4.10
Rate of return in excess of:		
Pension increases (RPI)	0.80	1.35
Pension increases (CPI)	1.80	2.35

With effect from 31 March 2014, the assumed rate of return in excess of RPI inflation was reduced from 1.35% a year to 0.80% a year, and the assumed rate of return in excess of CPI inflation was reduced from 2.35% a year to 1.80% a year. With effect from 31 March 2014, the assumed rate of future RPI inflation is 3.50% a year and the assumed rate of future CPI inflation is 2.50% a year (changed from 2.70% and 1.70% respectively as at 31 March 2013).

Benefits in RMSPS increase annually with price inflation. The measure of inflation used to increase pensions depends on the section of the scheme and whether the member has retired, remains in active service in RMPP or is a deferred pensioner that has left active service in RMPP.

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 manager acknowledges that the valuation reported in these financial statements 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. 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. In the opinion of the Cabinet Office, the scheme manager, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge and these are disclosed in the report of the actuary and summarised above.

In accordance with IAS 19 the scheme managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

Analysis of the pension liability

Pension scheme liabilities for RMSPS accrued over employees' periods of service up to 31 March 2012 and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the scheme liability, the actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation, 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 note 7.6. 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.

A full actuarial valuation for IAS19 purposes has been carried out as at 31 March 2012 using the detailed membership data provided. For assessment as at 31 March 2014, the actuarial liability as at 31 March 2012 has been rolled forward as follows:

- Deducting benefit payments made from the scheme in 2012-14
- Adding interest on the scheme's liabilities (after netting off benefits paid) for the years 2012-13 and 2013-14
- Allowing for the actual announced increases to pensions up to and including April 2014

This approach to rolling forward the liabilities is appropriate for a closed scheme with no further benefit accrual such as RMSPS. It provides a reliable estimate of the total liability but does not reliably attribute the liability between actives, deferreds and pensioners.

7.2 Sensitivity Analysis

A sensitivity analysis for each significant actuarial assumption as at the end of the accounting year is detailed below.

The most significant financial assumption is the real rate of return in excess of pension increases. The assumed nominal rate of return does not have a significant impact on the overall liability, although it does have a small effect on the past service liability in respect of guaranteed minimum pensions (GMPs) built up before 6 April 1988. The most significant demographic assumption is pensioner mortality.

The table below shows indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

Sensitivity to significant assumptions

Change in assumption *	**Approximate effect on total liability**	
Rate of return in excess of pension increases		
(i) Reduction of ½% a year	+ 8.7%	+ £3.2 billion
Pensioner mortality		
(ii) pensioners subject to longevity of an individual 1 year younger than assumed	+ 3.1%	+ £1.1 billion

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

7.3 Analysis of movements in the scheme liability

	Note	**2013-14 £000**	**2012-13 £000**
Scheme liability as at 1 April		(33,378,000)	(30,547,000)
Pension financing cost	3	(1,343,000)	(1,453,000)
Benefits payable	7.4	1,209,774	1,160,211
Pension payments to and on account of leavers	7.5	27,680	20,687
Net actuarial losses	7.6	(3,321,454)	(2,558,898)
Scheme liability at 31 March		**(36,805,000)**	**(33,378,000)**

7.4 Analysis of benefits paid

	2013-14 £000	**2012-13 £000**
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	1,011,909	986,216
Commutations and lump sum benefits on retirement	182,063	156,351
Death benefits payable	15,802	17,644
Per Statement of Cash Flows	**1,209,774**	**1,160,211**

7.5 Analysis of payments to and on account of leavers

	2013-14 £000	**2012-13 £000**
Individual transfers to other schemes	27,680	20,687
Total payments to and on account of leavers	**27,680**	**20,687**

7.6 Analysis of actuarial loss

	2013-14 £000	2012-13 £000
Experience gains and losses arising on the pension liabilities	(252,454)	20,102
Changes in mortality assumptions	149,000	-
Changes to financial assumptions	(3,218,000)	(2,579,000)
Total actuarial loss	**(3,321,454)**	**(2,558,898)**

7.7 History of Experience gains / (losses)

	2013-14 £000	2012-13 £000
Experience gains and (losses) on scheme liabilities:		
Amount (£'000)	(252,454)	20,102
Percentage of the present value of the scheme liabilities	0.69%	(0.06)%
Total amount recognised in Statement of Changes in Taxpayers' Equity		
Amount (£'000)	(3,321,454)	(2,558,898)
Percentage of the present value of the scheme liabilities	9.02%	7.67%

8 Financial Instruments

IAS 39 - *Financial Instruments: Recognition and Measurement,* IAS 32 - *Financial Instruments: Presentation* and IFRS 7- *Financial Instruments: Disclosures,* require 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 fully non-trading nature of its activities and the way in which Government Departments are financed, RMSPS 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 scheme in undertaking its activities.

The 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, there is, therefore, no exposure to significant liquidity risks. The pension scheme does not access funds from commercial sources and so is not exposed to interest rate risk.

The pension scheme has no exposure to foreign exchange rate. Where payments are made overseas they are liable to foreign exchange rate risk. However, the scheme does not bear any risk in relation to this. The foreign exchange rate risk falls on the recipient of the payment made by the scheme. Any increase or decrease in the amounts receivable, in respect of overseas payments liable to foreign exchange rate risk, or borne by the individual member.

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

9 Related-party transactions

RMSPS falls within the ambit of the Cabinet Office, which is regarded as a related party with which RMSPS has had various material transactions during the year. None of the managers of the scheme, key managerial staff or other related parties have undertaken any material transactions with the scheme during the year.

10 Events after the reporting period

The accounting officer of the department has authorised these financial statements to be issued on the date the Comptroller and Auditor General certifies the accounts.

11 Losses and special payments

There are no losses or special payments, individually or in aggregate in excess of £300,000 which would require special disclosure during the year to 31 March 2014 (2012-13: zero), or that have been recognised since that date.

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