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**Royal Mail  
Statutory Pension Scheme**

**Annual Report and Accounts 2016–17**

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# **Royal Mail Statutory Pension Scheme**

## **Annual Report and Accounts 2016–17** (For the year ended 31 March 2017)

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

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# Contents

## Page

### Accountability Report

#### Corporate Governance Report

Report of the manager	5
Report of the actuary	11
Statement of Accounting Officer's responsibilities	15
Governance Statement	16

#### Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply	19
Losses and special payments disclosure	21
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	22

#### Financial Statements

Statement of Comprehensive Net Expenditure	25
Statement of Financial Position	26
Statement of Changes in Taxpayers' Equity	27
Statement of Cash Flows	28
Notes to the scheme's financial statements	29

# Accountability Report

## Corporate Governance Report

### Report of the manager

#### 1. Introduction

This account for the Royal Mail Statutory Pension Scheme (RMSPS) for the year ended 31 March 2017 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 scheme is not affected by the recent public service pension reforms carried out under the Public Service Pensions Act 2013 as it is governed by the Postal Services Act 2011.

#### 2. The business, its objectives and strategy

With effect from 1 April 2012 and under the provisions of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, 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, the 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 the RMSPS to meet the liabilities of the scheme. 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.

#### 3. Main features of the scheme

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

There are two primary benefit structures within the RMSPS:

- Section A and B members are entitled to a pension and an automatic lump sum on retirement (with the option to exchange their pension for an 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 their pension for a lump sum up to HMRC limits.

This benefit structure is set out in detail in schedule 1 of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012.

Within the scheme there are four main categories of membership:

- pensioners (those members who are receiving a pension)
- deferred members (those members who have left pensionable service in the RMPP but are not yet receiving their pension)
- active deferred members\* (those members who remain in pensionable service within the RMPP)

- dual members, who have two benefits entitlements; which arose from when rules on normal retirement age (NRA) changed from 60 to 65, known as NRA60 & NRA65 (these dual members may have part benefits in payment i.e.NRA60 benefits being paid)
- active deferred members\* differ from deferred members in that their pension entitlements receive revaluation based on the Retail Price Index (RPI) while they are still employed by the Royal Mail or Post Office. Once they leave RMPP service and become deferred members, revaluation for section A and B members is based on the Consumer Prices Index (CPI). Section C members continue to receive revaluation based on the RPI.

#### **4. Changes in benefits**

For section A and B members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were not increased in April 2016, reflecting the -0.1% change in the CPI for the year ended September 2015. No discretionary increases were awarded. For section C members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased by 0.8% in April 2016, reflecting the change in the RPI for the year ended September 2015 (capped at 5.0%). No discretionary increases were awarded.

#### **5. Management of the scheme**

Under the Postal Services Act 2011, the Minister for the Civil Service (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the Minister for the Cabinet Office, and the Permanent Secretary for the Cabinet Office is the Accounting Officer of the Scheme.

The Cabinet Office is ultimately responsible for ensuring that the scheme operates effectively. The day to day administration is mainly carried out by the Royal Mail Group (RMG) under a contract with the Cabinet Office.

The Cabinet Office retains direct management of:

- maintenance of scheme rules
- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman
- ensuring appropriate audit programmes and risk frameworks are in place
- certain discretionary decisions on behalf of the Minister for the Civil Service
- Scheme finances, including the production of the Annual Accounts.

#### **Cabinet Office and the Royal Mail Group**

The Cabinet Office oversees the delivery of Scheme administration by the RMG through a formal contract that came into force in May 2012.

Under the contract, the RMG are responsible for:

- providing administration for deferred and pensioner scheme members, including paying pensions
- maintaining accurate and secure records and a proper audit trail of all transactions
- investigating and responding to complaints made by scheme members, including any made under the first stage of the internal dispute resolution procedures
- pursuing and reclaiming any overpayments of benefits
- handling transfers out of the scheme
- calculating and paying annual pension increases
- deducting and paying over tax to HMRC
- operating a payroll bank account
- producing financial and management reports.

## 6. Financial review

The total pension liability at 31 March 2017 was £46.814 bn (31 March 2016: £38.302 bn). This relates to benefits accrued for qualifying members of the RMPP as at 31 March 2017. The increase in liability has been driven by a drop in the discount rate used to value the scheme liability to 2.8% (2015–16: 3.6%), slightly offset by an experience gain arising due to the 2017 pension increase being lower than assumed.

The net expenditure for the year was £1.355 bn (2015–16: £1.426 bn) and consists solely of the pension financing cost. The reduction in the net expenditure is attributable to the reduction in the starting liability, offset by a small increase in the discount rate used. Total benefits of £1.313 bn were payable in the year in respect of pensions or annuities, commutations, lump sums and death benefits payable (2015–16: £1.309 bn). Total transfers out of £6.306 m were payable in the year to 31 March 2017 (2015–16: £14.146 m), this had decreased as a result of fewer members requesting to be transferred out of the scheme because of recent changes in legislation.

During the year a net actuarial loss of (£8.476) bn was incurred and has been included within Other Comprehensive Net Expenditure (2015–16: £2.075 bn actuarial gain).

The notional cost of the audit is £50,000 (31 March 2016: £55,000). This notional fee reflects only those costs that are directly associated with the audit of these financial statements. The cost is incorporated in the Cabinet Office Financial Statements.

The total number of members (pensioners, dual status and deferred/active deferred members) decreased from 401,765 at 31 March 2016 to 395,473 at 31 March 2017.

The financial statements and accompanying notes set out the scheme's expenditure for the year ended 31 March 2017.

## 7. Reconciliation of net cash requirement to estimate

There was a £24 m variance between the estimated cash requirement of £1,340 m to the outturn of £1,316 m. This is primarily due to a slightly lower than anticipated number of retirees and the consequent take up of lump sum payments.



## 8. Membership statistics

<b>Deferred pensioners (including active deferred – single status only)</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>At 1 April</b>	200,975	210,850
Full retirements	(5,685)	(6,268)
Deaths	(340)	(305)
Transfers	(319)	(482)
Partial retirements (i.e. from single to dual status)	(2,934)	(2,820)
<b>At 31 March</b>	<b>191,697</b>	<b>200,975</b>
<b>Dual status pensioners (deferred members with part benefits in payment)</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>At 1 April</b>	11,884	10,957
Full retirements	(1,747)	(1,846)
Deaths	(52)	(47)
Partial retirements (i.e. from single to dual status)	2,934	2,820
<b>At 31 March</b>	<b>13,019</b>	<b>11,884</b>
<b>Pensioners</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>At 1 April</b>	188,906	186,219
Full retirements	7,432	8,114
New dependants	2,505	2,393
Deaths	(8,086)	(7,820)
<b>At 31 March</b>	<b>190,757</b>	<b>188,906</b>
<b>Total</b>	<b>395,473</b>	<b>401,765</b>

## 9. Transfers

During the year to 31 March 2017, 319 members (2015–16: 482) transferred out of the scheme. New legislation, which came into place in April 2015, restricted the ability to transfer out of schemes such as the RMSPS. As the RMSPS has been defined as a public sector, unfunded scheme, members are restricted in taking advantage of the new pension flexibility and can only transfer to another direct benefits scheme; therefore the number of transfers out has reduced.

## 10. Retirements

Total new retirements in the year were 7,432 (2015–16: 8,114).

## 11. Scheme records

Records are maintained by the Royal Mail Pensions Service Centre.

## 12. Additional voluntary contributions (AVCs)

There are no additional voluntary contributions within the RMSPS.

## 13. Rule amendments

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

## 14. Reporting of personal data related incidents

There have been no instances of loss of protected personal data in 2016–17.

## 15. Actuarial position

The scheme's liabilities as at 31 March 2017 were calculated by the Government Actuary's Department (the appointed actuary to the scheme) in accordance with *International Accounting Standard 19 Employee Benefits (IAS 19)*. This assessment was completed using full member data as at 31 March 2015, updated approximately by the Government Actuary's Department to reflect changes that have occurred from 1 April 2015 to 31 March 2017.

## 16. Events after the reporting period

The Accounting Officer of the scheme has authorised these financial statements to be issued on the date that the Comptroller and Auditor General certifies the accounts.

## 17. Contract for scheme administration

The scheme administration contract is up for renewal and has been put out to tender. The new contract will be effective from 1 October 2018 with a transition period beforehand.

## 18. Auditor

These financial statements have been audited by the Comptroller and Auditor General (C&AG), whose opinion is expressed in the certificate and report of the Comptroller and Auditor General to the House of Commons.

## 19. Managers, advisers and employers

### Managers

Principal Accounting Officer of the scheme                      John Manzoni

Scheme manager at the Cabinet Office                      Debra Soper

Address for correspondence with the scheme manager and principal accounting officer                      Cabinet Office, 1 Horse Guards Road, London SW1A 2HO

Royal Mail responsible officer at the Royal Mail Pensions Service Centre                      Duncan Codling

Address for correspondence                      Pensions Service Centre, PO Box 5863, Sheffield S98 6AB

### Advisers

Scheme Actuary                      Government Actuary's Department, Finlaison House, 15–17 Furnival Street, London EC4A 1AB

Principal bankers                      Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB

Legal advisers                      Government Legal Department, 1 Kemble Street, London WC2B 4TS

Auditor                      Comptroller and Auditor General, National Audit Office, 157–197 Buckingham Palace Road, London SW1W 9SP

## **Employers**

The following employers participate in the scheme:

- Royal Mail Group
- Post Office Limited.

## **20. Disclosure of audit information**

As Accounting Officer, 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.

As Accounting Officer, I confirm that the annual report and accounts as a whole are fair, balanced and understandable, and that I take personal responsibility for them and for the judgements required for determining that they are fair, balanced and understandable.

A handwritten signature in black ink, appearing to read 'J. Manzoni', is written over a horizontal line.

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**John Manzoni**  
**Principal Accounting Officer and Permanent Secretary**

14<sup>th</sup> July 2017

**Report of the actuary**  
**Royal Mail Statutory Pension Scheme**  
**Accounts for the year ended 31 March 2017**

**Introduction**

1. This statement has been prepared by the Government Actuary's Department at the request of Cabinet Office. It summarises the pensions disclosures required for the 2016–17 Annual Report and Accounts of the Royal Mail Statutory Pension Scheme (RMSPS).
2. The 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 statement is based on an assessment of the liabilities as at 31 March 2015, with an approximate updating to 31 March 2017 to reflect known changes.

**Membership data**

4. The tables below summarise the principal membership data as at 31 March 2015, the membership movements for 2016–17, and the financial data used to prepare this statement.

**Table A – Membership summary**

<b>Category</b>	<b>Number of members (single + dual)</b>	<b>Total pension as at 31 March 2015 (£ million)</b>
Active Deferred	103,215	597
Deferred Pensioner	117,835	379
Pensioner	194,468	1,036

**Table B – Summary of membership movements (figures provided by PSC)**

<b>Number of members</b>	<b>Deferred Pensioners (inc. active deferred – single status only)</b>	<b>Dual status</b>	<b>Pensioners – single status only</b>
<b>Total at 31 March 2016</b>	<b>200,975</b>	<b>11,884</b>	<b>188,906</b>
Full retirements / new pensioners	(5,685)	(1,747)	9,937
Deaths	(340)	(52)	(8,086)
Transfers	(319)	-	-
Partial retirements (i.e. from single to dual status)	(2,934)	2,934	-
<b>Total at 31 March 2017</b>	<b>191,697</b>	<b>13,019</b>	<b>190,757</b>

**Table C – Financial data**

	2016–17 (£ million)	2015–16 (£ million)	2014–15 (£ million)
<b>Benefits paid</b>			
Pensions	1.078	1.069	1.043
Retirement lump sums	0.216	0.222	0.195
Death lump sums	0.019	0.018	0.020
Transfer out - individual	0.007	0.014	0.031
<b>Total</b>	<b>1.319</b>	<b>1.323</b>	<b>1.289</b>

**Methodology**

- The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with the principal financial assumptions applying to the 2016–17 Annual Report and 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, although the assessment of liabilities includes pensions already in payment in respect of such cases.

**Principal financial assumptions**

- The principal financial assumptions adopted to prepare this statement are shown in Table D.

**Table D – Principal financial assumptions**

Assumption	31 March 2017	31 March 2016
Rate of return (discount rate)	2.80%	3.60%
Rate of future pension increases (CPI)	2.55%	2.20%
Rate of future pension increases (RPI)	3.55%	3.20%
Rate of return in excess of:		
Pension increases (CPI)	0.24%	1.37%
Pension increases (RPI)	-0.72%	0.39%
Expected return on assets:	n/a	n/a

- 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**

- The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership. Table E summarises the mortality assumptions adopted to prepare this statement. The table refers to the standard mortality tables known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

**Table E – Post-retirement mortality assumptions**

<b>Normal health</b>	
Males	105% of S2PMA mortality
Females	100% of S2PFA mortality
<b>Current ill-health pensioners</b>	
Males	105% of S2PMA mortality
Females	100% of S2PFA mortality
<b>Future ill-health pensioners</b>	
Males	105% of S2PMA mortality*
Females	100% of S2PFA mortality*
<b>Partners</b>	
Males	125% of S2PMA mortality
Females	110% of S2DFA mortality

\*Future ill health retirees are assumed to be subject to the above mortality on the basis that the members were born 3 years earlier than their actual date of birth.

10. These assumptions are the same as those adopted for the 2015–16 Annual Report and Accounts. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption is in line with the latest ONS projections.

**Liabilities**

11. Table F summarises the assessed value as at 31 March 2017 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 10. The corresponding figures for the previous four year ends are also included in the table.

**Table F – Statement of Financial Position**

£ million

	31 March 2017 £ m	31 March 2016 £ m	31 March 2015 £ m	31 March 2014 £ m	31 March 2013 £ m
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	46,814	38,302	40,274	36,805	33,378
Surplus/(Deficit)	(46,814)	(38,302)	(40,274)	(36,805)	(33,378)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

**Accruing costs**

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

## Sensitivity analysis

13. 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 2017 of changes to the most significant actuarial assumptions.
14. The most significant assumption is the real rate of return in excess of pension increases. A key demographic assumption is pensioner mortality.
15. Table G shows the indicative effects on the total liability as at 31 March 2017 of changes to the assumptions described above.

**Table G - Sensitivity to significant assumptions**

<b>Change in assumption</b>	<b>Approximate effect on total liability</b>	
<b>Rate of return in excess of pension increases</b>		
(i) reduction of ½% a year	+ 12.8%	+ £6.0 billion
<b>Demographic assumptions</b>		
(ii) pensioners subject to longevity of an individual 1 year younger than assumed	+ 3.3%	+ £1.6 billion

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

**Alan Dorn**  
**Government Actuary's Department**  
**June 2017**

## 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.

The financial statements are prepared on an accruals basis and must give a true and fair view of state of affairs of the Scheme at the year end and of the net resource outturn, changes in taxpayer's equity and cash flows for the year then ended. The Accounts are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

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 Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.



# Governance Statement

## Scope of responsibility

As the Accounting Officer for the RMSPS during 2016–17, 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 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”.

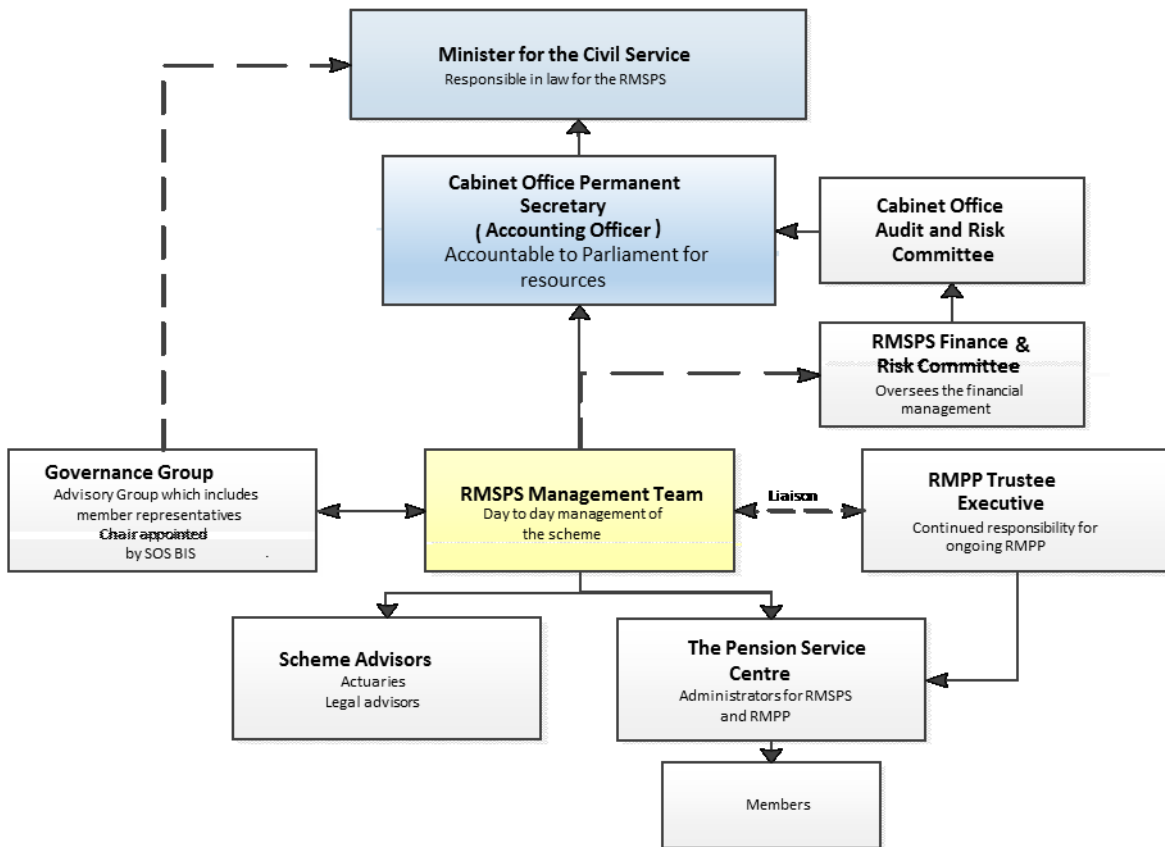
## Scheme governance

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’); and
- be compliant with relevant best practice and policy for public service schemes across Government.

## Structure of the RMSPS scheme governance

The governance arrangements are summarised in the diagram below:



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

- ultimate responsibility for RMSPS rests with the Minister for the Civil Service (the Prime Minister);
- the Accounting Officer for the RMSPS is the Permanent Secretary of Cabinet Office;
- the Accounting Officer is supported in his role by the Cabinet Office Audit & Risk Committee;

- day to day management of the scheme sits within the Pensions Directorate Cabinet Office and will be undertaken by the Civil Service and Royal Mail Pension Team;
- an advisory Governance Group has been established as part of the RMSPS scheme governance;
- a finance and risk committee seeks 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 is carried out by the Royal Mail Pensions Service Centre which re-located to Sheffield in April 2017. An agreement between the Royal Mail Group Ltd and the Cabinet Office covers this arrangement.

### **The Governance Group**

The RMSPS Governance Group is an advisory group established as part of the RMSPS scheme governance. It's chair is appointed by the Secretary of State for the Department of Business, Energy and Industrial Strategy (BEIS; formerly the Department of Business Innovation and Skills). 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, the Cabinet Office and a representative of the Secretary of State for the BEIS.

The primary functions of the governance group are as follows:

- it oversees and inputs into communications with the scheme's membership and other stakeholders.
- it monitors cross-scheme issues to ensure consistency.
- 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 met four times in the year to 31 March 2017 and was 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
- the performance of the Royal Mail Pensions Service Centre against agreed targets.

There was an extraordinary meeting in December 2016 to discuss the procurement of the administrator contract.

### **The Royal Mail Statutory Pension Scheme finance and risk committee**

The finance and risk committee reviews the financial activities of the scheme. The membership of the RMSPS finance and risk committee consists of the following:

#### **Members**

- Helen Gibson (Deputy Director Finance, Cabinet Office)
- Alan Dorn (Government Actuary's Department)
- David Marshall (Finance, Cabinet Office)
- Other attendees include representatives from the Pensions Directorate, Her Majesty's Treasury, National Audit Office, Internal Audit and the Pension Service Centre.

The purpose of the committee is to ensure that:

- financial management of the scheme is robust and compliant
- there is an appropriate system of risk management and internal control for the RMSPS.

The committee met three times in the year to 31 March 2017.

### **The Cabinet Office Audit and Risk Committee (COARC)**

The Cabinet Office Audit and Risk Committee (COARC) is a sub-committee of the Board which supports management by providing an independent view of the Department's risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances.

The Committee's work included reviewing the Royal Mail Statutory Pension Scheme accounts and providing assurance to the Accounting Officer that the accounts could properly be signed by him.

### **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
- inability to keep service going due to loss of office, computer system or key members of staff.

A risk management framework was in place during 2016–17 which identified risks, assessed their impact and reviewed the actions in place to mitigate them. This framework will be reviewed in 2017–18 and, if applicable, changes will be made to ensure it remains effective.

### **Issues**

There were no issues to report in 2016–17.

### **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.

In 2014 a full internal audit reported that all internal controls were in place (status: green) and since then these controls have been kept under review by the Cabinet Office Pensions Directorate. Monthly dashboard reports and Risk Register are received from the Royal Mail Pension Service Centre and meetings are held regularly to monitor compliance, delivery and risks. Any issues are reported to the Governance Group and the Finance and Risk Committee where appropriate. Management are satisfied that the controls remain appropriate, are complied with and that the overall risk is low.

As reported last year, a further internal audit and review of the governance arrangements will be carried out after the award of a new contract for pension administration services. In the meantime, transitional governance arrangements will be put in place with the preferred bidder, once the contract has been formally awarded by the end of September 2017.



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John Manzoni  
Principal Accounting Officer and Permanent Secretary

14<sup>th</sup> July 2017

## Parliamentary accountability and audit report

### Statement of Parliamentary Supply – (Subject to Audit)

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.

### Summary of resource and capital outturn 2016–17

								2016–17 £000	2015–16 £000
Estimate				Outturn					
SOPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted outturn compared with estimate: saving	Total	
<b>Departmental expenditure limit</b>									
- Resource	-	-	-	-	-	-	-	-	
- Capital	-	-	-	-	-	-	-	-	
<b>Annually managed expenditure</b>									
- Resource	1,390,001	-	1,390,001	1,355,000	-	1,355,000	35,001	1,426,000	
- Capital	-	-	-	-	-	-	-	-	
<b>Total budget</b>	1,390,001	-	1,390,001	1,355,000	-	1,355,000	35,001	1,426,000	
<b>Non-budget</b>									
- Resource	-	-	-	-	-	-	-	-	
<b>Total</b>	1,390,001	-	1,390,001	1,355,000	-	1,355,000	35,001	1,426,000	

	Note	Estimate	Outturn	2016–17 £000 Outturn compared with estimate: saving	2015–16 £000 Outturn
<b>Net cash requirement</b>	SOPS2	1,340,000	1,316,073	23,927	1,323,373
<b>Administration costs 2016–17</b>		-	-		-

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.

**SOPS1 Net outturn**

**SOPS1.1 Analysis of net resource outturn by section**

Subject to Audit

						2016-17	2015-16
						£000	£000
	Outturn		Total Outturn	Estimate		Outturn	Outturn
	Administration	Programme	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross Income Net	Gross Income Net					
<b>Spending in Departmental expenditure limit Voted:</b>							
- RMSPS	-	-	-	-	-	-	-
<b>Non Voted</b>	-	-	-	-	-	-	-
<b>Annually managed expenditure Voted:</b>							
- RMSPS		1,355,000 - 1,355,000	1,355,000	1,390,001	35,001	35,001	1,426,000
<b>Total budget</b>		1,355,000 - 1,355,000	1,355,000	1,390,001	35,001	35,001	1,426,000
<b>Non Voted - RMSPS</b>		- - -	-	-	-	-	-
<b>Total</b>		1,355,000 - 1,355,000	1,355,000	1,390,001	35,001	35,001	1,426,000

Subject to Audit

## SOPS 2 Reconciliation of net resource outturn to net cash requirement

			2016–17	2015–16	
	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)	Outturn
		£000	£000	£000	£000
Net resource outturn		1,390,001	1,355,000	35,001	1,426,000
Accruals adjustments:					
– Non-cash item – pension financing cost	8.4	(1,390,001)	(1,355,000)	(35,001)	(1,406,000)
– Non-cash item – past service cost		-	-	-	(20,000)
Changes in working capital other than cash:					
– Increase/(decrease) in receivables		-	(36)	36	(20)
– (Increase)/decrease in payables (within 12 months)		-	26,768	(26,768)	(25,000)
<i>Less movements consolidated fund and scheme manager payables</i>		-	(30,080)	30,080	25,430
Use of provision:					
Pension		1,340,000	1,319,421	20,579	1,322,963
<b>Net cash requirement</b>		<b>1,340,000</b>	<b>1,316,073</b>	<b>23,927</b>	<b>1,323,373</b>

There is a £23.9 m variance from the estimated cash requirement of £1,340. m to the outturn of £1,316.1 m. This is primarily due to the estimate incorporating cover for the risk of an increase in the proportion of employees with long service taking their benefits early, which includes a right to an automatic lump sum therefore increasing the net cash requirement. The financial risks did not fully materialise.

The £35 m variance in the net resource outturn of £1,355 m is as a result of the final actuarial liability being lower than estimated, resulting in a lower interest cost than expected.

The notional audit cost of £50,000 (2015–16: £55,000), in respect of the C&AG's audit of the scheme's financial statements for the year ended 31 March 2017, is borne by the Vote of the Cabinet Office and is therefore not a reconciling item in the note above.

### Losses and special payments

(Subject to Audit)

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 2017 (2015–16: zero), or that have been recognised since that date.

## **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 2017 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Losses and Special Payments disclosures that is described in those disclosures as having been audited.

### **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 Managers, the Report of the Actuary, and the Governance Statement 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 2017 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 2017 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 parts of the Losses and Special Payments disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- 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 and the parts of Losses and Special Payments disclosures to be audited 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 17<sup>th</sup> July 2017**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Financial Statements

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016–17 £000	2015–16 £000
<b>Principal Arrangements – Royal Mail Statutory Pension Scheme</b>			
<b>Expenditure</b>			
Pension financing cost	3	1,355,000	1,406,000
Other expenditure	4	-	20,000
<b>Net Expenditure</b>		<b>1,355,000</b>	<b>1,426,000</b>
<b>Other Comprehensive Net Expenditure</b>			
Net actuarial loss / (gain)	8.7	8,476,421	(2,075,037)
<b>Total Comprehensive Net Expenditure / (income) for the year ended 31 March</b>		<b>9,831,421</b>	<b>(649,037)</b>

The notes on pages 29 to 35 form part of these financial statements.

**Statement of Financial Position**  
as at 31 March 2017

		31 March 2017 £000	31 March 2016 £000
<b>Principal Arrangements – Royal Mail Statutory Pension Scheme</b>	<b>Note</b>		
<b>Current assets:</b>			
Receivables	5	1,906	1,942
Cash and cash equivalents	6	<u>16,490</u>	<u>46,570</u>
<b>Total current assets</b>		<b><u>18,396</u></b>	<b><u>48,512</u></b>
<b>Current liabilities:</b>			
Payables (within 12 months)	7	<u>(50,163)</u>	<u>(76,931)</u>
<b>Total current liabilities</b>		<b><u>(50,163)</u></b>	<b><u>(76,931)</u></b>
<b>Net current liabilities, excluding pension liability</b>		<b><u>(31,767)</u></b>	<b><u>(28,419)</u></b>
Pension liability	8.2	<u>(46,814,000)</u>	<u>(38,302,000)</u>
<b>Net liabilities, including pension liabilities</b>		<b><u>(46,845,767)</u></b>	<b><u>(38,330,419)</u></b>
<b>Taxpayers' equity:</b>			
General fund		<u>(46,845,767)</u>	<u>(38,330,419)</u>
		<b><u>(46,845,767)</u></b>	<b><u>(38,330,419)</u></b>



\_\_\_\_\_  
John Manzoni  
Principal accounting officer and Permanent Secretary

14<sup>th</sup> July 2017

**Statement of Changes in Taxpayers' Equity**  
for the year ended 31 March 2017

		<b>31 March</b>	<b>31 March</b>
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Balance as at 1 April		(38,330,419)	(40,302,829)
Net Parliamentary funding – drawn down		1,286,000	1,348,800
Net Parliamentary funding – deemed		46,560	21,133
Supply payable – current year adjustment	7	(16,487)	(46,560)
Net expenditure for the year		(1,355,000)	(1,426,000)
Net actuarial (loss) / gain	8.7	(8,476,421)	2,075,037
		<hr/>	<hr/>
<b>Balance as at 31 March</b>		<b><u>(46,845,767)</u></b>	<b><u>(38,330,419)</u></b>

The notes on pages 29 to 35 form part of these financial statements.

**Statement of Cash Flows**  
for the year ended 31 March 2017

	Note	2016–17 £000	2015–16 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(1,355,000)	(1,426,000)
Adjustments for non-cash transactions – pension financing cost	3	1,355,000	1,406,000
Adjustments for non-cash transactions – Past Service Cost	4	-	20,000
Decrease/(increase) in receivables	5	36	20
(Decrease)/increase in payables - pensions	7	(26,768)	25,000
<i>less movements in consolidated fund and scheme manager payables</i>	7	30,080	(25,430)
Use of provisions – pensions or annuities to retired employees and dependants	8.5	(1,077,705)	(1,068,538)
Use of provisions – commutations and lump-sum payments	8.5	(215,860)	(222,095)
Use of provisions – death benefits payable	8.5	(19,108)	(18,184)
Use of provisions – refunds and transfers	8.6	(6,748)	(14,146)
<b>Net cash outflow from operating activities</b>		<b>(1,316,073)</b>	<b>(1,323,373)</b>
<b>Cash flows from financing activities</b>			
From the consolidated fund (supply) – current year		1,286,000	1,348,800
<b>Net Parliamentary financing</b>		<b>1,286,000</b>	<b>1,348,800</b>
Adjustments for payments and receipts not related to supply		-	-
<b>Net financing</b>		<b>1,286,000</b>	<b>1,348,800</b>
<b>Net (decrease)/increase in cash and cash equivalents in the year before adjustment for receipts and payments to the consolidated fund</b>		<b>(30,073)</b>	<b>25,427</b>
Increase/(decrease) of monies that are payable to the scheme manager as they are outside the scope of the scheme's activities		(7)	3
<b>Net (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the consolidated fund</b>		<b>(30,080)</b>	<b>25,430</b>
<b>Cash and cash equivalents at 1 April</b>	6	46,570	21,140
<b>Cash and cash equivalents at 31 March</b>	6	16,490	46,570
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(30,080)</b>	<b>25,430</b>

The notes on pages 29 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 2016–17 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.

These financial statements set out the RMSPS's 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 only expenditure item is the actuary's estimates of the interest on the scheme's ongoing 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's 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 on a cash basis as use of provision, whereby payments in relation to transfers out decrease the total pension scheme's liability.

#### **2.5 Past Service cost**

2.5.1 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. Past Service costs are recognised in the Combined Statement of Comprehensive Net Expenditure on a straight line basis over the period in which increases in benefits vest.

## 2.6 Pension financing cost

- 2.6.1 The interest cost is the increase during the period in the present value of the scheme's 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 the start of the year, i.e. 3.60% for 2016–17 (3.55% for 2015–16).

## 2.7 Scheme liability

- 2.7.1 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 8.1 below.
- 2.7.2 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. The most recent full actuarial valuation was as at 31<sup>st</sup> March 2015.

## 2.8 Pension benefits payable

- 2.8.1 Pension benefits payable are accounted for as a charge to the scheme liability on an accruals basis. These include pensions, lump sums and death in service payments.

## 2.9 Injury benefits

- 2.9.1 There are no injury benefits payable by the scheme.

## 2.10 Actuarial gains and losses

- 2.10.1 Actuarial gains or losses arising are recognised in the Statement of Comprehensive Net Expenditure.

## 2.11 Additional voluntary contributions

- 2.11.1 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 the RMPP to the RMSPS. Any AVC contracts entered into with third party financial institutions in respect of AVCs are by the 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 the RMPP. Where AVCs are still to be recovered at the year end this is included as a receivable balance.

## 2.12 Significant estimates and judgements

- 2.12.1 The key estimates and judgements relate to the valuation of the pensions liability set out in note 8 below.

## 3 Pension financing cost (see also Note 8)

	2016–17	2015–16
	£000	£000
Net interest on defined-benefit liabilities	1,355,000	1,406,000
	<u>1,355,000</u>	<u>1,406,000</u>

#### 4 Other expenditure

	2016-17	2015-16
	£000	£000
Past Service Costs	-	20,000
Administration expenditure	-	-
	<u>-</u>	<u>20,000</u>

All pension-related administration expenditure has been accounted for in the Cabinet Office departmental accounts.

#### 5 Receivables

	2016-17	2015-16
	£000	£000
<b>Amounts falling due within one year:</b>		
Amounts due from RMPP	1,015	1,375
Amounts due from HMRC	-	42
Amounts due from repayment from pensioners	817	474
Amounts due from Cabinet Office	74	51
<b>Balance at 31 March</b>	<u><b>1,906</b></u>	<u><b>1,942</b></u>

#### 6 Cash and cash equivalents

	2016-17	2015-16
	£000	£000
Balance at 1 April	46,570	21,140
Net change in cash balances	(30,080)	25,430
<b>Balance at 31 March</b>	<u><b>16,490</b></u>	<u><b>46,570</b></u>

The following balances at 31 March were held at:

Government Banking Service (GBS)	16,490	46,569
Commercial banks and cash in hand	-	1
<b>Balance at 31 March</b>	<u><b>16,490</b></u>	<u><b>46,570</b></u>



## 7 Payables – in respect of pensions

	2016–17	2015–16
	£000	£000
<b>Amounts falling due within one year:</b>		
Pensions payable	(14,033)	(10,604)
Lump sums payable	(9,378)	(9,496)
Tax deductions payable	(10,261)	(10,259)
Amounts issued from the consolidated fund for supply but not spent at year end	(16,487)	(46,560)
Amounts payable to the scheme manager	(3)	(10)
Other payables	(1)	(2)
<b>Balance at 31 March</b>	<b>(50,163)</b>	<b>(76,931)</b>

## 8 Provision for pension liabilities

### 8.1 Assumptions underlying the pension liability

The RMSPS is a closed, defined benefit scheme and is wholly unfunded. Pensions liabilities accrued up to 31 March 2012, as explained in more detail in the Report of the Manager. The calculation of the pension liability is based on a full actuarial assessment of the scheme carried out as at 31 March 2015, updated annually by the Government Actuary's Department to reflect changes that have occurred from 1<sup>st</sup> April 2015 to 31 March 2017. 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
- following consultation with the actuary, the key assumptions that should be used to value the scheme's 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 primary financial assumptions are set out below. Since the scheme is closed to future accrual there are no assumptions about potential pay increases.

	At 31 March 2017	At 31 March 2016
	%	%
Nominal rate of return (discount rate)	2.80	3.60
Nominal pension increases (RPI)	3.55	3.20
Nominal pension increases (CPI)	2.55	2.20
Discount rate net of inflation (RPI)	(0.72)	0.39
Discount rate net of inflation (CPI)	0.24	1.37

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 is inherently uncertain, since a change in any one of these assumptions will either increase or reduce the liability.

The assumption with the biggest impact on the reported liability is the discount rate net of price inflation. As required by IAS 19, this is based on yields on high quality corporate bonds. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

## 8.2 Analysis of the pension liability

Present value of the actuarial liability in respect of	31 March 2017 £ million	31 March 2016 £ million
Pensions in payment	18,467	16,519
Deferred members	28,348	21,784
<b>Total liabilities</b>	<b>46,814</b>	<b>38,302</b>

## 8.3 Sensitivity Analysis

In accordance with IAS 19, the scheme managers is required to undertake a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation at the end of the reporting period would have been affected by changes in the relevant actuarial assumption.

A sensitivity analysis for each significant actuarial assumption as at the end of the accounting year is detailed below. The assumptions regarding the CPI and the RPI do not have a significant impact.

### Sensitivity to significant assumptions

Change in assumption*	Approximate effect on total liability	
<b>Rate of return in excess of pension increases</b>		
(i) Reduction of ½% a year	+ 12.8%	+ £6.0 billion
<b>Pensioner mortality</b>		
(ii) pensioners subject to longevity of an individual 1 year younger than assumed	+ 3.3%	+ £1.6 billion

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

## 8.4 Analysis of movements in the scheme liability

	Note	2016–17 £000	2015–16 £000
Scheme liability as at 1 April		(38,302,000)	(40,274,000)
Pension financing cost	3	(1,355,000)	(1,406,000)
Past Service Cost	4	-	(20,000)
Benefits payable	8.5	1,312,673	1,308,817
Pension payments to and on account of leavers	8.6	6,748	14,146
Net actuarial (losses)/gains	8.7	(8,476,421)	2,075,037
<b>Scheme liability at 31 March</b>		<b>(46,814,000)</b>	<b>(38,302,000)</b>

## 8.5 Analysis of benefits paid

	2016–17 £000	2015–16 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	1,077,705	1,068,538
Commutations and lump sum benefits on retirement	215,860	222,095
Death benefits payable	19,108	18,184
<b>Per Statement of Cash Flows</b>	<b>1,312,673</b>	<b>1,308,817</b>

## 8.6 Analysis of payments to and on account of leavers

	2016–17 £000	2015–16 £000
Payments to members joining State scheme	442	-
Individual transfers to other schemes	6,306	14,146
<b>Total payments to and on account of leavers</b>	<b>6,748</b>	<b>14,146</b>

## 8.7 Analysis of actuarial gain / loss

	2016–17 £000	2015–16 £000
Experience gains and losses arising on the pension liabilities	719,579	643,037
Changes in mortality assumptions	-	401,000
Changes to financial assumptions	(9,196,000)	1,031,000
<b>Total actuarial (loss)/gain</b>	<b>(8,476,421)</b>	<b>2,075,037</b>

## 8.8 History of Experience gains / (losses)

	2016–17 £000	2015–16 £000	2014–15 £000	2013–14 £000	2012–13 £000
Experience gains and (losses) on scheme liabilities	719,579	643,037	451,293	(252,454)	20,102
Percentage of the present value of the scheme liabilities	(1.54)%	(1.68)%	(1.12)%	0.69%	(0.06)%
<i>Total amount recognised in Statement of Changes in Taxpayers' Equity</i>					
Amount (£'000)	(8,476,421)	2,075,037	(3,184,707)	(3,321,454)	(2,558,898)
Percentage of the present value of the scheme liabilities	18.11%	(5.42)%	7.91%	9.02%	7.67%

## **9 Financial Instruments**

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. 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, is borne by the individual member.

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

## **10 Related-party transactions**

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

## **11 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. There have been no events after the reporting date.







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