RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2004-2005

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Report of the Manager

Statutory Background

1 These accounts have been prepared in accordance with the Accounts Direction dated 19 March 2004 and issued by the Secretary of State for Trade and Industry, pursuant to Section 2(2) of the Science and Technology Act 1965.

History

2 Following a review of the Research Councils' superannuation arrangements, the Research Councils' Pension Scheme (the New Scheme) was established from 1 April 1994, to provide a single pension scheme for members of the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council and the Particle Physics and Astronomy Research Council. Since 1 April 1995 the New Scheme has also included members of the Council for the Central Laboratory of the Research Councils, formerly part of the Engineering and Physical Sciences Research Council.

3 The New Scheme replaced the former schemes (the Old Schemes) of the Agricultural and Food Research Council (now the Biotechnology and Biological Sciences Research Council), the Economic and Social Research Council, the Natural Environment Research Council and the Science and Engineering Research Council. The Science and Engineering Research Council was dissolved on 31 March 1994 and replaced by two new Research Councils: the Engineering and Physical Sciences Research Council and the Particle Physics and Astronomy Research Council. The Old Schemes became closed to new members on 31 March 1994 and current members were transferred to the New Scheme.

4 On 1 October 2003, the superannuation arrangements for the Research Councils that were put in place from 1 April 1994 were replaced in order to keep in step with those of the Principal Civil Service Pension Scheme (PCSPS) whose arrangements also changed from that date. Under the new arrangements, current members had the choice of

i. staying in their current scheme (re-named the Classic Scheme);

ii. joining a new scheme with their existing pension entitlement converted into new scheme benefits (the Premium Scheme); or

iii. joining a new scheme for future service only with their existing pension entitlement used to provide eventual retirement benefits on a similar basis to those that existed prior to 1 October 2004 (the Classic Plus Scheme).

The main elements of the new Premium Scheme are the provision of a pension based on 1/60th of salary (versus 1/80th in the Classic Scheme) but without an automatic lump sum, a partner's pension (versus solely a widow(er)'s pension) and a member contribution rate of 3.5% (versus 1.5%).

In addition, the alternative of a Partnership Pension Account was also made available to new staff, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contributions scheme.

The Classic and Classic Plus Schemes became closed to new members from 30 September 2004.

5 For the sake of brevity, all Schemes existing from 1 April 1994 are described as New Schemes in these Accounts.

Principal Activities

6 These accounts describe the movement during the year in the total liabilities carried by the pension schemes for current Members in Service and existing (retired) Members under both the Old and New Schemes. This form of reporting was introduced from 1st April 2003 to fully comply with the disclosure requirements of UK Financial Reporting Standard (FRS) 17 Retirement Benefits. The actuarial position is dealt with in the Report of the Actuary and the scheme statement should be read in conjunction with that report.

7 The pension schemes' benefits* are by analogy to the Principal Civil Service Pension Scheme (PCSPS), except that in the case of the New Schemes redundancy and injury benefits are outside the scope of the scheme and are provided under separate staff agreements funded and accounted for by the respective employing Council. The pension schemes provide retirement and related benefits to all eligible employees based on individual final emoluments.

8 The Schemes* are operated on a pay-as-you-go basis and principally funded by employers' contributions from member Research Councils. Costs of operating the Schemes are also partially funded by grant-in-aid from Request for Resources 2 (RfR2) received through the Research Councils' sponsoring body, the Department of Trade and Industry. Other income results mainly from members' contributions.

*With the exception of the Partnership Pension Account.

9 The Chief Executive of the Biotechnology and Biological Sciences Research Council has been appointed Accounting Officer for the Research Councils' Pension Schemes Account, with responsibility for administering the Schemes' finances. Scheme administration is carried out by the Research Councils' Joint Superannuation Service (JSS).

Results for the Year

10 Income for the year totalled £70.8 million. Funding from employers' contributions amounted to £22.0 million and grant-in-aid from the Office of Science and Technology (OST) amounted to £42.3 million. The funding from the OST included an Annually Managed Expenditure (AME) Transfer of £11.2 million as a cash injection to finance the same amount paid as a result of the Bulk Transfer of employees from HRI to the Universities' Superannuation Scheme. Income from members' contributions was £6.4 million. Expenditure for the year totalled £46.7 million of which £45.0 million was Current Service Cost, £1.0M settlements and curtailments and £0.7 million was Administration Costs. The result was an Operating Gain for the year of £24.0 million. Interest Cost of £87.0 million resulted in an overall deficit for the year of £63.0 million. A further Actuarial Loss of £170.3 million increased the Total Recognised Losses for the year to £233.3 million. At 31 March 2005, Losses on Reserves were £332.4 million and Accumulated Revenue Account deficit was £1,287.7 million. The total net amounts paid out against the Provision for Pension Liabilities were £71.3 million, of which Benefit Payouts were £60.3 million and transfers across the schemes were a net £11.0 million transfer out.

Pension Scheme Membership

11

Membership of Schemes	**31 March 2005 No.**	31 March 2004 No.
New Schemes		
Current Members in Service	**8,188**	8,049
Pensions in Payment	**2,420**	2,172
Early Retirements	**430**	473
Preserved Pensions	**4,169**	3,898
Total	**15,207**	14,592
Old Schemes		
Pensions in Payment	**5,553**	5,558
Annual Compensation Payments	**53**	93
Preserved Pensions	**2,672**	2,775
Total	**8,278**	8,426
GRAND TOTAL	**23,485**	23,018

Members in Service - Changes in Year	**2004-05 No.**	2003-04 No.
Members in Service at 1 April	**8,049**	**8,308**
Adjustment resulting from changes notified in current year	**65**	**54**
Adjusted figure for 1 April	**8,114**	**8,362**
New Members in year	**725**	**734**
Leavers and Retirements in year	**(651)**	**(1,047)**
Members in Service at 31 March	**8,188**	**8,049**

Members in Service by Pension Scheme	**31 March 2005 No.**	31 March 2004 No.
Classic Scheme	**5,471**	**5,899**
Classic Plus Scheme	**441**	**464**
Premium Scheme	**2,276**	**1,686**
Members in Service at 31 March	**8,188**	**8,049**

Holders of Partnership Pension Accounts	**66**	**36**

Financial Development of the Scheme

12 There have been no changes to the Scheme during the year.

Events Since the End of the Financial Year

13 There have been no events since 31 March 2005 that affect these accounts.

Actuaries

14 The Government Actuary's Department are the appointed actuaries for the Research Councils' Pension Schemes.

Banks

15 Banking services for the Pension Schemes are provided by Paymaster, HM Paymaster General's Office and Barclays Bank plc.

Auditors

16 The accounts of the Research Councils' Pension Schemes are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965.

Enquiries

17 Any enquiries concerning the operation of the Research Councils' Pension Schemes should be addressed to the Research Councils' Joint Superannuation Service, Polaris House, North Star Avenue, Swindon, SN2 1UY.

Date:.....

Professor Julia M Goodfellow
Chief Executive BBSRC
Accounting Officer

Statement of the Biotechnology and Biological Sciences Research Council and Chief Executive's Responsibilities

Under paragraph 3 of Schedule 1 to the Science and Technology Act 1965, the Research Councils are required to prepare statements of accounts in the form and on the basis determined by the Secretary of State for Trade and Industry, with the consent of the Treasury. The accounts of the Research Councils' Pension Schemes are prepared on an accruals basis and must show a true and fair view of the net assets of the Schemes at the year-end and of their financial transactions during the financial year. The Biotechnology and Biological Sciences Research Council have been directed to prepare the accounts of the Research Councils' Pension Schemes.

In preparing the accounts the Council are required to:

- observe the accounts direction issued by the Secretary of State for Trade and Industry, 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Pension Schemes will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Biotechnology and Biological Sciences Research Council as the Accounting Officer for the Research Councils' Pension Schemes. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Statement by Chief Executive on Internal Control

Scope of Responsibility
As BBSRC's Accounting Officer designated as such by the DTI Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Research Councils' Pension Schemes' policies, aims and objectives whilst safeguarding the public funds and Research Councils' Pension Schemes' assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Combined Management Statement and Financial Memorandum agreed with OST.

The Purpose of the System of Internal Control
The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of BBSRC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and realising their impact only then, and to manage them efficiently, effectively and economically. By extension, this process will include the principal risks that may apply to the Research Councils' Pension Schemes. The system of internal control has been in place in the Research Councils' Pension Schemes for the year ended 31 March 2005 and up to the date of approval of the annual accounts, and accords with Treasury guidance

Capacity to Handle Risk
The BBSRC gives leadership to the process by a number of means, including:
1) setting out a risk management policy and strategy;
2) signing up to risk management assurance statements at the most senior levels;
3) updating and reviewing the register of key risks at least annually.

The interests of key stakeholders and operational partners are also considered.

The Risk and Control Framework
Risk management and internal control are considered on a regular basis during the year by the Research Councils' Pensions Schemes Management Board which is comprised of representatives of all research councils participating in the Schemes. A risk inventory for the Research Councils' Pension Scheme has been prepared and considered by the Management Board during the year. Appropriate controls and actions have been taken in respect of these risks.

The BBSRC Audit Board regularly reviews the Council's risk management framework and reports to Council on any issues of concern. The BBSRC Audit Board also review the Accounts of the Research Councils' Pensions Schemes.

Review of Effectiveness
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the Research Councils' Pensions Schemes and the research councils who have responsibility for the development and maintenance of the internal control framework, 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 Research Councils' Pensions Schemes Management Board and the BBSRC Audit Board and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

Professor Julia M Goodfellow, Chief Executive and Accounting Officer of BBSRC

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 10 to 18 under the Science and Technology Act 1965. The financial statements have been prepared in accordance with the accounting policies set out on page 13.

Respective responsibilities of the Biotechnology and Biological Sciences Research Council, Chief Executive and Auditor

As described on page 6, the Biotechnology and Biological Sciences Research Council and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder and for ensuring the regularity of transactions. The Chief Executive is also responsible for the preparation of the contents of the Report of the Manager. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State for Trade and Industry directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the schemes have been paid in accordance with the Schemes' rules or with the contracts under which they are payable and the recommendations of the actuary. I also report if, in my opinion, the Report of the Manager is not consistent with the financial statements, if the Biotechnology and Biological Sciences Research Council has not kept proper accounting records for the Schemes or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 7 reflects the Biological Sciences Research Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Chief Executive's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Biological Sciences Research Council and

Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Research Councils' Pensions Schemes' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Research Councils' Pension Schemes for the year ending 31 March 2005, the net outgoings, recognised gains and losses, and cash flows for the year and the amount and disposition at that date of its assets and liabilities, and have been properly prepared in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Trade and Industry;

- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and

- the contributions payable to the Schemes during the year ended 31 March 2005 have been paid in accordance with the Schemes' rules or the contracts under which they are payable and the recommendations of the Actuary.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

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Revenue Account for the year ended 31 March 2005

	Notes		2004-05		2003-04
INCOME		**£000**		**£000**	£000
Grant-in-Aid	2, 2a	**42,332**			29,740
Employers' contributions	3	**21,955**			21,146
Members' contributions		**6,372**			6,080
Other receipts		**93**			91
Total				**70,752**	57,057
EXPENDITURE					
Increase in scheme liabilities from:					
Current service cost	7	**45,000**			42,000
Settlements and curtailments		**1,000**			-
			46,000		42,000
Other Expenditure					
Administration costs	4		**682**		599
Amounts payable to the Office of Science & Technology			**47**		39
Total				**(46,729)**	(42,638)
Operating Gain for the year				**24,023**	14,419
Other Finance Costs					
Interest cost	7			**(87,000)**	(71,000)
Deficit for the year				**(62,977)**	(56,581)
Deficit brought forward				**(1,224,678)**	(1,168,097)
Deficit carried forward				**(1,287,655)**	(1,224,678)

All activities are regarded as continuing.

The Notes at Pages 13 to 18 form part of these accounts

Statement of Net Liabilities at 31 March 2005

	Notes	**31 March 2005 £000**	31 March 2004 £000
Current Assets and Liabilities			
Debtors	5	**854**	477
Cash at bank and in hand		**1,042**	1,078
		1,896	1,555
Less: Creditors falling due within one year	6	**(1,917)**	(315)
Net Current (Liabilities) / Assets		**(21)**	1,240
Provision for pension liabilities	7	**(1,620,000)**	(1,388,000)
Net Liabilities Including Pension Liability		**(1,620,021)**	(1,386,760)
Financed By:			
Losses on Reserves	8	**(332,366)**	(162,082)
Accumulated Revenue Account	8	**(1,287,655)**	(1,224,678)
		(1,620,021)	(1,386,760)

Chief Executive BBSRC
Accounting Officer

Date:**.....**

The Notes at Pages 13 to 18 form part of these accounts

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	2004-05		2003-04
		£000	£000	£000
Deficit for the year			**(62,977)**	(56,581)
Losses on Reserves :				
Correction of opening provision	11	**(37,000)**		-
Actuarial Loss				
Actual return less expected return on pension scheme assets		-		-
Experience losses arising on scheme liabilities	7	**(108,000)**		(102,000)
Changes in assumptions underlying the present value of the schemes liabilities	7	**(13,000)**		(40,000)
Actuarial reconciliation adjustments	7(b)	**(12,284)**		9,946
Reserve losses			**(170,284)**	(132,054)
Total Recognised Losses for the year ended 31 March 2005			**(233,261)**	(188,635)

Cash Flow Statement for the year ended 31 March 2005

	Note	2004-05		2003-04
		£000	£000	£000
Reconciliation of operating gains to net cash outflows from operating activities:				
Operating gain for year			**24,023**	14,419
Reverse non-cash costs in Revenue Account:				
Current service cost	7	**45,000**		42,000
Settlements and curtailments	7	**1,000**		-
			46,000	
			70,023	56,419
Application of provision:				
Benefit payments	7	**(60,296)**		(57,202)
Transfers in/out	7	**(10,988)**		1,148
			(71,284)	(56,054)
			(1,261)	365
Increases in debtors	5		**(377)**	(36)
Increase / (decrease) in creditors	6		**1,602**	(3,736)
Net cash outflows from operating activities			**(36)**	(3,407)
Cash Flow Statement				
Net cash outflows from operating activities			**(36)**	(3,407)
Decreases in cash			**(36)**	(3,407)

The Notes at Pages 13 to 18 form part of these accounts

Notes to the Accounts

1 Accounting Policies

a) Basis of Accounting

The accounts are prepared on an accruals basis and notwithstanding the fact that the Research Councils' Pension Schemes are unfunded and operate on a pay-as-you-go basis, they follow the format prescribed by the Statement of Recommended Practice, Financial Reports of Pension Schemes, in so far as it is applicable to the Research Councils' Pension Schemes.

The accounts summarise the transactions, assets and liabilities of the Research Councils' Pension Schemes including the obligations to pay pensions and benefits which fall due after the Schemes' year-end.

b) Early Retirement Lump Sums

Early retirement lump sums are recovered from the respective employing Research Council at the time of payment to the leaver. The non-enhanced preserved portion of the lump sum is repaid by the Pension Schemes' account to the respective Council when the recipient reaches Scheme retirement age.

2 Grant-In-Aid

Grant-in-Aid is provided from Department of Trade and Industry Request for Resources 2 to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the schemes' finances. The allocation for 2004-05 was £31,140,000 all of which was drawn down by the Research Councils' Pension Schemes.

2a HRI

In addition to the normal Grant-in-Aid, an Annually Managed Expenditure (AME) Transfer contributed £11,192,000 as a cash injection to finance the same amount paid as a result of the Bulk Transfer of staff who used to work at HRI to their new superannuation schemes.

3 Employers' Contributions

	2004-05	2003-04
	£000	£000
Total Contributions	**21,955**	21,146

Employers' contributions were paid by each participating Council at the rate of 10.1% from 1 April 1999 on the advice of the Government Actuary's Department. The rate will increase to 21.3% from 1 April 2005 following a review by the Government Actuary's Department.

4 Administration Costs

	2004-05	**2003-04**
	£000	£000
Total Running Costs	490	459
Less offsetting receipts	(21)	(30)
Net Running Costs	469	429
Pensioner payroll agency fees	116	113
Auditors' Remuneration	26	25
Actuarial and bank charges	71	32
	682	599

5 Debtors

	2004-05	2003-04
	£000	£000
Total	854	477

Debtors consist mainly of Employers' and Members' contributions, which are receivable by the Scheme in the normal course of operation, of which £167,500 was outstanding at the end of April.

6 Creditors

	2004-05	2003-04
	£000	£000
Trade creditors	1,335	-
Accrued expenses	582	166
Prepaid income	-	136
Other	-	13
Total	1,917	315

Trade creditors consist of pensioner payroll owing to payroll agency (the Natural Environment Research Council), accrued expenses consist mainly of administration costs owed to the Biotechnology and Biological Sciences Research Council. Prepaid income related to Early Retirement Lump Sums payable on 1 April 2004 but recovered in 2003-04.

7 Provision for Pension Liabilities

		2004-05		2003-04
	£000	£000	£000	£000
Balance at 1 April			**1,388,000**	1,199,000
Correction of opening provision			**37,000**	-
Balance at 1 April as restated			**1,425,000**	1,199,000
Benefit Payments (a) below		**(60,296)**		(57,202)
Transfer values in	**3,615**			4,687
Transfer values out (see note 2a)	**(14,603)**			(3,539)
Net transfers		**(10,988)**		1,148
Net amount paid out			**(71,284)**	(56,054)
Current service cost provided in year		**45,000**		42,000
Settlements and curtailments		**1,000**		-
Past service costs		**-**		-
Enhancements		**-**		-
Other finance cost: Interest cost		**87,000**		71,000
Actuarial loss – Experience losses		**108,000**		102,000
Actuarial loss – Changes in assumptions		**13,000**		40,000
Actuarial reconciliation adjustments (b) below		**12,284**		(9,946)
Movement in year			**266,284**	245,054
Balance at 31 March 2005			**1,620,000**	1,388,000
(a) Benefit Payments Analysed by Scheme				
New Schemes:				
Pensions		**19,581**		16,425
Retirement lump sums net of recoveries		**6,962**		7,281
Death benefits		**817**		719
Refunds of contributions		**299**		187
State scheme premiums		**76**		76
Other payments		**-**		-
			27,735	24,688
Old Schemes:				
Pensions and annual compensation payments		**32,152**		32,009
Retirement lump sums		**314**		424
Death benefits		**52**		56
Refunds of contributions		**43**		25
Other payments		**-**		-
			32,561	32,514
Total Benefit Payments			**60,296**	57,202

Note : Early Retirement Lump Sum Recoveries now netted off with Lump Sum Payments

7 continued

(b) Actuarial Reconciliation Adjustments	**2004-05**	2003-04
	£000	£000
1. Applied to provisions not income		
-Transfer values in	**-**	(4,687)
2. Applied to benefit payments not income		
- ERLS recoveries	**-**	(4,803)
3. Net Transfers[1] (see 7 above)	**10,988**	-
4. GAD rounding - benefit payments	**1,296**	(456)
Total	**12,284**	(9,946)

[1] including Bulk Transfer Out £11,192,000.

8 Movements in Reserves and Accumulated Revenue Account

	Losses on Reserves	**Accumulated Revenue Account**
	£000	**£000**
At 1 April 2003	(30,028)	(1,168,097)
Movement detailed in Statement of Total Recognised Gains and Losses	(132,054)	(56,581)
At 1 April 2004	(162,082)	(1,224,678)
Movement detailed in Statement of Total Recognised Gains and Losses	**(170,284)**	**(62,977)**
At 31 March 2005	**(332,366)**	**(1,287,655)**

9 Related Party Transactions

The Research Councils are Non-Departmental Public Bodies sponsored by the Office of Science and Technology (OST) within the Department of Trade and Industry (DTI).

The OST/DTI are regarded as related parties. During the period 1 April 2004 to 31 March 2005 the Research Councils' Pension Schemes had various material transactions with the OST/DTI and with other entities for which the OST/DTI is regarded as the parent Department. (These were the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, the Natural Environment Research Council, the Particle Physics and Astronomy Research Council and the Council for the Central Laboratory of the Research Councils.)

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the Research Councils' Pension Schemes.

10 Additional Voluntary Contributions

Members in service are entitled to make additional voluntary contributions (AVC's) under contracts between the employee and Scottish Widows, Equitable Life Assurance Society and Standard Life to secure additional pension benefits on a money purchase basis. Participating members each receive an annual statement of their contributions and investments directly from their AVC provider. The AVC arrangements are by analogy to those of the Principal Civil Service Pension Scheme. Employee contributions are paid directly by the participating Research Council and accordingly contributions and AVC investments are not included in these accounts.

11 Correction of Opening Balance on Reserves

Following the preparation of the 2003-04 Accounts, GAD advised a £37M increase in the provision as at 31 March 2004 caused by a liability adjustment due to data issues as at 31 March 2004. This has been shown as an opening balance correction. The experience losses during the year include £15M for future payments to the previous employers of staff taking early retirement (2003-04: £0M).

12 Additional Disclosures Required Under Financial Reporting Standard (FRS) 17 Retirement Benefits

a) The scheme is a defined benefit scheme and provides retirement and related benefits based on final salary;

b) The most recent actuarial valuation is the Actuarial Statement below on which the amounts in the financial statements are based;

c) The contribution made in respect of the accounting period by employers, employees and Grant-in-aid is described in the Income and Expenditure Account; the agreed contribution rate by employers for future years is as stated in the Actuarial Statement below;

d) Information is not available to state whether for closed schemes (Old Schemes) and for active membership (Current Members in Service) in the New Schemes that the age profile is rising significantly and, if this were the case, that the projected unit method (of valuation) would mean the current service cost (the increase in the present value of the Schemes' liabilities expected to arise from employee service in the current period) will increase as the members of the Schemes approach retirement;

e) The value of the Schemes' liabilities at 31 March 2005 is as described in the Actuarial Statement below;

f) Main financial assumptions made by GAD in preparing the valuation at 31 March 2005 were:

Rates per annum	**2004-05**	2003-04
Price inflation	**2.50%**	4.80%
Earnings increases	**4.00%**	6.40%
Rate used to discount the scheme liabilities*	**3.50%**	3.50%
Increase for pensions in payment and deferred pensions in line with increases in Retail Price Index	**2.50%**	2.70%

*HM Treasury have announced a change from 3.5% to 2.8% from 1 April 2005

Actuarial Statement For The Research Councils' Pension Schemes For Accounts For The Year Ended 31 March 2005

1 Liabilities

The capitalised value as at 31 March 2005 of expected future benefit payments under the Research Councils' Pension Schemes (RCPS), for benefits accrued in respect of employment (or former employment) prior to 31 March 2005, has been assessed to be £1,620 million, using the methodology and assumptions set out in Sections 3 and 4 below. The results are broken down, between the various categories of members and the active and closed schemes, as follows:

RCPS	**£ million**
Active members	670
Current pensioners	315
Deferred members	215
Total	**1,200**

Closed schemes	**£ million**
Current pensioners	335
Deferred members	85
Total	**420**

2 Accruing Costs

The cost of benefits accruing for each year is met partly by a contribution of either 1.5% from members who remained in the Classic Scheme, or a contribution of 3.5% from those who opted for the Premium or Classic Plus Schemes, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2004/2005 has been assessed as follows:

	% of pensionable pay
Employer's share of standard cost	18.8%

The employer's recommended contribution rate of 10.1% was set from 1 April 1999. However, the valuation as at 31 March 2002 has been completed and the recommended contribution rate has increased to 21.3% with effect from 1 April 2005 reflecting the change to the SCAPE methodology for actuarial valuation, the updating of the actuarial assumptions and the actual experience of the scheme.

From 1 October 2002, a new pension benefit structure was introduced. As a result, the pension benefit structure of some members of the RCPS has changed. All new members since that date have been automatically entered into the Premium Scheme with the option of joining the defined contribution Partnership arrangement. Staff then

in post were offered the option between remaining on the existing structure or moving to the new scheme.

In relation to the pensionable payroll for the financial year 2004/2005 and using the rates of contribution described the employer's charges in cash terms are £40.7 million.

3 Methodology

The value of the liabilities has been obtained by projecting the liabilities as at 31 March 2004, obtained in the mini actuarial valuation, to the balance sheet date and followed by an adjustment to reflect the resource accounting basis as at 31 March 2005. The standard contribution rate for accruing costs has also been determined with reference to the rate calculated in the 31 March 2004 valuation.

4 Assumptions

The assessments have been prepared in accordance with the Resource Accounting requirements as set out by HM Treasury. These include a discount rate net of price increases of 3.5% p.a. (pension benefits under the scheme are increased in line with prices).

In addition I have assumed that investment return in excess of earnings increases is 2% p.a. The main financial assumptions expressed in nominal terms are:

- A rate of earnings increases will be 4.0% p.a. excluding promotional and performance increments
- A long term nominal discount rate of 6.1% p.a.
- A rate of long-term inflation and pensions increases of 2.5% p.a.

The demographic assumptions adopted for the assessments are based on those used in the actuarial valuation of the scheme as at 31 March 2002, except for the pensioners' mortality which has been updated to reflect known improvement in life expectancy of existing pensioners.

5 Notes

The data for this assessment was gathered from the JSS pension administrators and relates to 31 December 2004. The data has been compared with information obtained for the RCPS mini valuation as at 31 March 2004, in order to confirm its reliability.

Government Actuary's Department
24 March 2005

Appendix

BIOTECHNOLOGY AND BIOLOGICAL SCIENCES RESEARCH COUNCIL

RESEARCH COUNCILS' PENSION SCHEMES

ACCOUNTS DIRECTION

The Secretary of State for Trade and Industry, with the approval of the Treasury, in accordance with section 2(2) of the Science and Technology Act 1965 hereby gives the following direction.

1. The Biotechnology and Biological Sciences Research Council (BBSRC) shall prepare statements of account in respect of the pension schemes of the Research Councils for the financial year ended 31 March 2005 and in respect of any subsequent financial year consisting of:

   - A report of the Scheme Manager;
   - A report of the Scheme Actuary;
   - A Statement of the Accounting Officers' responsibilities (to be signed by the Accounting Officer);
   - A statement on internal control.
   - The Certificate of the Comptroller and Auditor General
   - A Revenue Account;
   - A Statement of Recognised Gaines and Losses;
   - A balance sheet (to be signed by the Accounting Officer and dated);
   - A cash flow statement; and
   - Notes explaining and amplifying the information in the financial schedules above.

2. The statement of accounts shall give a true and fair view of the financial transactions and cash flows for the year and of the financial position as at the year-end.

3. Subject to the foregoing requirement, the statement shall:

   - have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* (notwithstanding that the pension schemes of the Research Councils are un-funded and operate on a pay-as-you-go basis);

   - have regard to the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits* as adapted for the public sector;
   - have regard to the guidance on Chapter 15 and Annex 7 of the *Resource Accounting Manual (RAM)* issued by the Treasury, notwithstanding that the RAM

applies to resource accounts (as defined in section of the Government Resources and Accounts Act 2000);

- meet any disclosure and accounting requirements which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view, insofar as they are appropriate to the accounts of the pension schemes of the Research Councils and are in force for the financial period for which the statement of accounts is to be prepared.

4. Additional and more detailed disclosure requirements are set out in the schedule to this direction.

5. The detailed layout of the accounts shall be agreed with the Office of Science and Technology.

Signed on behalf of the Secretary of State for Trade and Industry

S Loach

Dated: 19 March 2004