United Kingdom Atomic Energy Authority Pension Schemes

Combined Annual Accounts 2021-22

HC 1019

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Combined Annual Accounts 2021-22

(For the year ended 31 March 2022)

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Report of the Managers

Introduction

The Combined Annual Accounts for the defined benefit Public Service Pensions Schemes (PSPS) of the United Kingdom Atomic Energy Authority (UKAEA) covers the following areas for the current and prior financial years:

- The receipt of contributions from employers and employees
- Transfer values for members transferring benefits from other schemes
- Payment of pensions and other benefits to retired members or their dependants
- Transfer values for members transferring to other schemes
- Repayments of contributions under the UKAEA Pension Schemes
- Amounts receivable by the UKAEA Pension Schemes
- Cash that is held by the UKAEA Pension Schemes
- Amounts payable by the UKAEA Pension Schemes
- The estimated pension liability payable to UKAEA Pension Schemes members

The business, its objectives and strategy

The UKAEA Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970 and are registered schemes under the Finance Act 2004. There are no trustees. The statutory basis of the Schemes is the Atomic Energy Authority Act 1954, Schedule 1, in paragraph 7.

The UKAEA Pension Schemes were contracted out under the Pension Schemes Act 1993 and subsequent legislation. Under the terms of the Pensions Act 2014, the Schemes ceased to be contracted out from 31 March 2016.

The UKAEA Pension Schemes (the Schemes) comprise the:

- Combined Pension Scheme (CPS), which is open to new members
- Principal Non-Industrial Superannuation Scheme (PNISS), which is closed to new members
- Protected Persons Superannuation Scheme (PPSS), which is closed to new members

The Schemes relate to employees and former employees of:

- UKAEA
- National Nuclear Laboratory Limited (NNL)
- International Nuclear Services Limited (INSL), trading as Nuclear Transport Solutions (NTS)
- Civil Nuclear Constabulary (CNC)
- INSL employees who are now employed by the Nuclear Decommissioning Authority (NDA)
- British Nuclear Fuels plc (BNFL)
- Health Protection Agency (HPA), which later became part of Public Health England (PHE) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board)
- Radiochemical Centre (later known as Amersham International)
- United Kingdom Research and Innovation (UKRI) (due to legacy Engineering and Physical Sciences Research Council (EPSRC) and the Science and Technology Facilities Council (STFC))
- Council for the Central Laboratory of the Research Councils (CCLRC)
- Particle Physics and Astronomy Research Council (PPARC)
- Science and Engineering Research Council (SERC)
- RCUK Shared Services Centre Limited
- Ministry of Defence (Atomic Weapons Establishment)
- UKAEA Ltd (until 31 October 2009)
- Dounreay Site Restoration Limited (DSRL) (until 31 October 2009)
- Research Sites Restoration Limited (RSRL) (until 31 October 2009)

The funding of payments from the Schemes is based on the published Parliamentary Supply Estimate and is supplied to the Schemes from the Consolidated Fund managed by HM Treasury. It should be noted that any contributions made to the Schemes are used to meet the payment of Schemes' benefits, but any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by the Parliamentary Supply Estimate with payment from the Consolidated Fund.

UKAEA is a body corporate by virtue of the Atomic Energy Authority Act 1954. UKAEA is a partner organisation of the Department for Business, Energy and Industrial Strategy (BEIS).

Management of the Schemes, Managers, Advisers and Employers

The Schemes are managed by UKAEA. The administration of the Schemes is carried out by Paymaster (1836) Ltd (a subsidiary of Equiniti Group plc) under contract to UKAEA since 1 April 2018.

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

The respective responsibilities of UKAEA and BEIS for the Schemes are set out in a Management Framework. Details of the corporate governance arrangements of the Schemes and the management of the Schemes are included in the section on the Governance Framework in the Governance Statement from page 21.

The management team of the Schemes is shown in the table below.

Managers

Principal Accounting Officer	Sarah Munby, Permanent Secretary and Principal Accounting Officer Department for Business, Energy and Industrial Strategy 1 Victoria Street London SW1H 0ET
UK Atomic Energy Authority Responsible Officer	Antonia Jenkinson, Chief Financial Officer, Director of Property & Corporate Services UK Atomic Energy Authority K2, Culham Science Centre Abingdon OX14 3DB
UKAEA Head of Pensions	Andrew Bickley UK Atomic Energy Authority K2, Culham Science Centre Abingdon OX14 3DB
Schemes Administrators	Paymaster (1836) Ltd Sutherland House Russell Way Crawley RH10 1UH
Address for correspondence (and contact for enquiries)	UKAEA Pensions PO Box 5130 Lancing BN99 9AP Telephone: 0333 207 5961 Email: ukaeapensions@equiniti.com

Advisers

Schemes Actuary	The Government Actuary's Department Finlaison House 15-17 Furnival Street London EC4A 1AB
Principal Bankers	Lloyds Banking Group City Office PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 OLS
Legal Advisers	UK Atomic Energy Authority Legal Branch K2, Culham Science Centre Abingdon OX14 3DB

Auditors

External Auditors	The Comptroller and Auditor General National Audit Office, 157-197 Buckingham Palace Road London SW1W 9SP
Internal Auditors	Head of Internal Audit UK Atomic Energy Authority K2, Culham Science Centre Abingdon OX14 3DB

Employers

The following employers participate in the Schemes:

- UK Atomic Energy Authority (UKAEA)
- National Nuclear Laboratory Limited (NNL)
- International Nuclear Services Limited (INSL)
- Civil Nuclear Constabulary (CNC)
- UK Research and Innovation (UKRI)
- UK Shared Business Service (UK SBS)
- Nuclear Decommissioning Authority (NDA)

Employees of the above employers that meet specific criteria are eligible to join the Schemes if they are not participating in an alternative scheme provided by their employer.

From 1 April 2018, the activities of the Research Councils participating in the Schemes (EPSRC, STFC, CCLRC and PPARC) became the responsibility of UKRI. In these Combined Annual Accounts, the acronym SERC is used to refer to the sub-scheme relating to UKRI, and covers the following members who moved due to various reorganisations:

- On 1 April 1994, one of the legacy research councils, EPSRC, took over those employees previously employed by SERC who were members of the PNISS.
- On 1 April 1995, CCLRC was created out of EPSRC.
- On 1 April 2007, PPARC and CCLRC merged to form STFC with some employees joining RCUK Shared Services Centre Limited (which was renamed UK SBS in 2013) in subsequent years.

The CNC was formed on 1 April 2005. Members of the CNC may continue in membership of the CPS in accordance with the terms of the Energy Act 2004.

Under the Health Protection Agency Act 2004, the National Radiological Protection Board became part of the HPA with effect from 1 April 2005. With effect from 1 April 2013, PHE subsumed the responsibilities of the HPA. Members employed by PHE were no longer able to accrue benefits in the Schemes from 1 October 2013.

Due to restructuring of the nuclear estate over recent years, BNFL no longer exists as an entity. Most of the BNFL estate has transferred out of the Schemes, with the exception of two areas which have become NNL and INSL. In these Combined Annual Accounts, employees of these two companies (NNL and INSL), NDA and pensioners and deferred members previously employed by BNFL are referred to as ‘Ex-BNFL’.

Constitution of the Schemes

The Schemes are unusual in their constitution. The Government does not maintain a separate fund to provide for the Schemes’ future liabilities and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions and Parliament votes the necessary funds.

There is no fund of investments. Following the introduction of Superannuation Contributions Adjusted for Past Experience (SCAPE) on 1 April 2006, the participating employers pay contributions based on the expected cost of the members’ benefits as they accrue. These contributions are set by the Government Actuary’s Department (GAD), the Schemes’ Actuary, at each regular funding valuation of the Schemes, based on the expected demographic and financial experience of the Schemes at the time of the funding valuation.

Valuation of the Schemes

A full funding valuation is undertaken every four years and its purpose is to assess the liability in respect of the benefits due under the Schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

During 2016-17, GAD completed a formal funding valuation of the Schemes as at 31 March 2012, which was used to determine the current employer contribution rates. During 2021-22, GAD completed a formal funding valuation of the Schemes as at 31 March 2020. This determined that an increase in employer contribution rates should be introduced from 1 April 2022.

The employee contribution rates for 2021-22 remain unchanged from 1 April 2017. The following table presents the current employer contribution rates for active members, and those which will apply from 1 April 2022 onwards.

	Rate for 2021-22	Rate from 1 April 2022
UKAEA	19.5%	21.5%
CNC	19.3%	20.7%
Ex-BNFL	18.9%	21.9%
SERC	15.8%	17.0%
MoD	15.8%	N/A

As the MoD have no active employees within the Schemes, a revised contribution rate from 1 April 2022 was not calculated.

Benefits

The Schemes are final salary defined benefit schemes and provide the following benefits to its members:

- An annual pension of one-eightieth of the member’s pensionable final earnings multiplied by the length of the member’s reckonable service;
- A lump sum of three-eightieths of the member’s pensionable final earnings multiplied by the length of the member’s reckonable service; and
- Benefits on ill-health retirement, death in service and death in retirement, including benefits to eligible spouses, civil partners and children.

The funding arrangements are detailed in the section on the business, its objectives and strategy from page 1.

There were no changes to benefit structures during 2021-22.

Changes in contributions

All contributions have been collected in accordance with the Rules.

Changes in contribution rates are detailed in the section on Valuation of the Schemes on page 4.

Future plans

UKAEA and its advisors have met with BEIS, HM Treasury, Cabinet Office and other Schemes' employers to discuss the future plans for the Schemes and the transfer to a career average scheme at a date to be agreed. These changes are required following the publication of the Public Service Pension Act 2013. UKAEA received approval from HM Treasury for members affected by the provisions of the Public Service Pension Act 2013 to join the Civil Service and Others Pension Scheme (alpha) with effect from 1 April 2017 and preparations were made for this transfer.

In March 2017, the Chief Secretary to the Treasury took the view that, in light of an ongoing employment tribunal case and subsequent appeals (known as the McCloud case), the Government should delay any impending transfer of Schemes' members that included Transitional Protection provisions, as was proposed under the transfer to alpha. UKAEA therefore paused the transfer to alpha.

In February 2021, the Government announced the result of the consultation on 'changes to the transitional arrangements to the 2015 schemes', which include alpha. As a result, HM Treasury confirmed that UKAEA will be able to transfer CPS members of the Schemes to alpha from 2023 at the earliest. Following discussions during 2021-22, HM Treasury have confirmed the transfer will occur from April 2024 at the earliest. The changes will not affect pensioners or deferred members. UKAEA and the Schemes await further information from HM Treasury.

Membership Statistics

The tables below detail the number of members within the Schemes by employer and category:

Contributing Members	UKAEA [1]	CNC	Ex-BNFL	PHE	MoD	SERC	Total
At 1 April 2021	**1,464**	**1,664**	**725**	-	-	**8**	**3,861**
Adjustment [2]	1	-	-	-	-	-	**1**
New	371	49	4	-	-	-	**424**
Retirements	(29)	(15)	(22)	-	-	(2)	**(68)**
Deaths	(2)	-	-	-	-	-	**(2)**
Leavers	(118)	(103)	(16)	-	-	-	**(237)**
At 31 March 2022	**1,687**	**1,595**	**691**	-	-	**6**	**3,979**

Deferred Pensioners	UKAEA [1]	CNC	Ex-BNFL	PHE	MoD	SERC	Total
At 1 April 2021	**2,676**	**503**	**4,771**	**207**	**2**	**7**	**8,166**
Adjustment [2]	(1)	-	(4)	-	-	-	**(5)**
New	81	58	98	-	-	-	**237**
Retirements	(181)	(18)	(316)	(8)	-	-	**(523)**
Deaths	(7)	-	(8)	(1)	-	-	**(16)**
Leavers	(3)	(2)	(2)	-	-	-	**(7)**
At 31 March 2022	**2,565**	**541**	**4,539**	**198**	**2**	**7**	**7,852**

Active deferred [3]	UKAEA [1]	CNC	Ex-BNFL	PHE	MoD	SERC	Total
At 1 April 2021	**656**	**-**	**5,598**	**-**	**-**	**-**	**6,254**
Adjustment [2]	-	-	4	-	-	-	**4**

Retirements	(43)	-	(290)	-	-	-	**(333)**
Deaths	(1)	-	(9)	-	-	-	**(10)**
Leavers	(12)	-	(79)	-	-	-	**(91)**
At 31 March 2022	**600**	**-**	**5,224**	**-**	**-**	**-**	**5,824**

Pensioners	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2021	**6,307**	**400**	**9,945**	**245**	**450**	**500**	**17,847**
New	253	33	629	8	-	2	**925**
Deaths	(233)	(6)	(292)	(6)	(41)	(20)	**(598)**
At 31 March 2022	**6,327**	**427**	**10,282**	**247**	**409**	**482**	**18,174**

Dependants' Pensions	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2021	**2,277**	**48**	**2,356**	**36**	**398**	**177**	**5,292**
New	96	5	183	6	14	12	**316**
Deaths/ceased [4]	(165)	(2)	(141)	(2)	(38)	(13)	**(361)**
At 31 March 2022	**2,208**	**51**	**2,398**	**40**	**374**	**176**	**5,247**

[1] UKRI members are included in the UKAEA figures as they are part of the UKAEA sub-fund.

[2] Adjustments relate to movements in members that were previously shown under a different category due to changes in membership type.

[3] The NDA, established with effect from 1 April 2005, set up a new scheme, the Combined Nuclear Pension Plan (CNPP). The CNPP is the vehicle for pension provision for eligible members in the nuclear industry who were active members of the CPS. As eligibility for membership to the CPS ceased, individuals were invited to join the CNPP and had the opportunity to preserve their accrued benefits in the CPS and were not transferred to the CNPP. The preserved CPS benefits for these members are calculated using the same pensionable final earnings as applies to the calculation of the CNPP benefits, hence the “active deferred” category of members.

[4] Dependants’ Pension membership ceases when members are no longer eligible for Dependants’ Pensions.

Schemes records

Records are maintained in separate parts for UKAEA (including CNC and UKRI), Ex-BNFL (including INSL, NDA and NNL), and MoD to enable GAD to advise on the contributions to be made by the participating employers to the Schemes.

Defined contribution arrangements

In addition to allowing members to pay additional contributions to purchase added years of service within the defined benefit schemes, there exists facilities for additional contributions to be made to two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPSP). These are fully insured schemes administered by the Prudential Assurance Company Limited to whom contributions are paid. The benefits are paid separately from any Defined Benefit scheme benefits the member has accrued. The Schemes do not guarantee to meet any benefits due to members in the event that the providers of either the AVC scheme or the SPPSP fail to do so, once those benefits are in payment or become payable. The products of the AVC provider are covered by the Financial Services Compensation Scheme.

The AVC scheme is open to members of the Public Service Pension Schemes who have opted to pay additional voluntary contributions. No employer contributions are made to the AVC scheme.

The SPPSP is open to shift workers who are members of the Public Service Pension Schemes. Contributions to the SPPSP are directly linked to shift pay earnings with the employers contributing a percentage of pensionable shift pay salary equal to the percentage payable by them to the CPS.

Transactions relating to the AVC scheme and the SPPSP are presented in Note 6.2 in these Combined Annual Accounts. The transactions are not reflected in the financial statements as separate accounts are prepared for these defined contribution arrangements.

The Schemes do not provide Free Standing AVCs or Stakeholder Pension arrangements.

Rule amendments

The Rules were not amended during 2021-22.

Pensions review

Under the Rules, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1995. The increase for 2021-22 was 0.5% (2020-21: 1.7%).

Transfer values paid

Individual transfer values paid have been calculated using either “a cash equivalent method”, in accordance with the Pension Schemes Act 1995 or, for eligible members, a “mixed transfer” method, in accordance with the Rules, where this was more favourable. Where there has been a compulsory transfer of employment, group transfer values paid have been calculated with HM Treasury agreement using a “past service reserve” method. Under these arrangements, which are generally more favourable than “cash equivalent” transfers, account is taken of potential salary increases to the Schemes’ normal retirement age of 60 rather than price increases over the same period. The impact of the court ruling in November 2020 on the equalisation of Guaranteed Minimum Pension (GMP) of Cash Equivalent Transfer Values (CETVs) paid to former members is currently under review with other public sector pension schemes. This is expected to only impact a small number of cases.

Premature retirements

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

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

	2021-22	**2020-21**
	£000	**£000**
Amount due to/(from) employers at 1 April	(2)	162
Received from employers during year	7,600	9,178
Paid to members during year	(6,807)	(8,633)
Repaid to employers during year	(819)	(709)
Amount due (from)/to employers at 31 March	**(28)**	**(2)**

Lump sum compensation payments and other benefit payments that are paid directly by participating employers to members retiring early are excluded from the above figures.

Financial review

Restatement:
The Combined Annual Accounts for 2020-21 have been restated as a result of errors identified in relation to the:
- Recognition of current liabilities in relation to pension payables
- Recognition of current liabilities in relation to lump sum payables
- Presentation of accrued lump sum payments

Recognition of current liabilities in relation to pension payables and lump sum payables:
In prior years, the point for recognition of pension payables and lump sum payables as current liabilities (rather than as non-current liabilities in relation to the pension liability) was solely when a member becomes eligible for pensions and lump sums, this being when the member reaches normal retirement age (and had not been paid by the end of the financial year) and did not take account of whether the member had returned a valid claim form. This resulted in the value and number of pension payables and lump sum payables being recognised as current payables increasing each financial year as some members had not returned claim forms for several years after reaching normal retirement age. The pension payables and lump sum payables in respect of these members continued to be recognised as current pension payables and current lump sum payables until valid claim forms had been received (the receipt of the claim forms may be beyond one financial year) and pensions and lump sums had been paid to these members. The recognition point for pension payables and lump sum payables as current liabilities has been expanded to include the receipt of a valid claim form before the end of the financial year as it is at this point that the Schemes will have certainty that the members will be paid the next financial year.

Presentation of accrued lump sum payments:
Accrued lump sums relate to those members that took early retirement due to redundancy. On redundancy, these members received a lump sum payment and an ongoing pension, both are paid by the relevant employer. When these members reach 60 or 65, the Schemes revert to paying the ongoing pension, and the lump sum that these members are due from the Schemes are paid directly to the employer (to prevent the member being paid twice). In previous years, accrued lump sums were recognised as pensions or annuities to retired employees and dependants (net of recoveries or overpayments), and therefore this line in the analysis of benefits paid note was overstated and the commutations and lump sum benefits on retirement line in the analysis of benefits paid note was understated. The accrued lump sums have now been re-presented as commutations and lump sum benefits.

The impact on the Combined Annual Accounts is in Note 14.

<u>Combined Statement of Comprehensive Net Expenditure:</u>
Income:
Income increased from £42,940 thousand in 2020-21 to £47,238 thousand in 2021-22. The value of contributions receivable increased by £2,447 thousand. There was an increase in the number of contributing members, from 3,861 at 31 March 2021 to 3,979 at 31 March 2022. There was an increase in the value of transfers in by £1,854 thousand, which is due to an increase in the number and value of transfers in compared to the prior year. This was offset by a decrease in the value of other pension income by (£3 thousand) between 2020-21 and 2021-22.

Expenditure:
Overall expenditure for the year was £240,367 thousand (2020-21: £265,037 thousand), (£24,670 thousand) lower than the prior year. This was due to a decrease in the pension financing cost of (£42,891 thousand) (see explanation below) and a decrease in enhancements of (£79 thousand) between 2020-21 and 2021-22. This was offset by an increase in service cost of £16,446 thousand (see explanation below) and an increase in the value of transfers in of £1,854 thousand compared to the prior year. The increase in the value of transfers in between 2020-21 and 2021-22 was due to an increase in the number and value of transfers in compared to the prior year.

The decrease in pension financing cost (also referred to as the interest cost) of (£42,891 thousand) is driven by the reduction in the nominal discount rate applied for 2020-21 of 1.80% p.a. to the nominal discount rate applied for 2021-22 of 1.25% p.a. This is partially offset by the increase in the pension liability used to calculate the pension financing cost from £8,559,015 thousand in 2020-21 to £8,845,016 thousand (restated) in 2021-22.

The service cost, which equates to the sum of the current service cost and past service cost increased by £16,446 thousand (table 1.1). As there was no past service cost in 2020-21 or 2021-22, the increase in the service cost is due to an increase in current service cost of £16,446 thousand between 2020-21 and 2021-22.

During the year to 31 March 2022, the current service cost increased by £16,446 thousand (see table 1.1). The contributing factors to the increase are a higher estimated pensionable payroll than last year (the pensionable payroll estimate is based on employer contributions and outturn for employer contributions has been higher than in the previous year), a decrease in the discount rate net of CPI inflation from (0.50%) applied for 2020-21 to (0.95%) applied for 2021-22 (which increases the service cost due to an increase in the current service cost as a percentage of pay for 2021-22 to 79.8% compared with 74.1% for 2020-21) and a decrease in the real discount rate in excess of long-term pay increases from (2.20%) as applied for 2020-21 to (2.38%) as applied for 2021-22. There were no events that gave rise to a past service cost in the financial year 2021-22 or financial year 2020-21.

Table 1.1 – Service cost

	2021-22 £000	2020-21 £000	Change +/- £000
Service cost	126,822	110,376	16,446
made up of:			
Current service cost	126,822	110,376	16,446
Past service cost	-	-	-

Combined Statement of Financial Position:

Net current asset/(liabilities), excluding pension liability:

Net current liabilities decreased by (£1,135 thousand) between 31 March 2021 and 31 March 2022, from £673 thousand at 31 March 2021 to (£462 thousand) at 31 March 2022. This is due to a decrease in payables of (£1,906 thousand), a decrease in cash of (£2,595 thousand) and a decrease in receivables of (£446 thousand). The decrease in payables is due to a decrease in amounts issued from the Consolidated Fund for Supply but not spent at year-end of (£2,595 thousand), offset by an increase in lump sum payables at the end of the financial year of £590 thousand, an increase in other payables of £59 thousand, an increase in pension payables at the end of the financial year of £37 thousand and an increase in HMRC and voluntary contributions payable of £3 thousand. The decrease in amounts issues from the Consolidated Fund for Supply but not spent at year-end is due to a decrease in the cash balance at 31 March 2022 compared to 31 March 2021, which has reduced from £14,264 thousand at 31 March 2021 to £11,669 thousand at 31 March 2022. At 31 March 2021, the Schemes retained cash due to high value payments that were expected to be made early in 2021-22, however, at 31 March 2022, the Schemes determined that such high value payments are not expected to be made early in 2022-23. The increase in current lump sum payables is due to an increase in the expected number of lump sums payable from 16 members at 31 March 2021 to 35 members at 31 March 2022 and a higher number of high value expected lump sums payable at 31 March 2022 compared to 31 March 2021 (there were four expected lump sum payables above £50 thousand at 31 March 2021 compared to 10 members at 31 March 2022). The increase in current pension payables is due to an increase in the expected number pensions payable from 24 members at March 2021 to 43 members at 31 March 2022. The decrease in current asset receivables is due a decrease in interest receivable of (£555 thousand) between 31 March 2021 and 31 March 2022, partially offset by an increase in the pension contributions due from employers of £67 thousand between 31 March 2021 and 31 March 2022 and an increase in the employees' normal contributions of £42 thousand between 31 March 2021 and 31 March 2022. The decrease in the interest receivable is due to a (£4,530 thousand) decrease in the balance of cash held at commercial banks from £9,230 thousand as at 31 March 2021 to £4,700 thousand as at 31 March 2022 and the lower interest rate that was prevailing during 2021-22 compared to the interest rate prevailing during 2020-21.

Non-current liabilities:

The overall Schemes' pension liability at 31 March 2022 was £9,413,876 thousand; an increase of £568,860 thousand from 31 March 2021. The main factor underlying the increase in the actuarial liability was the actuarial loss of £595,397 thousand as at 31 March 2022. This is due to changes in financial assumptions underlying the present value of the Schemes pension liabilities resulting in an increase in the pension liability of £553,898 thousand, changes in demographic assumptions underlying the present value of the Schemes pension liabilities resulting in an increase in the pension liability of £31,234 thousand and an experience loss arising on the Schemes pension liabilities of £10,265 thousand. The change in financial assumptions is driven by an increase in the assumed rate of future pension increases from 2.22% at 31 March 2021 to 2.90% at 31 March 2022 and an increase in the assumed rate of general pay (earnings) increase from 3.72% at 31 March 2021 to 4.15% at 31 March 2022. This is offset by the increase in the rate of return (nominal discount rate) from 1.25% at 31 March 2021 to 1.55% at 31 March 2022. Changes in demographic assumptions are driven by changes in base mortality assumption (which increases the pension liability) and promotional salary scale assumptions and age retirement assumptions (which decreases the pension liability). At 31 March 2021, the base mortality assumption, the promotional salary scale assumption and age retirement assumptions were in line with the 2016 scheme experience analysis. However, the scheme experience analysis was update at 31 March 2022, where the base mortality assumption, the promotional salary scale assumption and age retirement assumptions were in line with the 2020 scheme experience analysis following the completion of the formal funding valuation of the Schemes at 31 March 2020. The experience loss is due to the pension increases in April 2022 of 3.10% being higher than the assumed rate of future pension increases used to calculate the pension liability as at 31 March 2021 of 2.22% (resulting in an experience loss of (£43,196 thousand)) and allowances for updated estimates of the impact of changes to GMP indexation and an ongoing legal case (resulting in an experience loss of (£83,054 thousand)). These contributing factors to the experience loss were partially offset by the assumption for the general pay increases used to calculate the pension liability at 31 March 2021 of 3.72% over 2021-22 being higher than the actual general pay increases used in the calculation of the pension liability at 31 March 2022 of between 0.00% and 2.10% (depending on the group of employers) to reflect actual pensionable pay increases experienced on average over the year. This lower than expected increase resulted in an experience gain of £115,985 thousand.

The value of benefits payable increased by £4,666 thousand compared to 2020-21 (table 1.2). This is due to a £3,379 thousand increase in pensions or annuities to retired employees and dependents, a £950 thousand increase in commutations and lump sum benefits on retirement and £337 thousand increase in death in service benefits. The increase in pensions or annuities to retired employees and dependents is due to the annual increase in the value of benefits and changes in the profile of pensioners and dependents. The number of pensioners and dependents increased by 282 during the year from 23,139 at 31 March 2021 to 23,421 at 31 March 2022. The increase in commutations and lump sum benefits is due to an increase in the number of new pensioners and dependents from 1,189 during the financial year 2020-21 compared to 1,241 during the financial year 2021-22. The increase in death in service benefits is due to a higher number of high value payments in the 2021-22 compared to 2020-21, together with the fact that the value of death in service benefits was a credit balance at 31 March 2021 due to an overstatement in the death in service benefits accrual at 31 March 2020.

Table 1.2 – Value of benefits payable

	2021-22 £000	**2020-21 (restated) £000**	**Change +/- £000**
Benefits payable	266,703	262,037	4,666

<u>Statement of Outturn against Parliamentary Supply:</u>
The Outturn shows a £4,707 thousand saving compared with the Parliamentary Supply Estimate. This is due to service cost being £7,638 thousand lower than the Parliamentary Supply Estimate and enhancements being £46 thousand lower than the Parliamentary Supply Estimate. This is offset by employee contributions and employer contributions being (£2,760 thousand) lower than the Parliamentary Supply Estimate (employer contributions were (£1,995 thousand) lower than the Parliamentary Supply Estimate and employee contributions were (£765 thousand) lower than the Parliamentary Supply Estimate), pension financing cost (£172 thousand) higher than the Parliamentary Supply Estimate and other income was (£45 thousand) lower than Parliamentary Supply Estimate.

In respect of the Net Cash Requirement, the Outturn compared with the Estimate shows a £28,637 thousand saving. This is the result of the Parliamentary Supply Estimate including a prudent forecast of pension benefit payable, employee contributions, employer contributions, transfers in and lump sum and pension expenditure.

The financial statements and accompanying notes on pages 34 to 51 provide further details of the Schemes' income and expenditure.

Events after the reporting period

Note 15 provides details of the events after the reporting period.

GMP Reconciliation and Equalisation

UKAEA has adopted a three phased approach for reconciling GMP data with HM Revenue and Customs (HMRC) data. The stages are:

- Stage 1: Initial report
- Stage 2: Reconciliation of Schemes' records against HMRC records
- Stage 3: Implement agreed changes

Stages 1 and 2 were completed in 2019-20, which showed that the majority of member records reconciled to HMRC records. As such, no changes were required to the deferred benefits or benefits in payment for these members. Stage 3 was completed during 2021-22 and all required modifications to individual pension benefits were completed during 2021-22. Members impacted were contacted in November 2021, including 160 members where a pension increase was implemented from December 2021 and 503 members where a pension decrease was implemented from February 2022. UKAEA will commence work with Paymaster (1836) Ltd on scoping out the project work required for implementing GMP equalisation during 2022-23.

Supplementary information available to members

Information regarding the provisions of the Schemes can be found at: https://myukaeapension.equiniti.com/. Copies of the Schemes Combined Annual Accounts are available on www.gov.uk/official-documents.

Actuarial position, actuary's valuation and statement

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

The last formal funding valuation of the Schemes, used to determine the current contribution rates, was as at 31 March 2012. A formal funding valuation as at 31 March 2016 was deferred due to the ongoing discussions regarding the transfer of active members to alpha (as detailed in the section on Future plans on page 5). GAD completed a formal funding valuation of the Schemes as at 31 March 2020 during 2021-22. The results of this formal funding valuation have been used to determine the future contribution rates for the Schemes, which will be applied from 1 April 2022. Details of the employee and employer contribution rates applicable to the Schemes for 2021-22 and from 1 April 2022 are included in the section on Valuation of the Schemes on page 4.

For 2021-22, employer contribution rates have been set based on actuarial valuation calculations using membership data as at 31 March 2012. However, the liability recognised in these financial statements has been assessed as at 31 March 2022 by rolling forward the liability as at 31 March 2020 (based on membership data as at 31 March 2020) to 31 March 2022 to reflect known changes.

Approximate actuarial assessments in intervening years between formal funding valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. In undertaking this valuation, the methodology prescribed in IAS 19 *Employee Benefits*, relevant *FReM* interpretations and the discount rate prescribed by HM Treasury have also been used.

The Report of the Actuary, based on the position as at 31 March 2022, confirmed the Schemes' liabilities were £9,414 million discounted at a real rate of (1.30%) under the Rules at the date of the valuation (31 March 2021: £8,845 million discounted at a real date of (0.95%)). The Report of the Actuary is reproduced on pages 13 to 19.

Auditors

These financial statements have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on pages 29 to 33. The notional cost of the audit for 2021-22 is £77,000 (2020-21: £45,000). The audit fee is classified as an administration cost (rather than programme) and is therefore borne on the BEIS Vote.

COVID-19

The novel coronavirus, COVID-19 continues to have an impact on the methods of business operations of the Schemes. Information on the COVID-19 impact is detailed in the Governance Statement on pages 21 to 24.

Disclosure of Audit Information

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

I confirm that the Combined Annual Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the Combined Annual Accounts and the judgments required for determining that they are fair, balanced and understandable.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

20 January 2023

Report of the Actuary

United Kingdom Atomic Energy Authority ("UKAEA")

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

Accounts for the year ended 31 March 2022

Introduction

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the UK Atomic Energy Authority (UKAEA). It provides a summary of GAD's assessment of the scheme liability in respect of the UKAEA Pension Schemes (UKAEA) as at 31 March 2022, and the movement in the scheme liability over the year 2021-22, prepared in accordance with the requirements of Chapter 12 of the 2021-22 version of the Financial Reporting Manual. The prior year figures in this statement have been updated for revised 2020-21 cashflow data and these figures therefore supersede those in the Report of the Actuary in the 2020-21 accounts dated 27 May 2021. Changes to the prior year figures have been marked as "restated".

2. The UKAEA is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

3. The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2022.

4. In this statement totals might not add up or multiply exactly due to rounding.

Membership data

5. Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A1 – Active members

	Number	Total pensionable pay* (p.a.) £ million
Males	2,781	115.1
Females	877	33.6
Total	3,658	148.7

* Pensionable pay is the full-time equivalent figure.

Table A2 – Active deferred members

	Number	Total pensionable pay* (p.a.) £ million
Males	4,969	257.2
Females	1,705	84.2
Total	6,674	341.3

* Pensionable pay is the full-time equivalent figure.
These members are accruing service in other linked schemes but have a retained right to salary linkage on their UKAEA benefits.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £ million
Males	5,883	26.8
Females	2,584	10.1
Total	8,467	37.0

* Pension amounts include the pension increase granted in April 2020.

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £ million
Males	13,430	168.3
Females	4,092	23.2
Spouses and dependents	5,453	33.7
Total	22,975	225.2

* Pension amounts include the pension increase granted in April 2020.

Methodology for determining key financial information

6. The present value of the liabilities as at 31 March 2022 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2022. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2022 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2021 in the 2020-21 accounts.

7. The sensitivities have been calculated using the same methodology and assumptions as the main pension scheme liabilities but with the changes made to the assumption as set out in the sensitivity results section.

8. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include

premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions underpinning the financial statements

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

Table D – Principal financial assumptions

Assumption	31 March 2022 p.a.	31 March 2021 p.a.
Nominal discount rate	1.55%	1.25%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.90%	2.22%
Rate of general pay increases	4.15%	3.72%
Rate of short-term general pay increase:		
• BNFL actives	2.10%	2.50%
• Non-BNFL actives	0.00%	2.25%
BNFL active deferred members	0.00%	2.00%
Non-BNFL active deferred members	0.10%	2.00%
Real discount rate in excess of:		
• CPI inflation	(1.30%)	(0.95%)
• Long-term pay increases	(2.50%)	(2.38%)
Expected return on assets	n/a	n/a

10. The assessment of the liabilities allows for the known pension increases up to and including April 2022.

Demographic assumptions

11. Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S3 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table[1]	Adjustment
Normal Health		
BNFL Males	S3NMA	102%
Non-BNFL Males	S3NMA	95%
Females	S3NFA	96%
Current ill health pensioners		
Males	S3IMA	100%
Females	S3IFA	100%
Future ill-health pensioners		
Males	S3IMA	100%
Females	S3IFA	100%
Partners		
Males	S3NMA	100%
Females	S3DFA	102%

12. These assumptions in Table E above are the same as those adopted for the 31 March 2020 funding valuation of the scheme. The accounts as at 31 March 2021 adopted assumptions in line with the assumptions from the 2016 analysis of scheme experience.

13. Mortality improvements are assumed to be in line with the 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2020-21 accounts. The implications of COVID-19 on the mortality assumption are discussed in paragraph 29.

14. The other demographic assumptions, such as for commutation and family statistics, are the same as those adopted for the 31 March 2020 funding valuation of the scheme. The accounts as at 31 March 2021 adopted demographic assumptions in line with the assumptions from the 2016 analysis of scheme experience.

15. Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 22 March 2022.

Details of liabilities and current service costs

16. Table F summarises the assessed value as at 31 March 2022 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 5 to 15. The corresponding figures for the previous year are shown for comparison.

[1] From the 'S3' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

Table F – Combined Statement of Financial Position

	31 March 2022 £ thousand	31 March 2021 (restated) £ thousand
Total market value of assets	nil	nil
Value of liabilities	9,413,876	8,845,074
Surplus/(Deficit)	(9,413,876)	(8,845,074)
of which recoverable by employers	n/a	n/a

17. The cost of benefits accrued in the year ended 31 March 2022 (the current service cost) is assessed as 79.8% of pensionable pay.

18. For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 5% and 8.2% of pensionable pay, depending on the level of their pay, except PNISS members who paid 10.7% of pensionable pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2021-22 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2021-22 accounts. With effect from 1 April 2022, the employer contribution rate will increase to an average of 21.3% of pay, excluding expenses.

Table G – Contribution rate

	2021-22 % of pay	2020-21 % of pay
Employer contributions (excluding expenses)	19.2%	19.3%
Employee contributions (average)	8.1%	8.2%
Total contributions	**27.3%**	**27.5%**
Current service cost (expressed as a % of pay)	**79.8%**	**74.1%**

19. The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

20. The pensionable payroll for the financial year 2021-22 was £158,924 thousand (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2021-22 (at 79.8% of pay) is assessed to be £126,822 thousand.

21. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2021-22.

22. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2021-22.

Sensitivity analysis

23. 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 2022 of changes to the most significant actuarial assumptions.
24. The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

25. Table H shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption		**Approximate effect on total liability**	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 9.5%	- £894 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.0%	+ £188 million
(iii) pension increase*:	+0.5% p.a.	+ 8.5%	+ £800 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £424 million

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

COVID-19 Implications

26. As with the accounts last year, the 2021-22 Resource Accounts are being produced when the UK continues to deal with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

27. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2021) 10, dated 13 December 2021, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November (i.e. 30 November 2021) and are typically not amended for any changes between November and the accounting date.

28. The long-term salary assumption is set by UKAEA, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

29. The 2018 population mortality projections have not been explicitly adjusted for any pandemics i.e. there is no specific allowance made to the mortality projections for the impact of COVID-19 or any other pandemics. However, the starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods.

Hayley Schofield FIA
Actuary
Government Actuary's Department

19 December 2022

Statement of Accounting Officer's Responsibilities

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

With the exception of certain transactions (which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the combined net liabilities at the financial year end), the Combined Annual Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the UKAEA Pension Schemes and of its income and expenditure, Combined Statement of Financial Position and cash flows for the financial year.

In preparing the Combined Annual Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Combined Annual Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Combined Annual Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, 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 UKAEA Pension Schemes auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement for the United Kingdom Atomic Energy Authority Pension Schemes 2021-22

Scope of responsibility

As Accounting Officer for the United Kingdom Atomic Energy Authority (UKAEA) Pension Schemes (the Schemes) I have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the Schemes' policies, aims, and objectives and for safeguarding the public funds and departmental assets for which, as Accounting Officer and Permanent Secretary for Department for Business, Energy and Industrial Strategy (BEIS), I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Chief Executive and Accounting Officer of UKAEA (a partner organisation of BEIS) is responsible for the management and administration of the Schemes on my behalf under the terms of a Management Framework between UKAEA and BEIS, and for the maintenance and operation of the governance framework in that body.

The administration of the Schemes has been carried out by Paymaster (1836) Ltd, a subsidiary of Equiniti Group plc under contract to UKAEA since 1 April 2018.

UKAEA disburses pensions and other payments and collects pension contributions and other income with the approval of BEIS, which in turn ensures that funds are provided to meet the net cash outflow on pensions. BEIS prepares the Combined Annual Accounts which combines the financial information for the Schemes. Thus, the governance framework over the Schemes in operation in UKAEA and BEIS is relevant to these Combined Annual Accounts.

The Governance Framework

UKAEA

The UKAEA Board and the UKAEA Audit and Risk Assurance Committee maintain oversight of the Schemes and provide me with assurance on the quality of the Combined Annual Accounts, governance, risk management and internal control arrangements as they affect the Schemes.

More details on UKAEA's governance framework can be found in UKAEA's Annual Report and Accounts.

BEIS

The BEIS Departmental Board provides collective strategic leadership of BEIS with responsibility for performance, risk and delivery including appropriate oversight of partner organisations, including UKAEA.

More details on the BEIS governance framework can be found in the BEIS Annual Report and Accounts.

The Schemes

The Management Framework between BEIS and UKAEA sets out the responsibilities that each have in respect of the funding, management and administration of the Schemes and incorporates a framework for the management of risks and maintaining a sound system of internal control. The Management Framework was reviewed during the course of 2020-21. It sets out governance responsibilities.

In addition to the oversight function described above, UKAEA is responsible for managing and administering the Schemes properly and efficiently within the terms of the Rules and relevant legislation, handling Schemes' finances with propriety, consistent with the requirements of Government Accounting, accounting to BEIS each month for the application of cash used and operating an effective system of internal controls and risk management in respect of these responsibilities. These include regular internal audit reviews.

In addition to the strategic responsibility described above, BEIS is responsible for reporting to Parliament on the resource and cash requirements for the Schemes, preparing the annual Resource Account for the Schemes, and arranging for external audit of the Combined Annual Accounts, ensuring that the resource and cash requirement for each year is consistent with the relevant Parliamentary Supply Estimate, operating an effective system of internal controls and risk management in respect of these responsibilities.

The Schemes' "Finance Meeting" is held on a regular basis. The objectives of these meetings are:
- To ensure that those representatives responsible for the management and reporting of financial data for the Schemes have a good understanding of all the financial aspects of the Schemes;
- To ensure that future changes to the Schemes are identified and the implications understood and communicated to each of the representative areas;
- To ensure that changes in personnel are managed in such a way that there is no loss of understanding and that there is continuity of financial management; and
- To manage the risks to the effective financial control of the Schemes.

Participants at the "Finance Meeting" include representatives from BEIS' Group Finance Team, BEIS' Sponsor Team, BEIS' Financial Reporting Team, GAD and UKAEA. The NAO attends as observers.

The Schemes' "Finance Meeting" met on the following dates: 17 June 2021, 1 October 2021 and 11 January 2022. During the year, the "Finance Meeting" considered the following issues:
- Valuation of the Schemes;
- Review of the risks and responsibilities of the various parties to the Schemes; and
- Pension Scheme Reform arising from the Public Services Pensions Act 2013.

A formal record of the minutes of each "Finance Meeting" is maintained, summarising the work of, and reflecting discussions held between, the members. These minutes are shared with all the members and require their approval, which is sought in the following "Finance Meeting". This approach is functioning well as it provides a continuous update on the agreed actions, and significantly improving the understanding across all the parties involved.

Paymaster (1836) Ltd

Since 1 April 2018, administration of the Schemes is carried out by Paymaster (1836) Ltd under contract to UKAEA. This contract sets out the various requirements and service levels expected. UKAEA receives monthly snapshots and quarterly stewardship reports from Paymaster (1836) Ltd and holds monthly meetings with Paymaster (1836) Ltd to discuss any ongoing operational issues and agree priorities for work. Paymaster (1836) Ltd have completed the actions arising from these meetings to UKAEA's satisfaction.

Risk Management

The risk management process for the Schemes operates through the initial identification of risks against the Schemes' objectives. These risks are then evaluated in terms of impact and probability to determine the key risks inherent to the Schemes. Consideration is then given to the controls in place to manage each risk and how effective they are in mitigating the risk. This establishes the level of residual risk and enables management to determine what further action is required to manage the risk. Ownership for each risk is then assigned to named individuals who will report on progress in managing the risk when the risk register is reviewed at each "Finance Meeting". Assurance is obtained through regular management reviews and periodic internal audits of the Schemes. There were no significant lapses of data security during this financial year to report.

A risk register for the Schemes operated throughout the year and contains both the key strategic and operational risks. Each of the teams involved in operating the Schemes also maintain their own local risk register. Key strategic risks relate to:
- Engaging effectively with HM Treasury over the unique issues around the Schemes in helping to develop optimum arrangements for the future;
- Implementing appropriate governance arrangements for existing Schemes that reflect best practice;
- Ensuring bulk transfers of members have sufficient funding provision, authorised through Parliamentary Supply Estimates, before being finalised;
- Ensuring employers recognise their ownership of existing liabilities where no active members remain in their organisation;

- Entry to alpha is delivered in accordance with Ministerial approval. There is uncertainty of the date of entry as the process has been paused under instruction from HM Treasury; and
- Ensuring that the Schemes' employers provide data to Paymaster (1836) Ltd on a timely basis to ensure accurate benefit calculation and provision of the services provided.

Mitigating actions have been put in place to manage the above risks and progress on these will be monitored during the course of 2022-23 during the "Finance Meetings".

UKAEA and BEIS are holding discussions with HM Treasury regarding the legacy liabilities for the Schemes. This is a key issue regarding where and how potential deficits must be provided.

Reporting of Personal Data Related Incidents

UKAEA reported no incidents of the loss of any "Protected Personal Data" to the Information Commissioner's Office in 2021-22 (or prior years). There were no reportable "Other Protected Personal Data" incidents in 2021-22 (or prior years) such as the loss of inadequately protected or insecure disposal of electronic equipment, devices or paper documents from secured Government premises, or any other reportable unauthorised disclosure.

UKAEA continues to monitor and assess its information risks to identify and address any weaknesses and ensure continuous improvement of its systems.

Internal Audit

In 2019-20, UKAEA Internal Audit carried out a review of Paymaster (1836) Ltd, focussing on the banking and payment processes, non-scheme charges, administration of member records and balance sheet control accounts. The audit provided limited assurance and made seven recommendations, two high priority (regarding payment processes and non-scheme charges) and five medium priority recommendations (relating to areas where the administrative processes can be improved), all of which were accepted. All recommendations were fully completed and agreed with UKAEA Internal Audit as complete during 2020-21. UKAEA Internal Audit will carry out another review in 2022-23 as part of their regular two-year audit cycle.

COVID-19

As noted in the Report of the Managers on page 11, the COVID-19 pandemic has had an impact on the day-to-day management of the Schemes due to the fact that the majority of the administration staff have had to work from home from March 2020. As the pandemic has progressed through the various stages, new working practices have been agreed, whilst maintaining the safety of staff. Since March 2020, Paymaster (1836) Ltd has implemented contingency measures to ensure it can continue to provide the key elements of the pension administration service, specifically pay pension benefits to pensioners and other benefit recipients. Priority has been given to ensuring payments continue and changes affecting benefit entitlements are actioned efficiently and effectively. Paymaster (1836) Ltd continue to follow guidance issued by The Pension Regulator and The Pensions Administration Standards Association in relation to COVID-19 and pension administration. Some activities were paused after March 2020 due to the revised working arrangements, for example individual transfer requests. In relation to the activities that were paused, members were communicated with accordingly, and the requests dealt with on slightly extended timescales. By the middle of 2021, the service levels had returned to normal with a combination of home and office-based working; annual benefit statements and pension savings statements were produced to normal timescales and the annual pension increase was applied in April 2021 and confirmation letters sent to pensioners and deferred members accordingly.

UKAEA receives regular updates from Paymaster (1836) Ltd on the actions being taken and has approved specific priority work areas and pausing of lower priority work where necessary.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review of the effectiveness is informed by the work of the internal auditors and the executive managers within BEIS and UKAEA who have responsibility for the development and maintenance of the risk management and internal control framework for the Schemes; and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the UKAEA Audit and Risk Assurance Committee and mechanisms are in place to ensure continuous improvement of the system is in place. The effectiveness of the governance frameworks in operation more generally in UKAEA and BEIS are reflected in the respective Governance Statements of these organisations.

My review has provided me with assurance that the system of governance risk management and internal control in operation for the Schemes has operated satisfactorily during 2021-22.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

20 January 2023

Statement of Outturn against Parliamentary Supply

(this section is subject to audit)

In addition to the primary statements prepared under the International Financial Reporting Standards (IFRS), the *Government Financial Reporting Manual* (*FReM*) requires the UKAEA Pension Schemes to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final Outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so Outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following:

- Outturn by Estimate line, providing a more detailed breakdown (SOPS 1)
- A reconciliation of Outturn to Net cash requirement (SOPS 2)

As the total resource Outturn in the SOPS is the same as the Net Expenditure in the Combined Statement of Comprehensive Net Expenditure, no separate reconciliation of outturn to net operating expenditure is required.

The SOPS provides a detailed view of the financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of Outturn against Estimate and functions as an introduction to the SOPS disclosures.

Summary tables – mirrors part 1 of the Estimates

Type of spend	SOPS Note	2021-22 Outturn Voted £'000	2021-22 Outturn Total £'000	2021-22 Estimate Voted £'000	2021-22 Estimate Total £'000	2021-22 Outturn vs Estimate, saving/(excess) Voted £'000	2021-22 Outturn vs Estimate, saving/(excess) Total £'000	2020-21 Outturn Total £'000
Annually Managed Expenditure (AME)								
Resource	SOPS 1	193,129	193,129	197,836	197,836	4,707	4,707	222,097
Capital		-	-	-	-	-	-	-
Total AME budget		**193,129**	**193,129**	**197,836**	**197,836**	**4,707**	**4,707**	**222,097**
Total Budget and Non Budget		**193,129**	**193,129**	**197,836**	**197,836**	**4,707**	**4,707**	**222,097**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2021-22

Item	SOPS Note	2021-22 Outturn £'000	2021-22 Estimate £'000	2021-22 Outturn vs Estimate, saving/(excess) £'000	2020-21 Outturn £'000
Net cash requirement	SOPS 2	218,531	247,168	28,637	224,261

Notes to the Statement of Outturn against Parliamentary Supply

(this section is subject to audit)

SOPS 1. Outturn detail, by Estimate Line

Analysis of resource outturn by Estimate line

Type of spend (Resource)	2021-22 Resource Outturn Programme Gross	Income	Net	Total	2021-22 Estimate Total	Virements	Total inc. virements	2021-22 Outturn vs Estimate, saving/ (excess)	2020-21 Outturn Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
Pensions, transfer values, repayment of contributions	240,367	(47,238)	193,129	193,129	197,836	-	197,836	4,707	222,097
Total voted AME	**240,367**	**(47,238)**	**193,129**	**193,129**	**197,836**	**-**	**197,836**	**4,707**	**222,097**
Total resource	**240,367**	**(47,238)**	**193,129**	**193,129**	**197,836**	**-**	**197,836**	**4,707**	**222,097**

There are no virements in the total Estimate columns. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk. The Outturn vs Estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 2. Reconciliation of net Resource Outturn to Net cash requirement

Item	Reference	Outturn Total £'000	Estimate £'000	Outturn vs Estimate, saving/ (excess) £'000
Total Resource Outturn	**SOPS 1**	**193,129**	**197,836**	**4,707**
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions		(240,366)	(250,756)	(10,390)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables	7	(446)	-	446
(Increase)/decrease in payables	9	(689)	10,000	10,689
Use of provisions	10.4	266,903	290,088	23,185
Total		**25,402**	**49,332**	**23,930**
Net cash requirement		**218,531**	**247,168**	**28,637**

As noted in the introduction to the SOPS above, Outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the Resource and Capital Outturn to the Net cash requirement.

Parliamentary Accountability Disclosures *(this section is subject to audit)*

Losses and special payments

There are no losses or special payments, individually or in aggregate in excess of £300,000 which would require separate disclosure during the year to 31 March 2022 (2020-21: nil), or that have been recognised since that date.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

20 January 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority Pension Schemes (the Schemes) for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The Schemes' financial statements comprise: the combined:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Schemes' affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects;

- the income and expenditure 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; and
- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Schemes in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Schemes' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Schemes' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Schemes is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Schemes and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Schemes 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 the Parliamentary Accountability Disclosures subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;

- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Schemes will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

<u>Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud</u>

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

<u>Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud</u>

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Schemes' accounting policies.
- Inquiring of management, the Schemes' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Schemes' policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Schemes' controls relating to compliance with the Finance Act 1970, the Finance Act 2004, Atomic Energy Authority Act 1954, the Pension Schemes Act 1993, the Pensions Act 2014, the Government Resources and Accounts Act 2000, Managing Public Money and the regulations set by The Pensions Regulator;
- discussing among the engagement team and involving relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Schemes for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates, the selection of inappropriate assumptions or methodology underpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Schemes' framework of authority as well as other legal and regulatory frameworks in which the Schemes operate, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Schemes. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2021, Managing Public Money, Public Service Pensions Act 2013, regulations set by The Pensions Regulator, and Atomic Energy Authority Act 1954.

In addition, I considered the control environment in place at the Schemes, the administrator and the Schemes' actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing substantive testing of contributions received and benefits paid in the year to ensure compliance with laws, and regulations and regularity;
- engaging an auditor's expert to assess and challenge the actuarial methods and assumptions used by the Schemes' actuary, reviewing the expert's report and undertaking any further audit testing as necessary; and
- reviewing any significant correspondence with The Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal and external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

23 January 2023

Combined Statement of Comprehensive Net Expenditure

for the year to 31 March 2022

	Note	2021-22	2020-21 (restated)
		£'000	£'000
Principal Arrangements – UKAEA Pension Schemes			
Income			
Contributions receivable	2	(43,741)	(41,294)
Transfers in	4	(3,495)	(1,641)
Other pension income		(2)	(5)
Total Income		**(47,238)**	**(42,940)**
Expenditure			
Service cost	3	126,822	110,376
Enhancements		277	356
Transfers in	4	3,495	1,641
Pension financing cost	5	109,772	152,663
Other expenses		1	1
Total Expenditure		**240,367**	**265,037**
Net Expenditure		**193,129**	**222,097**
Other Comprehensive Net Expenditure			
Pension re-measurements:			
- Actuarial (gain)/loss	10.7	595,397	283,006
Total Comprehensive Net Expenditure		**788,526**	**505,103**

Notes 1 to 15 form part of these Accounts.

The 2020-21 comparative figures have been restated, see Note 14 for details.

Combined Statement of Financial Position
as at 31 March 2022

	Note	31 March 2022	31 March 2021 (restated)
		£'000	**£'000**
Principal Arrangements – UKAEA Pension Schemes			
Current assets:			
Receivables	7	3,751	4,197
Cash and cash equivalents	8	11,669	14,264
Total current assets		**15,420**	**18,461**
Current liabilities:			
Payables	9	(15,882)	(17,788)
Total current liabilities		**(15,882)**	**(17,788)**
Net current assets/(liabilities), excluding pension liability		**(462)**	**673**
Non-current liabilities			
Pension liability	10.4	(9,413,876)	(8,845,016)
Net liabilities, including pension liabilities		**(9,413,338)**	**(8,844,343)**
Total net assets/(liabilities)		**(9,414,338)**	**(8,844,343)**
Taxpayers' equity:			
General fund		9,414,338	8,844,343
Total taxpayers' equity		**9,414,338**	**8,844,343**

Notes 1 to 15 form part of these Accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

20 January 2023

Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2022

	Note	31 March 2022	31 March 2021 (restated)
		£'000	£'000
Balance at 1 April		8,844,343	8,563,501
Net Parliamentary Funding – drawn down		(215,936)	(230,000)
Net Parliamentary Funding – deemed		(14,264)	(8,525)
Supply payable adjustment		11,669	14,264
Net Expenditure for the year		193,129	222,097
Actuarial (gain)/loss	10.7	595,397	283,006
Net change in taxpayer's equity		**569,995**	**280,842**
Balance at 31 March		**9,414,338**	**8,844,343**

Combined Statement of Cash Flows
for the year ended 31 March 2022

	Note	2021-22	2020-21 (restated)
		£'000	**£'000**
Cash flows from operating activities			
Net Expenditure for the year		(193,129)	(222,097)
Adjustments for non-cash transactions			
(Increase)/decrease in receivables		446	(731)
Increase/(decrease) in payables – pensions		627	(4,584)
Increase/(decrease) in payables – other payables		(2,533)	5,895
Less movements in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		2,595	(5,739)
Movement in pension liability: service and finance cost	10.4	236,594	263,039
Movement in pension liability: enhancements and transfers in	10.4	3,772	1,997
Movement in pension liability: benefits paid	10.5	(266,476)	(262,147)
Movement in pension liability: refunds and transfers	10.6	(200)	(4)
Movement in pension liability: death in service	10.5	(227)	110
Net cash outflow from operating activities		**(218,531)**	**(224,261)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		215,936	230,000
Adjustments for payments and receipts not related to Supply		-	-
Net financing		**215,936**	**230,000**
Net increase/(decrease) in cash and cash equivalents in the period		**(2,595)**	**5,739**
Cash and cash equivalents at the beginning of the period	8	14,264	8,525
Cash and cash equivalents at the end of the period	**8**	**11,669**	**14,264**

Notes 1 to 15 form part of these Accounts.

Notes to the Financial Statements

Note 1 Statement of accounting policies

The accounting policies contained in the *Government Financial Reporting Manual* (*FReM*) issued by HM Treasury follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate in the public sector context.

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

1.1 Basis of preparation of the Schemes financial statements

The financial statements of the Schemes have been prepared in accordance with the relevant provisions of the 2021-22 *FReM* issued by HM Treasury. The accounting policies contained in the *FReM* apply IFRS 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 IFRS, the *FReM* also requires the Schemes to prepare an additional statement – a *Statement of Outturn against Parliamentary Supply*. This statement, and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Outturn against Parliamentary Supply* and its supporting notes are shown on pages 25 to 27.

1.2 New accounting standards adopted in the year

The Schemes have not adopted any new accounting standards this year. Note 1.27 details the accounting standards that have been issued but not yet adopted and *FReM* changes for future years.

1.3 UKAEA Pension Schemes

The UKAEA Pension Schemes are an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the UKAEA Pension Schemes on behalf of members of the Schemes who satisfy the membership criteria. The Schemes were contracted out under the Pension Schemes Act 1993 and subsequent legislation. Under the terms of the Pensions Act 2014, the Schemes ceased to be contracted out from 31 March 2016.

Contributions to the Schemes by employers and employees are set at rates determined by the Schemes' Actuary and approved by the governing body. The contributions partially fund payments made by the Schemes, the balance of funding being provided by Parliament through the annual Supply Estimates process. The administrative expenses associated with the operation of the Schemes (with the exception of the notional cost of the audit) are borne by UKAEA and reported in UKAEA's financial statements and recovered from the participating employers in proportion to their membership. The audit fee is classified as an administration cost (rather than programme) and is therefore borne on the BEIS Vote and reported in BEIS' financial statements.

The financial statements of the Schemes show the combined financial position of the UKAEA Pension Schemes at the year end and the combined income and expenditure during the year. The Combined Statement of Financial Position shows the unfunded net liabilities of the Schemes; the Combined Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Schemes liability. Further information about the actuarial position of the Schemes is dealt with in the Report of the Actuary, and the Schemes financial statements should be read in conjunction with that Report. The Report of the Actuary is reproduced on pages 13 to 19.

1.4 Pension contributions receivable

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

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

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

1.5 Transfers in and out

1.5.1 Transfers in are normally accounted for as both income and expenditure (representing the associated increase in the Schemes' liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the Schemes have formally accepted or transferred a liability.

1.5.2 Transfers out are normally accounted for as a decrease in the Schemes' liability on an accruals basis.

1.6 Income received in respect of enhancements

Amounts receivable in respect of bringing forward the payment of accrued pension lump sums, and in respect of the capitalised costs of pension enhancement either at departure or at retirement, are accounted for as both income and expenditure (representing the associated increase in the Schemes' liability) on a cash basis.

1.7 Gain or loss on settlements or curtailments

A gain or loss on settlement or curtailment is recognised when there has been a significant reduction in the number of Schemes' members or when there is an amendment to the terms of the Schemes so that a significant element of future service by members will no longer qualify for benefits or will only qualify for reduced benefits. Gains or losses are recognised when they occur.

1.8 Other income

Other income, including refunds of gratuities, and overpayments recovered other than by deduction from future benefits, are accounted for on an accruals basis. To the extent that this income also represents an increase in the Schemes' liability, it is also reflected in expenditure.

1.9 Current service cost

The current service cost is the increase in the present value of the Schemes' liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The cost is based on a discount rate at the start of the year of (0.95%) real (i.e. 1.25% including CPI inflation) (2020-21: (0.50%) real, i.e. 1.80% including CPI inflation).

1.10 Past service costs

Past service costs are increases in the present value of the Schemes' 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 increase in benefits vest.

1.11 Interest on Schemes' liabilities

The interest cost is the increase during the period in the present value of the Schemes' liabilities because the benefits are one period closer to settlement and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on a discount rate (including inflation) at the start of the year, i.e. 1.25% (2020-21: 1.80%).

1.12 Other payments

Other payments are accounted for on an accruals basis.

1.13 Schemes' liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Schemes' liability is measured on an actuarial basis using the projected unit method and is discounted at (1.30%) real, i.e. 1.55% including inflation (2020-21: (0.95%) real, i.e. 1.25% including inflation).

Full actuarial valuations by a professionally qualified actuary are usually obtained for accounting purposes at intervals not exceeding four years. The effective date of the full actuarial valuation underlying these accounts is 31 March 2020. These calculations have been updated to 31 March 2022 to reflect known changes.

1.14 Benefits payable

1.14.1 Benefits payable are accounted for as a decrease in the Schemes' liability on an accruals basis.

1.15 Pension payments to those retiring at their normal retirement age

1.15.1 Where a retiring member of the Schemes has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the pension payment is accounted for as a decrease in the Schemes' liability on an accruals basis.

1.15.2 Where retiring members of the Schemes have a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the pension payment is accounted for as a decrease in the Schemes' liability on a cash basis.

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

1.16.1 Where members of the Schemes are entitled only to a refund of contributions, the pension payment is accounted for as a decrease in the Schemes' liability on an accruals basis.

1.16.2 Where members of the Schemes have the option of receiving a refund of contributions or a deferred pension, the pension payment is accounted for as a decrease in the Schemes' liability on a cash basis.

1.17 Pensions payable

1.17.1 Pension payments are recognised as a current payable when the member is eligible for lump sum payments has returned a claim form but has not been paid by the end of the financial year.

1.18 Lump sums payable

1.18.1 Lump sum payments are recognised as a currently payable when the member is eligible for lump sum payments, has returned a claim form but has not been paid by the end of the financial year.

1.19 Accrued lump sums

1.19.1 Accrued lump sums relate to members that took early retirement due to redundancy. On redundancy, these members received a lump sum payment and an ongoing pension, both of which were paid by the relevant employer. When these members reach 60 or 65, the Schemes are liable for payment of the ongoing pension, and the lump sum that these members are due from the Schemes on reaching 60 or 65 are paid directly to the employer by the Schemes (to prevent the member being paid twice).

1.19.2 Accrued lump sums are accounted for as a decrease in the Schemes' liability on an accruals basis.

1.20 Lump sums payable on death in service

1.20.1 Lump sum payments payable on death in service are accounted for on an accruals basis. They are a direct charge to the Schemes as they are not funded through the normal pension contributions.

1.21 Actuarial gains / losses

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

1.22 Additional Voluntary Contributions

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

1.23 Financial instruments

1.23.1 A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another.

1.23.2 Financial assets are initially measured at fair value plus or minus transaction costs. Subsequently, financial assets are classified and measured at fair value through profit or loss, fair value through other comprehensive income or amortised cost. The subsequent measurement of financial assets depends on the nature of the particular financial asset as either debt or equity and the business model used to manage the financial asset. Where a financial asset is subsequently measured and classified at amortised cost, the financial asset is assessed for impairment using a forward-looking expected credit loss impairment model. The Schemes' financial assets are measured and classified at amortised cost. As financial assets are primarily contributions due from employers or employees which are received in April of the next financial year, expected credit losses on financial assets are deemed to be £nil.

1.23.3 Financial liabilities are initially measured at fair value plus or minus transaction costs. Subsequently, financial liabilities are classified as measured at fair value through profit or loss or amortised cost. The Schemes' financial liabilities are measured and classified at amortised cost.

1.24 Significant estimates and judgements

1.24.1 The key estimates and judgements used in the preparation of the Schemes' financial statements relate to the valuation of the pension liability and these have been documented in full in the Report of the Actuary on pages 13 to 19 and Note 10.

1.25 Administration costs

1.25.1 The administration costs associated with the operation of the operation of the Schemes (with the exception of the notional cost of the audit) are paid by UKAEA and recovered from the participating employers in proportion to their membership.

1.26 Taxation where lifetime or annual allowance exceeded

1.26.1 Taxation arising on benefits paid or payable in respect of members whose benefits have exceeded the lifetime or annual allowance.

1.26.2 Taxation where lifetime or annual allowances are exceeded are accounted for on an accruals basis.

1.27 Accounting standards issued but not yet adopted and *FReM* changes for future years

1.27.1 IFRS 16 *Leases*

IFRS 16 *Leases* will replace IAS 17 *Leases* and will be adopted by the public sector in 2022-23. IFRS 16 *Leases* amends the accounting for lessees, removing the distinction between operating leases and finance leases. IFRS 16 *Leases* requires all leases (with the exception of low value leases and short-term leases) to be recognised in a similar manner to finance leases under IAS 17 *Leases*. This will result in the recognition of a right-of-use asset, measured at the present value of future lease payments, and a corresponding lease liability representing an obligation to make lease payments in the Combined Statement of Financial Position. IFRS 16 *Leases*, when adopted, will have no impact on the Combined Annual Accounts as the Schemes have not entered any contracts that contain a lease.

1.27.2 IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* will replace IFRS 4 *Insurance Contracts* and is expected to be effective for accounting periods beginning on or after 1 January 2023, following a decision by the International Accounting Standards Board to defer the effective date. The implementation timetable in the public sector is being extended to 1 April 2023 at the earliest. The Financial Reporting Advisory Board has agreed a further two-year deferral to require adoption of IFRS 17 *Insurance Contracts* on 1 April 2025. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk using a discount rate that reflects current interest rates. IFRS 17 *Insurance Contracts*, when adopted, will have no impact on the Combined Annual Accounts as the Schemes have not entered into any contracts to cover the insurance risk for a counterparty.

1.28 Prior Period Adjustments

1.28.1 Changes in accounting policies

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, where a prior period adjustment is identified due to a change in accounting policy, the Schemes, on initial application of the new accounting policy, account for the change in the relevant accounting policy:

- In accordance with the specific transitional requirements included within the relevant accounting standard from which the new accounting policy is determined (as interpreted or adapted in accordance with relevant provisions of the *FReM* for the financial year issued by HM Treasury)
- Retrospectively, where the accounting standard from which the new accounting policy is determined (as interpreted or adapted in accordance with relevant provisions of the *FReM* for a particular financial year as issued by HM Treasury) does not contain specific transitional provisions.

Where the Schemes account for the change in accounting policy retrospectively, the Schemes will restate the opening balances of assets, liabilities and equity for the earliest prior period presented.

If it is impracticable to determine the impact of the change in accounting policy on comparative information for one or more prior periods presented, the Schemes will restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

1.28.2 Errors

In accordance with the 2021-22 *FReM* issued by HM Treasury, where a prior period adjustment is identified as a result of an error, the Schemes will correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- Restating the comparative amounts for the prior periods presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable

If the Schemes determine it is impracticable to determine the impact of an error on comparative information for one or more prior periods presented, the Schemes will restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Note 2 Contributions receivable

	2021-22	2020-21
	£'000	£'000
Employers	(30,513)	(28,746)
Employees:		
Normal	(12,951)	(12,192)
Purchase of added years	(277)	(356)
Contributions receivable	**(43,741)**	**(41,294)**

£47.4 million contributions are expected to be payable to the Schemes in 2022-23. Employee contributions are expected to be £13.3 million and employer contributions are expected to be £34.1 million.

Note 3 Service cost

	2021-22	2020-21
	£'000	£'000
Current service cost	126,822	110,376
Past service cost	-	-
Service cost (see Note 10.4)	**126,822**	**110,376**

Note 4 Transfers in

	2021-22	2020-21
	£'000	£'000
Group transfers in from other schemes	-	-
Individual transfers in from other schemes	3,495	1,641
Transfers (see Note 10.4)	**3,495**	**1,641**

Note 5 Pension financing cost

	2021-22	2020-21
	£'000	£'000
Net interest on defined benefit liability	109,772	152,663
Pension financing cost (see also Note 10.4)	**109,772**	**152,663**

Note 6 Additional Voluntary Contributions

Note 6.1

The Schemes provide for employees to make AVCs to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries for onward payment to one of the approved providers or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution. The responsibilities of the Managers of the Schemes extend only to ensuring that members' contributions are paid to the approved provider. These AVCs are not brought to account in the Schemes statements or these Combined Annual Accounts. Members participating in this arrangement and making contributions will receive annual statements from the approved provider confirming amounts held on their account and the movements in the year.

Note 6.2

The aggregate amounts of AVC investments are as follows:

	2021-22	2020-21 (restated)
	£'000	£'000
Balance at 1 April	35,438	37,140
New investments	289	264
Sales of investments to provide pension benefits	(6,247)	(5,924)
Changes in market value of investments	3,290	3,958
Balance at 31 March	**32,770**	**35,438**

The 2020-21 figures in the table above have been restated as the market value of investments in the AVC schemes at 31 March 2021 were not available at the time the financial statements were authorised for issue. The 2020-21 figures disclosed in the 2020-21 Combined Annual Accounts represented the market value of the investments in one of the two AVC schemes as at 17 March 2021 and the market value of the investments in the other AVC scheme as at 24 March 2021, this being the only market valuations provided by Prudential Assurance Company Ltd at the time that the financial statements were authorised for issue due to significant delays in the processing of investments and claims by Prudential Assurance Company Ltd. As the AVCs are not brought to account in these Combined Annual Accounts, these figures have no impact on the financial statements and accompanying notes. Separate accounts are prepared for these defined contribution arrangements. The restated 2020-21 figures in the table above represent the market value of the investments in the two AVC schemes as at 31 March 2021.

In the unlikely event of a default by the approved AVC provider, BEIS has no liability to guarantee pension payments. Under UKAEA's arrangement with Prudential Assurance Company Ltd, the products of the AVC provider are covered by the Financial Services Compensation Scheme.

Note 7 Receivables

	31 March 2022	31 March 2021
	£'000	**£'000**
Amounts falling due within one year:		
Pension contributions due from employers	2,555	2,488
Employees' normal contributions	1,093	1,051
Interest receivable	96	651
Other receivables	7	7
Receivables at 31 March	**3,751**	**4,197**

Included within these figures is £nil (31 March 2021: £nil) that will be due to the Consolidated Fund once the debts are collected.

Note 8 Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	**£'000**
Balance at 1 April	14,264	8,525
Net change in cash balances	(2,595)	5,739
Cash and cash equivalents at 31 March	**11,669**	**14,264**
The following balances at 31 March were held at:		
Government Banking Service	6,969	5,034
Commercial banks and cash in hand	4,700	9,230
Cash and cash equivalents at 31 March	**11,669**	**14,264**

Note 9 Payables

	31 March 2022	31 March 2021 (restated)
	£'000	**£'000**
Amounts falling due within one year		
Pensions	(87)	(50)
Lump sums	(1,139)	(549)
HMRC and voluntary contributions	(2,912)	(2,909)
Overpaid contributions: employers	-	-
Amounts issued from the Consolidated Fund for Supply but not spent at year end	(11,669)	(14,264)
Other creditors	(75)	(16)
Payables at 31 March	**(15,882)**	**(17,788)**

Note 10 Pension liability

Note 10.1 Assumptions underpinning the pension liability

The UKAEA Pension Schemes are a combination of three unfunded defined benefit Public Service Pension Schemes. Employer contribution rates have been set from 1 April 2017 onwards based on actuarial valuation calculations using membership data as at 31 March 2012. The amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2020, such as would have been provided for a formal funding valuation and rolling this forward to 31 March 2022 to reflect known changes. GAD carried out an assessment of the liabilities of the Schemes as at 31 March 2022. The Report of the Actuary on pages 13 to 19 sets out the scope, methodology and results of the work GAD has carried out.

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

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

The key assumptions used by GAD were:

	31 March 2022	**31 March 2021**	**31 March 2020**	**31 March 2019**	**31 March 2018**
Rate of increase in salaries	4.15%	3.72%	4.10%	4.10%	3.95%
Rate of increase in pensions in payment and deferred pensions	2.90%	2.22%	2.35%	2.60%	2.45%
Inflation assumptions					
Nominal discount rate	1.55%	1.25%	1.80%	2.90%	2.55%
Discount rate net of price inflation[2]	(1.30%)	(0.95%)	(0.50%)	0.29%	0.10%
Mortality rates at age 60					
Current retirements					
Females	29.9	28.9	28.9	29.7	29.6
Males (BNFL)	27.4	27.1	27.0	27.8	27.7
Males (non-BNFL)	28.0	27.8	27.8	28.6	28.5
Retirements in 20 years' time					
Females	31.4	30.6	30.5	31.6	31.5
Males (BNFL)	29.1	28.9	28.8	29.9	29.8
Males (non-BNFL)	29.6	29.6	29.5	30.7	30.6

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

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the *FReM*, and as required by IAS 19 *Employee Benefits*, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of GAD. The inflation assumption reflects the long-term assumption for the CPI used in HM

[2] Most pension benefits under the Schemes are increased in line with inflation. The Government continues to set pension increases based on the Consumer Price Index (CPI) measure of inflation. In accordance with the *FReM*, the liability at 31 March 2022 has been discounted at a real rate of (1.30%). The assumption data in the table are disclosed for comparative purposes and are rounded to two decimal places.

Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 *Employee Benefits*, the Schemes 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.

Note 10.2 Analysis of the pension liability

Assumption	31 March 2022	31 March 2021
Rate of return (discount rate)	1.55%	1.25%
Rate of earnings increases	4.15%	3.72%
Rate of future pension increases	2.90%	2.22%
Rate of return in excess of:		
Pension increases (CPI)	(1.30%)	(0.95%)
Earnings increases	(2.50%)	(2.38%)
Expected return on assets	n/a	n/a

	31 March 2022	31 March 2021 (restated)	31 March 2020	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000
Active members (past service)	4,026,913	3,764,288	3,998,738	3,209,283	3,554,889
Deferred pensioners	1,578,303	1,403,480	1,748,421	1,522,456	1,578,900
Pensions in payment	3,808,660	3,677,248	2,811,856	2,798,315	2,897,900
Total pension liability	**9,413,876**	**8,845,016**	**8,559,015**	**7,530,054**	**8,031,689**

The pension liability as at 31 March 2021 is lower than the liability in Table F in the Report of the Actuary on page 17. This is because the Government Actuary's Department (GAD), the Schemes' Actuary, has included a higher pension financing cost due to the prior period adjustments (see Note 14) which arises as a result of the decrease in the restated benefits payable in 2020-21 compared to the published Combined Annual Accounts 2020-21. The increase in the pension financing costs in 2020-21 was deemed not material and therefore has not been restated in the Combined Annual Accounts for 2020-21. However, this resulting increase from 2020-21 has been included in the pension financing cost for 2021-22 and as such the pension liability at 31 March 2022 agrees to Table F in the Report of the Actuary on page 17. The actuarial gain/(loss) presented in 2021-22 has been determined consistently with the pension liability as at 31 March 2021 in Table F in the Report of the Actuary on page 17.

The Schemes liabilities accrue over an employee's period of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Schemes pension liability, GAD 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 pension liability on the Combined Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Managers of the Schemes accept that, as a consequence, the valuation provided by GAD is inherently uncertain. The increase or decrease in future pension liability charged or credited for the year resulting from changes in actuarial assumptions is disclosed in Note 10.7. 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.

Note 10.3 Sensitivity analysis

The Schemes Managers instruct GAD to provide a report of the scheme actuary for inclusion in these Combined Annual Accounts. Before commencing the work, GAD provided the Schemes Managers with an Assumptions and methodology for accounts as at 31 March 2022 report, dated 24 February 2022. This report laid out the following:

- Introduction;
- Recommended financial and demographic assumptions for the Scheme Managers to approve;
- Recommended methodology for calculating the pension liability, current service cost, settlement or curtailment costs and past service cost and any other events over 2021-22;
- Disclosures GAD will provide, including an illustration of the sensitivities of the past service liabilities to the assumptions on discount rate, long-term general pay increase, pension increase and life expectancy (post retirement) assumptions as well as materiality limits relating to the Combined Annual Accounts; and
- Compliance and limitations.

The Assumptions and methodology for accounts as at 31 March 2022 report details 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. The report is provided by GAD.

Under the *FReM* and IAS 19 *Employee Benefits*, responsibility for setting assumptions in unfunded public sector pension scheme resource accounts is split between:

- HM Treasury: financial assumptions relating to the nominal discount rate, rate of CPI pension increases and real discount rate in excess of CPI pension increases prescribed in PES (2021) 10 for 2021-22
- The Schemes Managers: financial assumptions relating to general earnings growth and demographic assumptions relating to post-retirement mortality assumption, commutation assumptions and other demographic assumptions. GAD recommend the relevant assumptions set by the Scheme Managers.

The Schemes Managers reviewed the Assumptions and methodology for accounts as at 31 March 2022 report and confirmed that the Schemes Managers were content with the proposed assumptions, including discount rate, general earnings growth and demographic assumptions (including future improvements in mortality).

The Schemes Managers also confirmed that the disclosures in the Report of the Actuary on pages 13 to 19 should illustrate the sensitivity of past service liabilities to the assumptions on:

- Discount rate;
- Long-term general pay increase;
- Pension increase; and
- Life expectancy (post retirement mortality).

A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is included below:

Change in assumption	Change	Approximate effect on total liability	
Financial assumptions		**%**	**£**
(i) discount rate*	+ 0.5% p.a.	- 9.5%	- £894 million
(ii) (long-term) earnings increase*	+ 0.5% p.a.	+ 2.0%	+ £188 million
(iii) pension increase*	+ 0.5% p.a.	+ 8.5%	+ £800 million
Demographics assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.5%	+ £424 million

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

The pension liability is very sensitive to the assumed discount rate, but this is primarily because changing the discount rate in isolation also changes the rate net of pension increases and earnings. If pension increases and earnings assumption were increased at the same time, then the impact on the pension liability would be small. Higher pension increases have a substantial effect because this has an impact on all categories of members. Pensioner mortality is also significant: if longevity at retirement were assumed to be 1 year longer, then this would increase the total actuarial liability by about 4.5%.

Changing the assumed timing of retirement has different effects on members in different circumstances. Members retiring later will result in reduced costs to the Schemes, whereas members retiring earlier may result in additional costs.

The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

Note 10.4 Analysis of movements in the Schemes pension liability

	Note	31 March 2022	31 March 2021 (restated)
		£'000	£'000
Pension liability at 1 April		(8,845,016)	(8,559,015)
Service cost	3	(126,822)	(110,376)
Pension financing cost	5	(109,772)	(152,663)
Enhancements		(277)	(356)
Pension transfers in	4	(3,495)	(1,641)
Benefits payable	10.5	266,703	262,037
Pension payments to and on account of leavers	10.6	200	4
Actuarial gain/(loss)	10.7	(595,397)	(283,006)
Pension liability at 31 March		**(9,413,876)**	**(8,845,016)**

The pension liability as at 31 March 2021 is lower than the liability in Table F in the Report of the Actuary on page 17. Further explanation of the difference in the pension liability to the Report of the Actuary is detailed in Note 10.2.

During the year ended 31 March 2022, employers' and employees' contributions represented an average of 27.3% of pensionable pay (31 March 2021: 27.5%). Employer contributions represented an average of 19.2% of pensionable pay (31 March 2021: 19.3%) and employee contributions represented an average of 8.1% of pensionable pay (31 March 2021: 8.2%). Employer contributions will increase from 1 April 2022 following the completion of the formal funding valuation for the Schemes as at 31 March 2020. Therefore, the average contributions as a percentage of pay will increase from 1 April 2022.

Note 10.5 Analysis of benefits paid

	31 March 2022	31 March 2021 (restated)
	£'000	£'000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	223,504	220,125
Commutations and lump sum benefits on retirement	42,972	42,022
Death in service benefits	227	(110)
Benefits payable/paid	**266,703**	**262,037**

Note 10.6 Analysis of payments to and on account of leavers

	31 March 2022	31 March 2021
	£'000	£'000
Refunds to members leaving service	64	1
Individual transfers to other schemes	136	3
Payments to and on account of leavers	**200**	**4**

Note 10.7 Analysis of actuarial gain/(loss)

	31 March 2022	31 March 2021 (restated)
	£'000	£'000
Experience gains/(losses) arising on the Schemes pension liabilities	(10,265)	339,916
Changes in assumptions underlying the present value of Schemes pension liabilities	(585,132)	(622,922)
Actuarial gain/(loss)	**(595,397)**	**(283,006)**

Note 10.8 History of experience gains/(losses) and actuarial gain/(loss)

	2021-22	2020-21 (restated)	2019-20	2018-19	2017-18
Experience gains/(losses) on Schemes pension liability					
Amount (£000)	(10.265)	339,916	78,742	73,082	(22,100)
Percentage of the present value of the pension liability	0.11%	(3.84%)	(0.92%)	(0.97%)	0.28%
Actuarial gain/(loss) on Schemes pension liability: Total amount recognised in Combined Statement of Changes in Taxpayers' Equity					
Amount (£000)	(595,397)	(283,006)	(962,847)	519,166	320,597
Percentage of the present value of the pension liability	6.32%	3.20%	11.25%	(6.89%)	(3.99%)

Note 11 Financial Instruments

As the cash requirements of the Schemes are met through the Parliamentary Supply Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of the Schemes financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements of the Schemes and the Schemes are therefore exposed to little credit, liquidity or market risk.

Note 12 Contingent liabilities disclosed under IAS 37

There were no contingent liabilities at 31 March 2022 (31 March 2021: nil).

Note 13 Related-party transactions

The Schemes fall within the ambit of BEIS. BEIS is regarded as a related party with which the Schemes have had various material transactions during the year.

In addition, the Schemes have had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Schemes during the year.

Note 14 Prior Period Adjustments

The 2020-21 Combined Annual Accounts have been restated due to errors identified in relation to the following:

- Recognition of current liabilities in relation to pension payables
- Recognition of current liabilities in relation to lump sum payables
- Presentation of accrued lump sum payments

Recognition of current liabilities in relation to pension payables and lump sum payables:
In prior years, the Schemes had recognised pension payables and lump sum payables as current liabilities at the point members reached normal retirement age. Some members may reach their normal retirement age but not be paid pension payables or current lump sum payables within the next financial year as these members have not submitted valid claim forms. The pension payables and lump sum payables in respect of these members continued to be recognised as current pension payables and current lump sum payables until valid claim forms had been received (the receipt of the claim forms may be beyond one financial year) and pensions and lump sums had been paid to these members. These members should not have been recognised as current liabilities.

The Schemes recognition point for pension payables and lump sum payables as current liabilities has been expanded to include the requirement for a claim form to be received from members reaching normal retirement age as this is the point that the Schemes have certainty that members will be paid within the next financial year.

In accordance with the *FReM*, the financial results of the Schemes have been restated as if the revised recognition point (this is when pensions and lump sums payable are recognised as current liabilities at the point that a member reaches normal retirement age, has submitted a claim form but has not been paid in that financial year) had been in place in the earliest period that the Schemes deem retrospective restatement is practicable.

Presentation of accrued lump sum payments:
In prior years, the Schemes had recognised accrued lump sums as pensions or annuities to retired employees and dependants and the line pensions or annuities to retired employees and dependants in Note 10.5 was overstated. Accrued lump sums have been re-presented as commutations and lump sum benefits in Note 10.5.

In accordance with the *FReM*, the financial results of the Schemes have been restated as if the presentation of accrued lump sums as commutations and lump sum benefits (not pensions or annuities to retired employees and dependants) had been in place in the earliest period the Schemes deem retrospective restatement is practicable.

Note 14.1 Impact of restatement on Combined Annual Accounts 2020-21

	Published Accounts	Restatement	Restated Accounts
	£'000	£'000	£'000
Combined Statement of Comprehensive Net Expenditure			
Income	(42,940)	-	(42,940)
Expenditure	265,037	-	265,037
Other Comprehensive Net Expenditure	283,024	(18)	283,006
Combined Statement of Financial Position			
Current assets	18,461	-	18,461
Current liabilities	(24,290)	6,502	(17,788)
Non-current liabilities	(8,838,532)	(6,484)	(8,845,016)
Taxpayers' equity	8,844,361	(18)	8,844,343
Statement of Outturn against Parliamentary Supply			
Resource AME	222,097	-	222,097
Capital AME	-	-	-

Note 15 Events after the reporting period

Subsequent events were evaluated between the end of the reporting period and the date that the financial statements were authorised for issue.

The Schemes have evaluated all subsequent events or transactions for potential recognition or disclosure through to the date that the financial statements were authorised for issue and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the Schemes' financial statements.

The Permanent Secretary and Principal Accounting Officer authorised the issue of these Combined Annual Accounts on the date that the Comptroller and Auditor General certified the Combined Annual Accounts.

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